

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 10, 2025

NEW ISSUES — BOOK-ENTRY ONLY

Rating: Moody's: "Aa2"
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2025 Bonds. See "TAX MATTERS" herein.

\$20,000,000*
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G

\$10,000,000*
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
General Obligation Refunding Bonds, Series 2025

Dated: Date of Delivery

Due: As shown herein

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series G (the "New Money Bonds") are being issued by the Merced Union High School District (the "District"), located in the County of Merced, California (the "County"), under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District adopted on June 3, 2025. Proceeds of the New Money Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) pay costs of issuance of the New Money Bonds, as further described herein. The New Money Bonds were authorized at an election of the voters of the District held on November 4, 2008, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of \$149,450,000 aggregate principal amount of bonds of the District.

The Merced Union High School District (Merced County, California) General Obligation Refunding Bonds, Series 2025 (the "Refunding Bonds") are being issued by the District under the laws of the State and pursuant to a resolution of the Board of Trustees of the District, adopted on June 3, 2025. Proceeds of the Refunding Bonds will be applied to (i) refund a portion of the outstanding Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series D, and (ii) pay costs of issuance of the Refunding Bonds. The New Money Bonds and the Refunding Bonds are referred to collectively herein as the "Series 2025 Bonds."

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal or accreted value of and interest on the Series 2025 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS" herein.

The Series 2025 Bonds will be issued as current interest bonds (the "Current Interest Bonds") and/or capital appreciation bonds (the "Capital Appreciation Bonds"). The Series 2025 Bonds will be issued in denominations of \$5,000 principal amount or maturity value, as applicable, or any integral multiple thereof, as set forth on the inside front cover pages hereof. Interest on the Series 2025 Bonds issued as Current Interest Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2025. Principal of the Series 2025 Bonds issued as Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover pages hereof.

The Series 2025 Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable at maturity or their accreted value payable upon earlier redemption thereof. The Series 2025 Bonds issued as Capital Appreciation Bonds mature on dates, in each of the years and in the amounts set forth on the inside cover pages hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2025; provided, however, that, with respect to the New Money Bonds issued as Capital Appreciation Bonds and maturing on July 1, 2050, interest will be compounded on each January 1 and July 1 to maturity or earlier redemption thereof, commencing January 1, 2026.

The Series 2025 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2025 Bonds. Individual purchases of the Series 2025 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2025 Bonds purchased by them. See "THE SERIES 2025 BONDS – Form and Registration" herein. Payments of the principal or accreted value of and interest on the Series 2025 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent with respect to the Series 2025 Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series 2025 Bonds. See "THE SERIES 2025 BONDS – Payment of Principal and Interest" herein.

The Series 2025 Bonds are subject to redemption prior to maturity as described herein.* See "THE SERIES 2025 BONDS – Redemption" herein.

Each series of the Series 2025 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Kutak Rock LLP, Denver, Colorado, as counsel to the Underwriter. It is anticipated that the Series 2025 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about July 2, 2025.

STIFEL

Dated: _____, 2025

* Preliminary; subject to change.

MATURITY SCHEDULE*
BASE CUSIP†: 587635
\$20,000,000*
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G

\$ _____ **Current Interest New Money Bonds**
\$ _____ **Serial Current Interest New Money Bonds**

Maturity (August 1,)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
_____	\$ _____	% _____	% _____	_____

\$ _____ % **Term Current Interest New Money Bonds**
due August 1, 20__ – Yield _____% – CUSIP Suffix† _____

\$ _____ **Capital Appreciation New Money Bonds**
\$ _____ **Serial Capital Appreciation New Money Bonds**

Maturity	Initial Principal Amount	Accretion Rate	Maturity Value	Yield	CUSIP† Suffix
_____	\$ _____	% _____	\$ _____	% _____	_____

\$ _____ **Initial Principal Amount of Term Capital Appreciation New Money Bonds due _____ 1, 20__**
_____ % Accretion Rate – \$ _____ Maturity Value – Yield _____% – CUSIP† Suffix _____

* Preliminary; subject to change.

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MATURITY SCHEDULE*

BASE CUSIP†: 587635

\$10,000,000*

MERCED UNION HIGH SCHOOL DISTRICT

(Merced County, California)

General Obligation Refunding Bonds, Series 2025

\$_____ Current Interest Refunding Bonds

\$_____ Serial Current Interest Refunding Bonds

<u>Maturity (August 1,)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP† Suffix</u>
	\$	%	%	

**\$_____ % Term Current Interest Refunding Bonds
due August 1, 20__ – Yield _____ % – CUSIP Suffix† _____**

\$_____ Capital Appreciation Refunding Bonds

\$_____ Serial Capital Appreciation Refunding Bonds

<u>Maturity (August 1,)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>Yield</u>	<u>CUSIP† Suffix</u>
	\$	%	\$	%	

**\$_____ Initial Principal Amount of Term Capital Appreciation Refunding Bonds due _____ 1, 20__
_____ % Accretion Rate – \$_____ Maturity Value – Yield _____ % – CUSIP† Suffix _____**

* Preliminary; subject to change.

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This Official Statement does not constitute an offering of any security other than the original offering of the Series 2025 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2025 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2025 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed by the District to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2025 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2025 Bonds.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Series 2025 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2025 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover pages hereof and said public offering prices may be changed from time to time by the Underwriter.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)**

BOARD OF TRUSTEES

Amalee Jayasinghe (Area 4), *President*
Tiffany Pickle (Area 2), *Vice President*
Kurt Kollmann (Area 5), *Clerk*
Erin Hamm (Area 1), *Member*
Julio Valadez (Area 3), *Member*

DISTRICT ADMINISTRATORS

Alan Peterson, *Superintendent*
Scott Weimer, Ed.D., *Assistant Superintendent/Chief Business Official*
Yolanda Balladares, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Municipal Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar, Transfer Agent and Escrow Bank

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

Verification Agent

Causey Public Finance, LLC
Denver, Colorado

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\$20,000,000*
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G

\$10,000,000*
MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
General Obligation Refunding Bonds, Series 2025

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside front cover pages and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside front cover pages and appendices hereto, is provided to furnish information in connection with the sale of (i) \$20,000,000* aggregate initial principal amount of Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series G (the “New Money Bonds”), consisting of current interest bonds (the “Current Interest New Money Bonds”) and capital appreciation bonds (the “Capital Appreciation New Money Bonds”), and (ii) \$10,000,000* aggregate initial principal amount of Merced Union High School District (Merced County, California) General Obligation Refunding Bonds, Series 2025 (the “Refunding Bonds”), consisting of current interest bonds (the “Current Interest Refunding Bonds”) and capital appreciation bonds (the “Capital Appreciation Refunding Bonds”), all as indicated on the inside front cover pages hereof, to be offered by the Merced Union High School District (the “District”). The New Money Bonds and the Refunding Bonds are collectively referred to herein as the “Series 2025 Bonds.” The Current Interest New Money Bonds and the Current Interest Refunding Bonds are referred to herein as the “Current Interest Bonds.” The Capital Appreciation New Money Bonds and the Capital Appreciation Refunding Bonds are referred to herein as the “Capital Appreciation Bonds.”

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificates to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure” and APPENDIX D – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.”

The Series 2025 Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Series 2025 Bonds are not a debt or obligation of the County of Merced (the “County”) or of the general fund of the District. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS.”

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2025 Bonds. Quotations from and summaries and explanations of the Series 2025 Bonds, the Resolutions (as defined herein) of the Board of Trustees of the District providing for the issuance of each series of the Series 2025 Bonds, and the constitutional provisions, statutes and other documents described herein, do not

* Preliminary; subject to change.

purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2025 Bonds.

Copies of documents referred to herein and information concerning the Series 2025 Bonds are available from the District by contacting: Merced Union High School District, 3430 A Street, Atwater, California 95301, Attention: Assistant Superintendent/Chief Business Official. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, located in California's San Joaquin Valley, serves the cities of Merced, Atwater, and Livingston and adjacent unincorporated areas of Merced County, California. The District was established in 1915 and encompasses approximately 625 square miles. The District currently operates six comprehensive high schools for grades 9-12, one continuation school for grades 9-12, one community day school, one independent study school, and one adult school. Total enrollment in the District is estimated at approximately 11,391 students in fiscal year 2024-25. As of the preparation of the District's fiscal year 2025-26 original budget, total enrollment in the District is budgeted to be approximately 11,341 students in fiscal year 2025-26. The District operates under the jurisdiction of the Merced County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately \$20.97 billion. For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District has faced and may face in the future cybersecurity threats, attacks or incidents from time to time, as more fully described in Appendix A hereto. Moreover, the District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats or attacks against the District or third-party entities or service providers will not directly or indirectly impact the District or the Owners of the Series 2025 Bonds, including the possibility of impacting the timely payments of debt service on the Series 2025 Bonds or timely filings pursuant to the District's continuing disclosure undertakings. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Cybersecurity."

THE SERIES 2025 BONDS

Authority for Issuance; Purpose

New Money Bonds. The New Money Bonds are issued by the District under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Sections 15140 and 15146 and Article XIII A of the Constitution of the State of California (the “California Constitution”) and pursuant to a resolution of the Board of Trustees of the District, adopted on June 3, 2025, relating to the New Money Bonds (the “New Money Resolution”).

At an election held on November 4, 2008, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed \$149,450,000 to provide funds to expand vocational/job-training facilities, upgrade educational technology, add classrooms and facilities and construct a new school to relieve overcrowding and growth, replace aging portables with permanent classrooms, and improve, acquire and construct school classrooms and joint-use facilities, sites and equipment (collectively, the “2008 Authorization”). The New Money Bonds represent the seventh series of authorized bonds to be issued under the 2008 Authorization. Proceeds of the New Money Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District under the 2008 Authorization, and (ii) pay costs of issuance of the New Money Bonds. See “– Plan of Finance – *New Money Bonds*” and “– Application and the Investment of Series 2025 Bond Proceeds” herein. Prior to the issuance of the New Money Bonds, the District has \$24,910,085.55 aggregate principal amount of bonds authorized but unissued under the 2008 Authorization.

Refunding Bonds. The Refunding Bonds are issued by the District pursuant to the California Constitution and laws of the State of California (the “State”), including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Trustees of the District on June 3, 2025, providing for the issuance of the Refunding Bonds (the “Refunding Resolution” and, together with the New Money Resolution, the “Resolutions”).

Proceeds from the Refunding Bonds will be used to (i) refund a portion of the outstanding Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series D (the “Series D Bonds”), and (ii) pay costs of issuance of the Refunding Bonds. See “– Plan of Refunding” and “– Application and the Investment of Series 2025 Bond Proceeds” below.

Pursuant to the Resolutions, the term “Bonds” means all bonds, including the New Money Bonds and the Refunding Bonds, of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including bonds approved by the voters of the District pursuant to the 2008 Authorization.

Form and Registration

Each series of the Series 2025 Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount or maturity value, as applicable, or integral multiples thereof. Each series of the Series 2025 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Series 2025 Bonds. Purchases of the Series 2025 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in the Series 2025 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2025 Bonds, beneficial owners of the Series 2025 Bonds (“Beneficial Owners”)

will not receive physical certificates representing their ownership interests. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Payment of Principal and Interest

The Series 2025 Bonds will be issued Current Interest Bonds and Capital Appreciation Bonds, all as set forth on the inside cover pages hereof.

Interest; Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover pages of this Official Statement. Interest on the Current Interest New Money Bonds and Current Interest Refunding Bonds is payable on February 1 and August 1 of each year (each, an “Interest Date”), commencing on August 1, 2025. Interest on the Current Interest Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Date of such Current Interest Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date for such Current Interest Bond (the “Record Date”) and on or prior to the succeeding Interest Date for such Current Interest Bond, in which event it will bear interest from such Interest Date for such Current Interest Bond, or unless it is authenticated on or before the Record Date preceding the first Interest Date for such Current Interest Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds of such series, such Current Interest Bond will bear interest from the Interest Date for such Current Interest Bond to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds of such series.

Interest; Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity or earlier redemption thereof (on the basis of a 360-day year consisting of twelve 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof (“Maturity Value”), as stated on the inside cover pages of this Official Statement, or to its accreted value if subject to redemption prior to maturity thereof, on the basis of a constant interest rate or rates compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates), commencing on August 1, 2025; provided however, that, with respect to the Capital Appreciation New Money Bonds maturing on July 1, 2050, interest will be compounded on each January 1 and July 1 (with straight-line interpolations between such dates), commencing January 1, 2026 (each of which, with respect to the Capital Appreciation New Money Bonds maturing on July 1, 2050, shall constitute an “Interest Date”).

Accreted Values. The rate of interest at which a Capital Appreciation Bond’s Maturity Value is discounted to its initial principal amount is known as the “Accretion Rate,” and is stated on the inside cover pages hereof. For any Capital Appreciation Bond, the value of the initial principal plus accrued interest on any given Interest Date prior to maturity (the “accreted value”) may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriter has prepared the Table of Accreted Values shown in Appendix G with respect to the Capital Appreciation Bonds in order to provide the value per \$5,000 of Maturity Value for each Capital Appreciation Bond on each Interest Date prior to maturity.

Payment of Series 2025 Bonds. The principal of the Current Interest Bonds or the Maturity Value or accreted value (as applicable) of the Capital Appreciation Bonds is payable in lawful money of the United States of America to the registered owner thereof (the “Owner”), upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent for the Series 2025 Bonds (the “Paying Agent”), at the maturity thereof or upon redemption prior to maturity.

The interest on the Current Interest Bonds is payable on each Interest Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Date, such interest to be paid by check or draft mailed on such Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the Owner thereof at such Owner’s address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 in principal amount of outstanding Current Interest Bonds of a series who request in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Date. So long as the Series 2025 Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Redemption*

Optional Redemption of the New Money Bonds. The Current Interest New Money Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Current Interest New Money Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Current Interest New Money Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation New Money Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Capital Appreciation New Money Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the initial principal amount of the Capital Appreciation New Money Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

Optional Redemption of the Refunding Bonds. The Current Interest Refunding Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Current Interest Refunding Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Current Interest Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Refunding Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Capital Appreciation Refunding Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the initial principal amount of the Capital

* Preliminary; subject to change.

Appreciation Refunding Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of the New Money Bonds. The \$_____ term Current Interest New Money Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
_____	\$

†

† Maturity.

The principal amount of the \$_____ term Current Interest New Money Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Current Interest New Money Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$_____ term Capital Appreciation New Money Bonds maturing on _____ 1, 20__ are subject to mandatory sinking fund redemption on _____ 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (_____ 1,)	Initial Principal Amount to be Redeemed	Accreted Value Amount to be Redeemed
_____	\$	\$

†

† Maturity.

The accreted value amounts of the \$_____ term Capital Appreciation New Money Bonds maturing on _____ 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of Maturity Value, by any portion of such term Capital Appreciation New Money Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

Mandatory Sinking Fund Redemption of the Refunding Bonds. The \$_____ term Current Interest Refunding Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
_____	\$ _____

†

† Maturity.

The principal amount of the \$_____ term Current Interest Refunding Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Current Interest Refunding Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The \$_____ term Capital Appreciation Refunding Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective accreted value amounts as set forth in the following schedule, at a redemption price equal to 100% of the accreted value to be redeemed, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Initial Principal Amount to be Redeemed	Accreted Value Amount to be Redeemed
_____	\$ _____	\$ _____

†

† Maturity.

The accreted value amounts of the \$_____ term Capital Appreciation Refunding Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of Maturity Value, by any portion of such term Capital Appreciation Refunding Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2025 Bonds for Redemption. If less than all of the Series 2025 Bonds of a series, if any, are subject to optional redemption and are called for redemption, such Series 2025 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2025 Bonds of a series of any given maturity are designated for redemption, the Paying Agent will select the outstanding Series 2025 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2025 Bond will be deemed to consist of individual Series 2025 Bonds of denominations of \$5,000 principal amount or maturity value, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2025 Bond will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2025 Bonds. See APPENDIX D – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.”

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Series 2025 Bonds and the date of issue of such Series 2025 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2025 Bonds to be redeemed; (vi) if less than all of the Series 2025 Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2025 Bonds of each maturity to be redeemed; (vii) in the case of Series 2025 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2025 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2025 Bonds to be redeemed; (ix) a statement that such Series 2025 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2025 Bonds will not accrue or accrete after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice of redemption, nor any defect in such notice, is to affect the sufficiency of the proceedings for the redemption of such Series 2025 Bonds called for redemption or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above, and when the redemption price of the Series 2025 Bonds called for redemption is set aside for the purpose of redeeming the Series 2025 Bonds, the Series 2025 Bonds designated for redemption become due and payable on the specified redemption date and interest ceases to accrue or accrete thereon as of the redemption date, and upon presentation and surrender of such Series 2025 Bonds at the place specified in the notice of redemption, such Series 2025 Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2025 Bonds so called for redemption after such redemption date are entitled to payment of such Series 2025 Bonds and the redemption premium thereon, if any, only from monies on deposit for such purpose in the interest and sinking fund of the District established for the Series 2025 Bonds within the County treasury (the interest and sinking fund established for the New Money Bonds or the Refunding Bonds, as applicable, is referred to herein as, the “Interest and Sinking Fund”) or the trust fund established for such purpose. All Series 2025 Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2025 Bonds so called for redemption. Any optional redemption and notice thereof is to be rescinded if for any reason on the date fixed for redemption monies are not available in the related Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal or accreted value of, interest, and any premium due on the Series 2025 Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2025 Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of Series 2025 Bonds called for redemption there is to be available in the related Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided

in the applicable Resolution, the Series 2025 Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series 2025 Bonds to be redeemed upon presentation and surrender of such Series 2025 Bonds, provided that all monies in the related Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the related Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series 2025 Bonds of a series have been redeemed and cancelled or paid and cancelled, there are monies remaining in the related Interest and Sinking Fund or otherwise held in trust for the payment of the redemption price of such Series 2025 Bonds, the monies are to be held in or returned or transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of Bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such Bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series 2025 Bonds

The Resolutions provide that if at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Series 2025 Bonds of a series all or any part of the principal or accreted value of, interest and premium, if any, on the Series 2025 Bonds of such series at the times and in the manner provided in the applicable Resolution and in the Series 2025 Bonds of such series, or as described in the following paragraph, or as otherwise provided by law consistent with the provisions of the applicable Resolution, then such Owners of such Series 2025 Bonds will cease to be entitled to the obligation of the District and of the County to levy and collect property taxes to pay such Series 2025 Bonds as provided in the applicable Resolution, and such obligation and all agreements and covenants of the District to such Owners under the applicable Resolution and under the Series 2025 Bonds of such series will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the Series 2025 Bonds of such series, but only out of monies on deposit in the related Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolutions described below under “– Unclaimed Monies” will apply.

The District may pay and discharge any or all of the Series 2025 Bonds of a series by depositing in trust with the Paying Agent or an escrow agent selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of, accreted value and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the related Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series 2025 Bonds of such series (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Monies

Any money held in any fund created pursuant to the Resolutions, or by the Paying Agent or an escrow agent in trust for the payment of the principal or accreted value of, redemption premium, if any, or interest on any series of the Series 2025 Bonds and remaining unclaimed for two years after the principal or accreted value of all of such series of the Series 2025 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; or, if no such Bonds

of the District are at such time outstanding, the monies are required to be transferred to the general fund of the District as provided and permitted by law.

Plan of Finance*

New Money Bonds. The New Money Bonds represent the seventh series of authorized bonds to be issued under the 2008 Authorization and will be issued to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District under the 2008 Authorization, and (ii) pay costs of issuance with respect to the New Money Bonds.

Investment of Proceeds. Under State law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. The proceeds from the sale of the New Money Bonds received by the District, except for certain amounts permitted to be held and disbursed by a costs of issuance administrator and exclusive of any premium and accrued interest received by the District, will be deposited in the County treasury to the credit of the building fund of the District established for the New Money Bonds (the “Building Fund”) and will be accounted for separately from all other District and County funds. Such proceeds will be applied solely for the purposes for which the New Money Bonds were authorized. Any premium or accrued interest on the New Money Bonds received by the District will be deposited in the Interest and Sinking Fund established for the New Money Bonds in the County treasury. Taxes collected to pay principal and interest on the New Money Bonds will also be deposited in the Interest and Sinking Fund established for the New Money Bonds. Earnings on the investment of monies in either fund will be retained in that fund and used only for the purpose to which that fund may lawfully be applied. Monies in the Building Fund may only be applied for the purposes for which the New Money Bonds were authorized. Monies in the Interest and Sinking Fund established for the New Money Bonds may only be applied to pay principal, interest and redemption premium, if any, on the New Money Bonds.

All funds held by the Treasurer-Tax Collector of the County (the “County Treasurer”) in the Building Fund and the Interest and Sinking Fund established for the New Money Bonds are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 *et seq.* of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E – “MERCED COUNTY TREASURY INVESTMENT POLICY STATEMENT AND TREASURY INVESTMENT REPORT” for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the New Money Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Plan of Refunding*

The Refunding Bonds will be issued to: (i) refund and defease a portion of the outstanding Series D Bonds, consisting of current interest bonds maturing on August 1, 2042, and the capital appreciation bonds maturing on August 1 in the years 2026 through 2040, inclusive (collectively, the “Refunded Bonds”), as set forth in the table below; and (ii) pay costs of issuance of the Refunding Bonds.

* Preliminary; subject to change.

REFUNDED SERIES D BONDS*

Current Interest Bonds

<u>Maturity Date (August 1,)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number[†]</u>	<u>Redemption Date</u>
2042	\$3,000,000	5.000%	587635 FT5	August 1, 2025

Capital Appreciation Bonds

<u>Maturity Date (August 1,)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>Redemption Date</u>	<u>CUSIP Number[†]</u>
2026	\$173,736.60	3.580%	\$255,000.00	August 1, 2025	587635 GA5
2027	144,726.75	3.770	225,000.00	August 1, 2025	587635 GB3
2028	145,024.80	3.970	240,000.00	August 1, 2025	587635 GC1
2029	150,048.30	4.160	265,000.00	August 1, 2025	587635 GD9
2030	153,296.90	1.350	290,000.00	August 1, 2025	587635 GE7
2031	156,564.45	4.470	315,000.00	August 1, 2025	587635 GF4
2032	160,095.80	4.530	340,000.00	August 1, 2025	587635 GG2
2033	162,910.45	4.580	365,000.00	August 1, 2025	587635 GH0
2034	164,841.30	4.630	390,000.00	August 1, 2025	587635 GJ6
2035	168,268.80	4.670	420,000.00	August 1, 2025	587635 GK3
2036	166,966.80	4.710	440,000.00	August 1, 2025	587635 GL1
2037	168,791.10	4.750	470,000.00	August 1, 2025	587635 GM9
2038	740,371.60	4.790	2,180,000.00	August 1, 2025	587635 GN7
2039	743,057.70	4.820	2,310,000.00	August 1, 2025	587635 GP2
2040	746,262.90	4.840	2,445,000.00	August 1, 2025	587635 GQ0

The maturities of the District's outstanding Series D Bonds listed in the following table will not be refunded with proceeds of the Refunding Bonds and will remain outstanding.

UNREFUNDED SERIES D BONDS*

Current Interest Bonds

<u>Maturity Date (August 1,)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number[†]</u>
2045	\$9,945,000	4.000%	587635 FU2

Capital Appreciation Bonds

<u>Maturity Date (August 1,)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>CUSIP Number[†]</u>
2025	\$126,187.25	3.360%	\$175,000.00	587635 FZ1

* Preliminary; subject to change.

† CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such CUSIP numbers.

The District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”) will enter into the Escrow Agreement, dated as of July 1, 2025 (the “Escrow Agreement”), with respect to the Refunded Bonds, pursuant to which the District will deposit a portion of the proceeds from the sale of the Refunding Bonds into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Refunded Bonds, which will be held pursuant to the Escrow Agreement, will be used to purchase the aggregate principal amount of non-callable direct and general obligations of the United States of America (“Defeasance Securities”), the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to redeem the Refunded Bonds on August 1, 2025 (the “Redemption Date”) at a redemption price equal to the principal amount of the Refunded Bonds plus accrued or accreted interest thereon, as applicable, to the Redemption Date, without premium. See “ESCROW VERIFICATION” herein. Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Refunding Bonds.

Application and Investment of the Series 2025 Bond Proceeds

The proceeds of each series of the Series 2025 Bonds are expected to be applied as follows:

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G and
General Obligation Refunding Bonds, Series 2025

Estimated Sources and Uses of Funds

	New Money Bonds	Refunding Bonds	Total
<u>Sources of Funds:</u>			
Aggregate Initial Principal Amount	\$	\$	\$
[Plus/Less] [Net] Original Issue			
[Premium/Discount]			
Total Sources of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Uses of Funds:</u>			
Escrow Fund	-	\$	\$
Deposit to Building Fund	\$	-	
Deposit to Interest and Sinking Fund ⁽¹⁾		-	
Underwriter’s Discount			
Costs of Issuance ⁽²⁾			
Total Uses of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ Consists of premium received by the District.

⁽²⁾ Includes legal fees, municipal advisor fees, rating agency fees, verification agent fees, as applicable, printing fees and other miscellaneous expenses that the District will pay.

Debt Service

Annual debt service on each series of the Series 2025 Bonds, assuming no early optional redemptions, is set forth in the following table.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G and
General Obligation Refunding Bonds, Series 2025

Period Ending (August 1,)	New Money Bonds				Refunding Bonds				Total Debt Service
	Current Interest New Money Bonds		Capital Appreciation New Money Bonds		Current Interest Refunding Bonds		Capital Appreciation Refunding Bonds		
	Principal	Interest	Principal	Interest Paid at Maturity	Principal	Interest	Principal	Interest Paid at Maturity	
2025	\$	\$	\$	\$	\$	\$	\$	\$	\$
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043					-	-	-	-	
2044					-	-	-	-	
2045					-	-	-	-	
2046					-	-	-	-	
2047					-	-	-	-	
2048					-	-	-	-	
2049					-	-	-	-	
2050					-	-	-	-	
2051			-	-	-	-	-	-	
Total:	\$	\$	\$	\$	\$	\$	\$	\$	\$

Source: Stifel, Nicolaus & Company, Incorporated.

Outstanding Bonds

In addition to the New Money Bonds and the Refunding Bonds (and not accounting for the planned refunding of the Refunded Bonds with proceeds of the Refunding Bonds), the District has eight series of general obligation bonds outstanding, each of which is secured by *ad valorem* property taxes upon all property subject to taxation by the District.

2008 Authorization. As indicated above, at an election held November 4, 2008, the voters of the District approved the 2008 Authorization, authorizing the issuance of general obligation bonds of the District in an aggregate principal amount of \$149,450,000 to finance specified projects. On May 5, 2009, the District issued its Election of 2008 General Obligation Bonds, Series A (the “Series A Bonds”) in the aggregate initial principal amount of \$24,999,943.90 as the District’s first series of bonds issued under the 2008 Authorization. On March 3, 2011, the District issued its Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate initial principal amount of \$462,564.60 and its Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds – Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$25,000,000 (collectively, the “Series B Bonds”) as its second and third, respectively, series of bonds issued under the 2008 Authorization. On December 14, 2011, the District issued its Election of 2008 General Obligation Bonds, Series C (the “Series C Bonds”) in the aggregate initial principal amount of \$30,489,820.80 as the District’s fourth series of bonds issued under the 2008 Authorization. On October 8, 2015, the District issued the Series D Bonds in the aggregate initial principal amount of \$17,799,586.40 as its fifth series of bonds issued under the 2008 Authorization. On January 29, 2019, the District issued its Election of 2008 General Obligation Bonds, Series E (the “Series E Bonds”) in the aggregate initial principal amount of \$5,791,397.45 as its sixth series of bonds issued under the 2008 Authorization. On February 24, 2021, the District issued its Election of 2008 General Obligation Bonds, Series F (the “Series F Bonds”) in the aggregate initial principal amount of \$19,996,601.30 as its seventh series of bonds issued under the 2008 Authorization. Prior to the issuance of the Series G Bonds, there remains \$24,910,085.55 aggregate principal amount authorized but unissued under the 2008 Authorization.

Refunding Bonds. On June 23, 2015, the District issued its 2015 General Obligation Refunding Bonds (the “2015 Refunding Bonds”) in the aggregate initial principal amount of \$29,749,416.90, to refund, on an advance basis, a portion of the then outstanding Series C Bonds. On December 6, 2017, the District issued its 2017 General Obligation Refunding Bonds (the “2017 Refunding Bonds”) in the aggregate principal amount of \$16,380,000 to refund, on an advance basis, a portion of the then-outstanding Series A Bonds. On June 4, 2020, the District issued its General Obligation Refunding Bonds, Series 2020 (Federally Taxable) (the “2020 Refunding Bonds”), in the aggregate initial principal amount of \$48,949,738.40, to refund, on an advance basis, all of the outstanding 2015 Refunding Bonds.

A summary of the District’s outstanding general obligation bonded debt is set forth on the following page.

Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, assuming no early optional redemptions.

MERCED UNION HIGH SCHOOL DISTRICT (Merced County, California) General Obligation Bonds – Aggregate Debt Service

Year Ending (August 1)	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds ⁽¹⁾	2017 Refunding Bonds	Series E Bonds	2020 Refunding Bonds	Series F Bonds	New Money Bonds	Refunding Bonds	Total
2025	-	\$2,395,774.20	\$115,000.00	\$722,800.00	\$2,152,750.00	\$423,537.50	-	\$265,200.00	\$	\$	\$
2026	-	1,410,000.00	1,015,000.00	802,800.00	2,286,250.00	444,537.50	-	223,600.00			
2027	-	1,410,000.00	1,105,000.00	772,800.00	2,419,000.00	469,337.50	-	323,600.00			
2028	-	-	2,620,000.00	787,800.00	2,565,500.00	494,837.50	-	353,600.00			
2029	-	-	2,720,000.00	812,800.00	2,719,500.00	528,337.50	-	383,600.00			
2030	\$3,280,000.00	-	2,855,000.00	837,800.00	-	129,337.50	-	418,600.00			
2031	3,510,000.00	-	2,935,000.00	862,800.00	-	129,337.50	-	463,600.00			
2032	-	-	6,765,000.00	887,800.00	-	139,337.50	-	503,600.00			
2033	-	-	7,105,000.00	912,800.00	-	144,012.50	-	548,600.00			
2034	4,180,000.00	-	3,280,000.00	937,800.00	-	148,525.00	-	598,600.00			
2035	-	-	7,830,000.00	967,800.00	-	157,875.00	-	643,600.00			
2036	-	-	8,225,000.00	987,800.00	-	166,900.00	-	703,600.00			
2037	-	-	8,635,000.00	1,017,800.00	-	175,600.00	-	758,600.00			
2038	-	-	-	2,727,800.00	-	180,600.00	\$ 6,565,000.00	1,643,600.00			
2039	-	-	-	2,857,800.00	-	190,600.00	6,875,000.00	1,748,600.00			
2040	-	-	-	2,992,800.00	-	200,600.00	7,200,000.00	1,863,600.00			
2041	-	-	-	3,137,800.00	-	210,600.00	7,543,761.60	1,973,600.00			
2042	-	-	-	3,283,300.00	-	220,600.00	7,902,429.60	2,103,600.00			
2043	-	-	-	3,439,600.00	-	225,600.00	8,282,221.50	2,238,600.00		-	
2044	-	-	-	3,604,000.00	-	237,600.00	8,669,880.00	2,383,600.00		-	
2045	-	-	-	956,800.00	-	3,068,000.00	9,085,000.00	2,528,600.00		-	
2046	-	-	-	-	-	-	9,515,426.95	4,923,600.00		-	
2047	-	-	-	-	-	-	9,965,004.00	4,212,600.00		-	
2048	-	-	-	-	-	-	10,439,817.30	-		-	
2049	-	-	-	-	-	-	10,931,828.75	-		-	
2050	-	-	-	-	-	-	11,456,229.00	-		-	
2051	-	-	-	-	-	-	12,000,000.00	-		-	
Total	<u>\$10,970,000.00</u>	<u>\$5,215,774.20</u>	<u>\$55,205,000.00</u>	<u>\$34,311,300.00</u>	<u>\$12,143,000.00</u>	<u>\$8,085,712.50</u>	<u>\$126,431,598.70</u>	<u>\$31,808,400.00</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ Does not reflect the planned refunding of the Refunded Bonds with proceeds of the Refunding Bonds.

Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS

General

In order to provide sufficient funds for repayment of principal or accreted value of and interest when due on each series of the Series 2025 Bonds, the Board of Supervisors of the County (the “Board of Supervisors”) is empowered and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal or accreted value of and interest on each series of the Series 2025 Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District’s general fund. When collected, the tax revenues with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure will be deposited by the County in the interest and sinking fund of the District related to such bond measure and established for such Bonds to be used solely for the payment of the principal or redemption price of and interest on such Bonds.

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2025 Bonds.

Statutory Lien on Taxes

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only each series of the Series 2025 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien. For information on outstanding bonds of the District, see “THE SERIES 2025 BONDS – Outstanding Bonds” above.

Pledge of, Lien on and Security Interest in Tax Revenues

As provided in the Resolutions, the District has pledged, and granted a lien on and security interest in, all revenues from the property taxes collected from the levy by the Board of Supervisors with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure and all amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure, in order to secure the payment of the principal or redemption price of and interest on such Bonds. Pursuant to the Resolutions, such pledge and grant is valid and binding from the date of each Resolution for the benefit of the Owners of the Bonds and successors

thereto. The Resolutions provide that the property taxes and amounts held in any interest and sinking fund of the District will be immediately subject to this pledge and grant, and the pledge and grant will constitute a lien and security interest which will immediately attach to (a) the property taxes and (b) the amounts held in any interest and sinking fund of the District. Pursuant to the Resolutions, this pledge and grant will secure the payment of such Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The Resolutions provide that this pledge and grant constitutes an agreement between the District and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge and grant are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

The pledge of and grant of a lien on and security interest in tax revenues provided for in the Resolutions specifies that said pledge and grant secures the Series 2025 Bonds and other general obligations bonds, including refunding bonds, previously issued or that may be issued in the future pursuant to the related voter-approved measure. Previous general obligation bonds of the District have been issued under resolutions that pledge and grant a lien on and security interest in tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder, and the District may provide for a similar pledge and grant of a lien on and security interest in tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Resolutions do not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the pledge of and grant of a lien on and security interest in such tax revenues.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the school bonds when due, as *ex-officio* treasurer of the school district.

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2024-25 assessed value of \$20,967,546,088. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts,

stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in the State, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies within the County, including the District.

Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2010-11 through 2024-25, each as of the date the equalized assessment roll is established in August of each year.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Assessed Valuations
Fiscal Years 2010-11 through 2024-25

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	Annual % Change
2010-11	\$9,036,304,280	\$4,118,169	\$659,180,764	\$9,699,603,213	-
2011-12	8,915,057,160	2,036,267	640,368,765	9,557,462,192	-1.47%
2012-13	8,956,687,293	2,036,267	621,963,064	9,580,686,624	0.24
2013-14	9,579,142,475	2,036,267	650,652,537	10,231,831,279	6.80
2014-15	10,507,964,111	1,253,865	698,410,358	11,207,628,334	9.54
2015-16	11,490,021,459	1,249,617	716,950,057	12,208,221,133	8.93
2016-17	11,918,047,997	1,236,125	796,325,180	12,715,609,302	4.16
2017-18	12,601,777,722	1,231,016	842,438,229	13,445,446,967	5.74
2018-19	13,372,007,653	1,349,974	881,887,003	14,255,244,630	6.02
2019-20	14,350,104,322	1,350,253	915,951,530	15,267,406,105	7.10
2020-21	15,238,777,923	1,347,955	972,525,088	16,212,650,966	6.19
2021-22	15,958,997,598	1,345,807	1,023,145,742	16,983,489,147	4.75
2022-23	17,402,464,866	1,396,525	1,174,285,822	18,578,147,213	9.39
2023-24	18,688,091,747	1,354,970	1,297,477,466	19,986,924,183	7.58
2024-25	19,605,634,585	1,350,515	1,360,560,988	20,967,546,088	4.91

Source: California Municipal Statistics, Inc.; annual percent change provided by Stifel, Nicolaus & Company, Incorporated.

Risk of Decline in Property Values. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), the lack of availability or unaffordability of property or homeowners' insurance, pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "*– Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the outbreak of the respiratory disease caused by the Coronavirus Disease 2019, which was declared a pandemic by the World Health Organization, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of property within the District. The lack of availability or unaffordability of property or homeowners' insurance may result in a disruption of the real estate market causing a general market decline in property values therefore affecting the assessed value of property within the District. Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* property taxes levied to repay the District's Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in

economic conditions will impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* property taxes.

Risk of Climate Change. The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, including flooding, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change may intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change and its impact on property values in the District.

Risk of Earthquake. The District is located in a seismically active region. The most notable earthquake faults in the region include the San Andreas and Garlock faults and the San Joaquin fault zone. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

Risk of Drought. Most recently, the State has experienced periods of extreme precipitation, after having experienced severe drought conditions that led to the Governor of California (the “Governor”) declaring a Statewide drought emergency in spring 2021. While storms have helped ease drought impacts, regions and communities across the State continue to experience water supply shortages, especially communities that rely on groundwater supplies that have been severely depleted in recent years. In March 2023, the Governor rolled back some drought emergency provisions that are no longer needed due to current water conditions, while maintaining other measures that support regions and communities still facing water supply challenges, and that continue building up long-term water resilience. The District cannot predict the extent to which drought conditions within the County or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the SCU Lightning Complex Fires, Creek Fire, River Fire and Oak Fire. Within the boundaries of the District, no facilities or property was damaged or destroyed by said wildfires or other recent wildfires. The adjacent counties of Fresno, Madera, Mariposa, Santa Clara and Stanislaus have also been impacted by the wildfires mentioned above. The District cannot predict the extent to which any future wildfires within the District, the County, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

Prospective purchasers of the Series 2025 Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Series 2025 Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series 2025 Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See “ – Tax Charges and Delinquencies” and “ – Teeter Plan” below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then-current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIII A of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single-family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* property taxes.

Bonding Capacity. As a high school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2024-25 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$262.09 million and its net bonding capacity is approximately \$142.78 million (taking into account current outstanding debt before the issuance of the Series 2025 Bonds and not accounting for the refunding of the

Refunded Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries for fiscal year 2024-25 by jurisdiction. The District is located entirely within the County and within portions of the cities of Atwater, Livingston and Merced, and unincorporated portions of the County.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Fiscal Year 2024-25 Assessed Valuation by Jurisdiction**

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Atwater	\$ 2,431,292,857	11.60%	\$2,431,292,857	100.00%
City of Livingston	1,346,038,930	6.42	\$1,346,038,930	100.00%
City of Merced	8,253,229,711	39.36	\$8,253,229,711	100.00%
Unincorporated Merced County	8,936,984,590	42.62	\$17,827,095,321	50.13%
Total District	\$20,967,546,088	100.00%		
Merced County	\$20,967,546,088	100.00%	\$35,281,165,010	59.43%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2024-25 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Fiscal Year 2024-25 Assessed Valuation and Parcels by Land Use**

	2024-25 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% of Total
<u>Non-Residential:</u>						
Agricultural	\$3,923,989,229	20.01	5,347	10.00%	5,063	9.57%
Commercial	1,842,882,442	9.40	1,562	2.92	1,532	2.89
Vacant Commercial	101,581,501	0.52	361	0.68	361	0.68
Industrial	2,169,819,579	11.07	864	1.62	846	1.60
Vacant Industrial	36,953,943	0.19	127	0.24	121	0.23
Government/Social/Institutional	8,915,518	0.05	200	0.37	150	0.28
Miscellaneous	14,399,192	0.07	123	0.23	117	0.22
Subtotal Non-Residential	\$8,098,541,404	41.31%	8,584	16.06%	8,190	15.48%
<u>Residential:</u>						
Single-Family Residence	\$ 9,720,560,220	49.58%	38,293	71.64%	38,247	72.27%
Condominium Units	104,529,830	0.53	528	0.99	528	1.00
Mobile Home	76,828,366	0.39	1,654	3.09	1,642	3.10
Mobile Home Park	11,045,203	0.06	5	0.01	5	0.01
2-4 Residential Units	504,561,556	2.57	2,015	3.77	2,001	3.78
5+ Residential Units/Apartments	679,814,833	3.47	493	0.92	487	0.92
Miscellaneous Residential	217,639,031	1.11	444	0.83	444	0.84
Vacant Residential	192,114,142	0.98	1,435	2.68	1,380	2.61
Subtotal Residential	\$11,507,093,181	58.69%	44,867	83.94%	44,734	84.52%
TOTAL	\$19,605,634,585	100.00%	53,451	100.00%	52,924	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2024-25, including the average and median per parcel assessed value.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Fiscal Year 2024-25 Per Parcel Assessed Valuation of Single-Family Homes**

	Number of Parcels		2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation	
Single-Family Residential	38,247		\$9,720,560,220	\$254,152	\$232.583	
2024-25 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	121	0.316%	0.316%	\$ 2,170,602	0.022%	0.022%
\$25,000 - \$49,999	707	1.849	2.165	28,702,657	0.295	0.318
\$50,000 - \$74,999	1,635	4.275	6.440	102,493,514	1.054	1.372
\$75,000 - \$99,999	2,214	5.789	12.228	195,286,498	2.009	3.381
\$100,000 - \$124,999	2,813	7.355	19.583	317,267,833	3.264	6.645
\$125,000 - \$149,999	3,033	7.930	27.513	415,562,930	4.275	10.920
\$150,000 - \$174,999	2,968	7.760	35.273	481,537,710	4.954	15.874
\$175,000 - \$199,999	2,594	6.782	42.056	485,402,784	4.994	20.867
\$200,000 - \$224,999	2,346	6.134	48.189	497,590,225	5.119	25.986
\$225,000 - \$249,999	2,249	5.880	54.070	534,795,240	5.502	31.488
\$250,000 - \$274,999	2,156	5.637	59.707	565,789,465	5.821	37.309
\$275,000 - \$299,999	2,208	5.773	65.480	634,178,190	6.524	43.833
\$300,000 - \$324,999	2,212	5.783	71.263	689,846,847	7.097	50.929
\$325,000 - \$349,999	2,040	5.334	76.597	688,232,604	7.080	58.010
\$350,000 - \$374,999	1,844	4.821	81.418	667,306,633	6.865	64.874
\$375,000 - \$399,999	1,595	4.170	85.588	617,475,037	6.352	71.227
\$400,000 - \$424,999	1,297	3.391	88.980	534,336,101	5.497	76.724
\$425,000 - \$449,999	966	2.526	91.505	422,156,989	4.343	81.067
\$450,000 - \$474,999	733	1.916	93.422	339,098,896	3.488	84.555
\$475,000 - \$499,999	569	1.488	94.909	277,255,555	2.852	87.407
\$500,000 and greater	1,947	5.091	100.000	1,224,073,910	12.593	100.000
Total	38,247	100.000%		\$9,720,560,220	100.000%	

⁽¹⁾ Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of local secured taxable property in the District on the fiscal year 2024-25 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Largest Fiscal Year 2024-25 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	Percent of Total ⁽¹⁾
1.	E&J Gallo Winery/Gallo Vineyards	Winery	\$ 647,088,325	3.30%
2.	Foster Poultry Farms	Food Processing/Offices	414,263,588	2.11
3.	Fresno Farming LLC	Agricultural	145,066,420	0.74
4.	2980 East Yosemite LLC	Apartments	105,422,831	0.54
5.	Dole Packaged Foods LLC	Industrial/Agricultural	86,826,563	0.44
6.	JJB Farms LLP	Agricultural	77,332,730	0.39
7.	Universal Foods Corporation	Industrial	67,712,742	0.35
8.	Gallo Cattle Company	Agricultural	65,431,357	0.33
9.	Kahlon Family Farming LLC	Agricultural	55,251,581	0.28
10.	Castle Farms Inc.	Agricultural	52,852,902	0.27
11.	Castle@Water LLC	Apartments	50,816,454	0.26
12.	Wal-Mart Real Estate Business Trust	Commercial	46,394,737	0.24
13.	Inhame Terra I-IV LLC	Agricultural	43,608,594	0.22
14.	Scholle Corporation	Industrial	42,483,500	0.22
15.	Fagundes Brothers LLC	Agricultural	38,103,454	0.19
16.	Livingston Farmers Association	Industrial	36,351,228	0.19
17.	McLane Company Inc.	Industrial	35,828,600	0.18
18.	Rainbow Orchards V LLC	Agricultural	33,839,625	0.17
19.	Mersal Farm LLC	Agricultural	32,798,224	0.17
20.	Target Corporation	Commercial	32,120,832	0.16
			<u>\$2,109,594,287</u>	<u>10.76%</u>

⁽¹⁾ The fiscal year 2024-25 local secured assessed valuation is \$19,605,634,585.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” above.

Tax Rates

General. The California Constitution permits the levy of an *ad valorem* property tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on each series of the Series 2025 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of each series of the Series 2025 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal or accreted value of and interest on each series of the Series 2025 Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

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Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in the typical tax rate areas of the District located in the City of Atwater (TRA-1-001), the City of Livingston (TRA 3-001), the City of Merced (TRA 5-000), and an unincorporated area of the District (TRA 89-006).

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Typical Total Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2020-21 through 2024-25

<u>City of Atwater (TRA 1-001)⁽¹⁾</u>					
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Atwater School District	0.0493	0.0221	0.0199	0.0178	0.0196
Merced Union High School District	0.0340	0.0331	0.0215	0.0151	0.0129
Merced Community College District SFID No. 1	0.0117	0.0122	0.0108	0.0096	0.0120
Total Tax Rate	1.0950%	1.0674%	1.0522%	1.0425%	1.0445%

<u>City of Livingston (TRA 3-001)⁽²⁾</u>					
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Livingston Union School District	0.0219	0.0554	0.0491	0.0491	0.0427
Merced Union High School District	0.0340	0.0331	0.0215	0.0151	0.0129
Merced Community College District SFID No. 1	0.0117	0.0122	0.0108	0.0096	0.0120
Total Tax Rate	1.0676%	1.1007%	1.0814%	1.0738%	1.0676%

<u>City of Merced (TRA 5-000)⁽³⁾</u>					
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Merced City School District	0.0757	0.0554	0.0491	0.0491	0.0427
Merced Union High School District	0.0340	0.0331	0.0215	0.0151	0.0129
Merced Community College District SFID No. 1	0.0117	0.0122	0.0108	0.0096	0.0120
Total Tax Rate	1.1214%	1.1077%	1.0814%	1.0738%	1.0676%

<u>Unincorporated County of Merced (TRA 89-006)⁽⁴⁾</u>					
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Merced Union High School District	0.0340	0.0331	0.0215	0.0151	0.0129
Merced Community College District SFID No. 1	0.0117	0.0122	0.0108	0.0096	0.0120
Total Tax Rate	1.0457%	1.0453%	1.0323%	1.0247%	1.0249%

⁽¹⁾ The fiscal year 2024-25 assessed valuation of TRA 1-001 is \$1,661,686,345 which is 7.93% of the District's total assessed valuation for such fiscal year.

⁽²⁾ The fiscal year 2024-25 assessed valuation of TRA 3-001 is \$1,103,216,437 which is 5.26% of the District's total assessed valuation for such fiscal year.

⁽³⁾ The fiscal year 2024-25 assessed valuation of TRA 5-000 is \$1,903,505,903 which is 9.08% of the District's total assessed valuation for such fiscal year.

⁽⁴⁾ The fiscal year 2024-25 assessed valuation of TRA 89-006 is \$663,247,559 which is 3.16% of the District's total assessed valuation for such fiscal year.

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2008 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2008 Authorization will require a tax rate no greater than \$30.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the New Money Bonds, the District projects that the maximum tax rate required to repay the

New Money Bonds, and all other outstanding Bonds approved under the 2008 Authorization, will be within such legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors of the County to levy taxes at such rate as may be necessary to pay debt service on the New Money Bonds and any other series of bonds issued under the 2008 Authorization in each year.

Tax Charges and Delinquencies

General. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* property taxes for voter-approved indebtedness, including the Series 2025 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10 and a 10% penalty attaches. The second installment is due on February 1 and becomes delinquent after April 10. If the second installment payment is delinquent, a 10% penalty attaches and a \$30 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic dumping. However, the County has adopted the Teeter Plan (defined herein), according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see “– *Teeter Plan*” below. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. If delinquencies increase substantially as a result of events outside the control of the District, the County has the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The County does not provide the secured tax charges and corresponding delinquencies for the general obligation bond debt service levy with respect to the property located in the District. While some counties also provide information on the secured tax charges and corresponding delinquencies for the portion of the county's 1% general fund levy that is allocated to a school district with respect to property located in such district as an indication of comparative delinquency rates, the County does not provide such

information. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Series 2025 Bonds. See "– *Teeter Plan*" below.

Teeter Plan. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to general taxes on the secured roll and taxes levied for repayment of school district general obligation bonds on the secured tax roll. There can be no assurances that the County will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Series 2025 Bonds when due.

The Teeter Plan is applicable to the Series 2025 Bonds and to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the county treasuries are the legal depository of tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for the accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied on secured property to pay the interest on and principal of the Series 2025 Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. Irrespective of actual delinquencies in the collection of tax by the County, the County will transfer to the Interest and Sinking Fund an amount sufficient to pay debt service on the Series 2025 Bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors to discontinue the Teeter Plan.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. effective May 5, 2025 for debt outstanding as of June 1, 2025. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are

not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Statement of Direct and Overlapping Bonded Debt**

May 5, 2025

2024-25 Assessed Valuation: \$20,967,546,088

	<u>% Applicable</u>	<u>Debt 6/1/2025</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Merced Community College District School Facilities Improvement District No. 1	79.358%	\$22,486,089
Merced Union High School District	100.000	119,313,635⁽¹⁾
Atwater School District	100.000	23,230,110
Ballico Cressey Union School District	100.000	4,414,000
El Nido School District	100.000	3,050,000
Livingston Union School District	100.000	6,455,000
Merced City School District	100.000	103,651,828
Merced River School District	100.000	1,907,092
Weaver Union School District	100.000	18,724,835
City of Merced Community Facilities Districts	100.000	12,865,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$316,097,589
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Merced County Certificates of Participation	59.430%	\$25,207,879
Merced County Office of Education Certificates of Participation	59.430	3,687,632
Atwater Union School District General Fund Obligations	100.000	10,395,000
Livingston Union School District Certificates of Participation	100.000	7,225,000
McSwain Union School District Certificates of Participation	100.000	2,599,000
Weaver Union School District Certificates of Participation	100.000	1,110,000
TOTAL OVERLAPPING GENERAL FUND DEBT		\$50,224,511
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$11,945,000
COMBINED TOTAL DEBT		\$378,267,100⁽²⁾

Ratios to 2024-25 Assessed Valuation:

Direct Debt (\$119,313,635)	0.57%
Total Direct and Overlapping Tax and Assessment Debt	1.51%
Combined Total Debt.....	1.80%

Ratio to Redevelopment Incremental Valuation (\$1,706,870,116):

Total Overlapping Tax Increment Debt	0.70%
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⁽¹⁾ Excludes the New Money Bonds and the Refunding Bonds; includes the Refunded Bonds. Also excludes accreted value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2025 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

To the extent the issue price of any maturity of the Series 2025 Bonds is less than the amount to be paid at maturity of such Series 2025 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2025 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2025 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2025 Bonds is the first price at which a substantial amount of such maturity of the Series 2025 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2025 Bonds accrues daily over the term to maturity of such Series 2025 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2025 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2025 Bonds. Beneficial Owners of the Series 2025 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2025 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2025 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2025 Bonds is sold to the public.

Series 2025 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of Series 2025 interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2025 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2025 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2025 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2025 Bonds. The opinion of Bond Counsel assumes the accuracy

of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2025 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2025 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2025 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2025 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2025 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2025 Bonds ends with the issuance of the Series 2025 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2025 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2025 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2025 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Series 2025 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2025 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series 2025 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2025 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS

notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

OTHER LEGAL MATTERS

Legal Opinion

The validity of each series of the Series 2025 Bonds and certain other legal matters are subject to the approving opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver opinions with respect to each series of the Series 2025 Bonds at the time of issuance substantially in the forms set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Kutak Rock LLP, as counsel to the Underwriter.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2025 Bonds are legal investments for commercial banks in the State to the extent that the Series 2025 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2025 Bonds are eligible securities for deposit of public monies in the State.

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2024-25 (which is due no later than April 1, 2026) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made for the benefit of the holders and Beneficial Owners of each series of the Series 2025 Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission.

In the preceding five years, the District has failed to timely file its unaudited financial statements for fiscal year 2019-20 prior to the deadline (although it filed its audited financial statements for fiscal year 2019-20 when they became available), failed to timely file its audited financial statements for fiscal year 2021-22 when they became available (although it filed its unaudited financial statements for fiscal year 2021-22 prior to the deadline), and, due to the delay in completing the District’s fiscal year 2021-22 audited financial statements, failed to timely file certain operating data for fiscal year 2021-22.

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District's dissemination agent in connection with each of the District's prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to each series of the Series 2025 Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2025 Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2025 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2025 Bonds or District officials who will sign certifications relating to the Series 2025 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2025 Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter (defined herein) relating to the computation of projected receipts of principal of and interest on the Defeasance Securities, and the projected payments of principal, redemption premium, if any, and interest to retire the Refunded Bonds will be verified by Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

FINANCIAL STATEMENTS

The District's audited financial statements for fiscal year ended June 30, 2024 are included in Appendix B. Such financial statements have been audited by Eide Bailly LLP, Fresno, California ("Eide Bailly"). The District has not requested nor has the District obtained the consent of Eide Bailly to the inclusion of its report in Appendix B. Eide Bailly has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Eide Bailly has not been requested to perform and has not performed any procedures relating to the Official Statement.

MISCELLANEOUS

Rating

Moody's Investors Service Inc. has assigned its rating of "Aa2" to the Series 2025 Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2025 Bonds. There

is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2025 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2025 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2025 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2025 Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series 2025 Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Series 2025 Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter is also contingent upon the sale and delivery of the Series 2025 Bonds.

Underwriting

General. The New Money Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on _____, 2025 (the "New Money Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the New Money Bonds at a price of \$_____ (which represents the aggregate initial principal amount of the New Money Bonds, plus [net] original issue premium in the amount of \$_____, and less Underwriter's discount in the amount of \$_____. The New Money Purchase Agreement provides that the Underwriter will purchase all of the New Money Bonds, subject to certain terms and conditions set forth in the New Money Purchase Agreement.

The Refunding Bonds are being purchased for reoffering to the public by the Underwriter, pursuant to the terms of a bond purchase agreement executed on _____, 2025 (the "Refunding Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$_____ (which represents the aggregate principal amount of the Refunding Bonds, [plus/less] [net] original issue [premium/discount] in the amount of \$_____, and less Underwriter's discount in the amount of \$_____. The Refunding Purchase Agreement provides that the Underwriter will purchase all of the Refunding Bonds, subject to certain terms and conditions set forth in the Refunding Purchase Agreement.

The Underwriter may offer and sell the Series 2025 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover pages of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial

instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Underwriter Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

In September 2008, the Underwriter made a contribution to an organization in support of the 2008 Authorization, which appeared on the November 2008 ballot.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2025 Bonds. Quotations from and summaries and explanations of the Series 2025 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2025 Bonds.

The District has duly authorized the delivery of this Official Statement.

**MERCED UNION HIGH SCHOOL
DISTRICT**

By: _____
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Merced Union High School District (the “District”), the District’s finances, and State of California (the “State”) funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2025 Bonds (as defined in the front portion of this Official Statement) is payable from the general fund of the District or from State revenues. The Series 2025 Bonds are payable from the proceeds of an ad valorem property tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the “California Constitution”), and required to be levied by the County of Merced (the “County”) on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2025 Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS” in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District, located in California’s San Joaquin Valley, serves the cities of Merced, Atwater, and Livingston and adjacent unincorporated areas of Merced County, California. The District was established in 1915 and encompasses approximately 625 square miles. The District currently operates six comprehensive high schools for grades 9-12, one continuation school for grades 9-12, one community day school, one independent study school, and one adult school. Total enrollment in the District is estimated at approximately 11,391 students in fiscal year 2024-25. As of the preparation of the District’s fiscal year 2025-26 original budget (the “Fiscal Year 2025-26 Budget”), total enrollment in the District is budgeted to be approximately 11,341 students in fiscal year 2025-26. The District operates under the jurisdiction of the Merced County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately \$20.97 billion.

Board of Trustees

The District is governed by a five-member Board of Trustees (the “Board of Trustees”), each member of which is a voting member. Each member is elected by voters within their “area” of the District to four-year terms. Elections are held every two years in alternate slates of two and three. Each December, the Board of Trustees elects a President, a Vice President and a Clerk to serve one-year terms. Current members of the Board of Trustees, together with their office, their trustee area, and the date their current term expires, are set forth in the table set forth below.

MERCED UNION HIGH SCHOOL DISTRICT (Merced County, California)

Board of Trustees

Name	Office	Trustee Area	Term Expires
Amalee Jayasinghe	President	Area 4	December 2028
Tiffany Pickle	Vice President	Area 2	December 2026
Kurt Kollmann	Clerk	Area 5	December 2026
Erin Hamm	Member	Area 1	December 2026
Julio Valadez	Member	Area 3	December 2028

Superintendent and Assistant Superintendent of Business Services

General. The Superintendent of the District is appointed by, and reports directly to, the Board of Trustees. The Assistant Superintendent/Chief Business Official of the District reports directly to the Superintendent. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The current Superintendent, Alan Peterson, has served in this position since November 2015. The Assistant Superintendent/Chief Business Official is responsible for management of the District's finances and business operations. Scott Weimer, Ed.D., has served as Assistant Superintendent/Chief Business Official since July 2017.

Alan Peterson, Superintendent. Immediately prior to Mr. Peterson's appointment to serve as the Superintendent of the District, he served as the Assistant Superintendent/Chief Business Official of the District. Mr. Peterson has also previously served as the principal of Atwater High School in the District, and he assisted in the opening of Sequoia High School, the District's community day school. He began his career in education at Hilmar Unified School District, serving as a teacher, coach and Vice Principal. Mr. Peterson earned his Bachelor's Degree from California State University, Chico, and his Master's degree from Chapman University.

Scott Weimer, Ed.D., Assistant Superintendent/Chief Business Official. Immediately prior to Dr. Weimer's appointment to serve as the Assistant Superintendent/Chief Business Official of the District, he served as the Executive Director of Curriculum and Instruction for the District. Dr. Weimer was previously a site administrator at the District, and has served the District for 23 years. He earned his Bachelor's degree in Political Science, with a minor in Business Administration and Economics, and his Master's Degree in Education, with a concentration in School Administration, from California State University, Stanislaus, and his Doctorate of Education from the University of South Carolina. Dr. Weimer has also completed the California Association of School Business Officials Chief Business Official certification.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face in the future cybersecurity threats, attacks or incidents from time to time. Given the importance of cybersecurity for school districts, federal lawmakers approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

The District is not aware of any major cyberattack or breach of its systems during the last five years. The District employs security systems to protect against cyberattacks and maintains a technology use policy applicable to students and employees. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains cyber liability insurance through the Self-Insured Schools of California II ("SISC II"). For more information on SISC II, see "DISTRICT FINANCIAL MATTERS – Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures." There can be no assurance that a future cybersecurity incident or attempted cybersecurity incident would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy, collection and holding of *ad valorem* property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination

agents and project management firms. No assurance can be given that future cyber threats and attacks against third party entities or service providers will not directly or indirectly impact the District or the Owners of the Series 2025 Bonds, including the possibility of impacting the timely payments of debt service on the Series 2025 Bonds or timely filings pursuant to the District's continuing disclosure undertakings.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "*Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the California Constitution (see "*Local Property Tax Revenues*"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. As of the preparation of the District's fiscal year 2024-25 estimated actuals (the "Fiscal Year 2024-25 Estimated Actuals"), the District estimates it will receive approximately 79.27% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* property tax), at approximately \$180.04 million in fiscal year 2024-25. Based on the District's Fiscal Year 2025-26 Budget, the District has budgeted to receive approximately 80.20% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* property tax), budgeted at approximately \$173.66 million in fiscal year 2025-26. Such amounts include both the State funding provided under the LCFF as well as other State revenues. See "*Allocation of State Funding to School Districts; Local Control Funding Formula*," "*Enrollment, A.D.A. and LCFF*" and "*Other District Revenues – Other State Revenues*" below. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by voters of the State in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the California Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "*Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information.

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2024-25 State budget on June

29, 2024, which was amended through a series of legislative trailer bills (as amended, the “2024-25 State Budget”).

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a California Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the California Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State’s share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year’s budget, from the Governor’s initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as “settle-up.” If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State’s response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers’ unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force the State to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the California Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2025 Bonds, and the District takes no responsibility for informing owners of the Series 2025 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2024-25 State Budget. The 2024-25 State Budget notes that the State has experienced significant revenue volatility—seeing unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in 2023 significantly clouded the State's revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure the State is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

In this regard, the 2024-25 State Budget includes provisions intended to address a budget deficit of approximately \$46.8 billion while also creating a positive fund balance in the State's Special Fund for Economic Uncertainties (the "SFEU") in fiscal years 2024-25 and 2025-26 and maintaining core programs for vulnerable populations. The 2024-25 State Budget includes approximately \$16.0 billion in budgetary reductions, comprising (a) an approximately 7.95% reduction in the State's operations budget resulting in State general fund savings of approximately \$2.2 billion, (b) a \$1.5 billion permanent reduction in State departments' budgets for vacant positions, (c) a reduction of approximately \$358.0 million in the State Department of Corrections and Rehabilitation budget in fiscal year 2024-25 and a total reduction of approximately \$750.0 million in fiscal years 2022-23 through 2024-25, (d) a \$500.0 million reduction to the State Student Housing Revolving Loan Program, (e) a \$485.0 million reduction in unspent one-time Learning-Aligned Employment Program resources, (f) an ongoing reduction of \$110.0 million to the Middle Class Scholarship Program, beginning in fiscal year 2025-26, (g) a \$1.1 billion reduction in various affordable housing programs, and (h) a \$746.1 million reduction for various healthcare workforce programs. The 2024-25 State Budget includes a \$13.6 billion increase in revenues in fiscal year 2024-25 through fiscal year 2026-27 by means of additional revenue sources and internal borrowing from special funds. As part of this revenue increase, the 2024-25 State Budget includes suspension of net operating loss deductions for companies with over \$1.0 million in taxable income and limits business tax credits to \$5.0 million in fiscal years 2023-24 through 2025-26, which is projected to increase revenues by \$5.95 billion in fiscal year 2024-25, \$5.5 billion in fiscal year 2025-26 and \$3.4 billion in fiscal year 2026-27. Additionally, the 2024-25 State Budget includes an increased managed care organization tax generating a projected \$5.1 billion in fiscal year 2024-25, \$4.6 billion in fiscal year 2025-26, and \$4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately \$12.2

billion from the State Rainy Day Fund (the “Rainy Day Fund” or “State Rainy Day Fund”) over fiscal years 2024-25 and 2025-26 and approximately \$900.0 million from the State Safety Net Reserve in fiscal year 2024-25.

Additional budgeting maneuvers include \$6.0 billion in fund shifts, including (a) applying a prior CalPERS supplemental pension payment to the State’s overall pension liability which reduces the State’s required employer contributions in fiscal year 2024-25 by \$1.7 billion, (b) shifting approximately \$958.0 million from the State general fund to the State’s Greenhouse Gas Reduction Fund for the Formula and Competitive Transit and Intercity Rail Capital Program, and (c) shifting approximately \$3.0 billion from the State general fund to the State’s Greenhouse Gas Reduction Fund for clean energy and other climate programs. The 2024-25 State Budget also delays funding for programs such as the State Food Assistance Program Expansion, Developmental Services, childcare slots and the State’s broadband program by a total amount of approximately \$3.1 billion. The 2024-25 State Budget also includes approximately \$2.1 billion in payroll and University of California and California State University compact deferrals.

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately \$236.5 billion, including revenues and transfers of approximately \$189.4 billion and a prior year balance of approximately \$47.1 billion, and total expenditures in fiscal year 2023-24 of approximately \$223.1 billion. The 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately \$225.6 billion, inclusive of revenues and transfers of approximately \$212.1 billion and a prior year balance of approximately \$13.4 billion. The 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately \$211.5 billion, inclusive of non-Proposition 98 expenditures of approximately \$128.9 billion and Proposition 98 expenditures of approximately \$82.6 billion. The 2024-25 State Budget projects total reserve balances of \$22.2 billion at the end of fiscal year 2024-25. This includes \$17.6 billion in the State Rainy Day Fund, \$3.5 billion in the SFEU, and \$1.1 billion in the Public School System Stabilization Account (the “Proposition 98 Rainy Day Fund”). In addition, the 2024-25 State Budget maintains approximately \$10.6 billion in the Reserve for Liquidation of Encumbrances. The 2024-25 State Budget includes total funding of \$133.8 billion for all K-12 education programs, including \$81.5 billion from the State’s general fund and \$52.3 billion from other funds. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2024-25 State Budget suspends the Proposition 98 minimum guarantee in fiscal year 2023-24 and projects the Proposition 98 minimum guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Proposition 98 minimum guarantee is equal to the percentage of State general fund appropriated for K-14 schools in fiscal year 1986-87. Suspending the Proposition 98 minimum guarantee is projected to create a maintenance factor obligation of approximately \$8.3 billion in fiscal year 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 minimum guarantee level in fiscal year 2024-25. The 2024-25 State Budget reflects Proposition 98 funding levels of \$103.7 billion in fiscal year 2022-23, \$98.5 billion in fiscal year 2023-24, and \$115.3 billion in fiscal year 2024-25. Such funding represents approximately 39.2% of the State’s general fund revenues, plus local property tax revenues and a \$4.1 billion maintenance factor payment. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2024-25 State Budget increased the funding level from approximately 38.6% to approximately 39.2% to increase the percentage of State general fund revenues obligated to the Proposition 98 minimum guarantee.

- Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes a withdrawal of the entire \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 and a discretionary payment of approximately \$1.1 billion in fiscal year 2024-25, leaving a projected balance of \$1.1 billion at the end of fiscal year 2024-25. Because there is no ending balance at the end of fiscal year 2023-24 and a balance of \$1.1 billion at the end of fiscal year 2024-25, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See “ – *School District Reserves*” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”
- Local Control Funding Formula. The 2024-25 State Budget includes an LCFF cost-of-living adjustment of 1.07%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local agencies by approximately \$983.0 million. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately \$5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2023-24, and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in fiscal year 2024-25.
- Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246.0 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.
- Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process.
- Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.
- Instructional Continuity and Attendance Program. The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to local educational agencies. Beginning in fiscal year 2024-25, the 2024-25 State Budget allows local educational agencies to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education for funding purposes. Beginning July 1, 2025, the 2024-25 State Budget requires local educational agencies to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application. The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The 2024-25 State Budget also includes a \$4.0 million in one-time Proposition 98 general fund resources to research existing, and develop new models of hybrid and remote learning to support students’ attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity.
- Teacher Professional Development and Preparation. To expand the State’s educator training infrastructure, the 2024-25 State Budget (a) provides \$25.0 million of one-time Proposition 98 general fund resources to support necessary costs, including training for educators to administer

literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year; and (b) provides \$20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

- State Preschool Program. The 2024-25 State Budget provides approximately \$53.7 billion of State general fund resources to support reimbursement rate increases previously supported by available one-time federal stimulus funding. The 2024-25 State Budget reflects one-time savings of \$190.7 million general fund and \$522.3 million Proposition 98 general fund. The 2024-25 State Budget authorized State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027. The 2024-25 State Budget maintains that the State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.
- Transitional Kindergarten. The 2024-25 State Budget provides approximately \$988.7 million in Proposition 98 general fund resources for the 2023-24 school year to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2024-25 State Budget also provides approximately \$390.2 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2024-25 State Budget provides approximately \$1.5 billion in ongoing Proposition 98 general fund resources beginning in fiscal year 2024-25 to support the third year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and June 2. The 2024-25 State Budget also provides approximately \$515.5 million in ongoing Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

The 2024-25 State Budget includes solution-oriented measures that directly impact funding for school districts, including forgoing planned investments of (a) \$875.0 million to support the School Facility Program, (b) \$550.0 million support to the State Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program, and (c) \$500.0 million one-time Proposition 98 general fund investment in zero-emission school buses.

Additional budgeted programs and adjustments for K-12 education set forth in the 2024-25 State Budget include the following:

- Arts and Music in Schools. The 2024-25 State Budget provides approximately \$907.1 million to support arts and music in schools.
- Nutrition. The 2024-25 State Budget provides an additional \$179.4 million in ongoing Proposition 98 general fund resources and an additional \$120.8 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25. This is in addition to the \$1.6 billion base funding for such program.

The complete 2024-25 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the 2024-25 State Budget. The Legislative Analyst’s Office (the “LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2024-25 State Budget entitled “The 2024-25 Budget: Overview of the Spending Plan” on September 6, 2024 (the “2024-25 State Budget Analysis”). In the 2024-25 State Budget Analysis, the LAO assesses the budget problem that was addressed in the 2024-25 State Budget and analyzes the major proposals for K-12 education.

The LAO estimates that the State addressed a budget shortfall of \$55.0 billion, which is larger than the budget shortfall of \$47.0 billion cited in the 2024-25 State Budget. The main driver for the \$8.0 billion difference is the difference in treatment of assumptions about baseline spending for schools and community colleges.

The LAO notes that the 2024-25 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and cost shifts. The LAO indicates that spending-related adjustments (including school spending) were the largest component of the budget package, accounting for \$39.0 billion and approximately 70% of the total solutions. The LAO also shows that reserve withdrawals were the second largest component, totaling \$6.0 billion from the State Rainy Day Fund and the Safety Net Reserve. The report further details that cost shifts and revenue-related solutions were smaller components, amounting to \$2.0 billion and \$8.0 billion, respectively. The LAO estimates \$16.0 billion in one time or temporary spending solutions (excluding school spending) and \$4.0 billion in ongoing reductions, which grow to approximately \$6 billion over time.

The LAO notes that the budget emergency proclamation by the Governor on June 26, 2024 allowed the 2024-25 State Budget to withdraw approximately \$5.0 billion from the State Rainy Day Fund. The 2024-25 State Budget also includes a withdrawal of the \$900.0 million balance from the Safety Net Reserve.

The LAO estimates that, pursuant to the 2024-25 State Budget, the State would end the 2024-25 fiscal year with \$21.1 billion in General Fund reserves, including \$17.6 billion in the State Rainy Day Fund and \$3.5 billion in the SFEU. The LAO also estimates that the State would have room under the State appropriations limit in fiscal years 2022-23 through 2024-25. The LAO projects that revenues from the major tax sources would grow from fiscal year 2023-24 to fiscal year 2024-25, but not enough to offset the revenue shortfalls in the prior and current fiscal years.

The LAO explains that the 2024-25 State Budget includes \$12.7 billion in reductions to Proposition 98 funding for schools and community colleges over fiscal years 2022-23 through 2024-25. This includes a reduction to the Proposition 98 funding by \$2.6 billion for fiscal year 2022-23. For fiscal year 2023-24, the 2024-25 State Budget invokes a provision allowing the State to suspend the minimum requirement and reduces the amount of Proposition 98 funding by \$8.3 billion. The LAO states that these reductions lower the Proposition 98 requirement on an ongoing basis but create an obligation to increase funding more rapidly in the future. Additionally, the 2024-25 State Budget introduces a new type of fiscal maneuver that accrues \$6.2 billion in previous school and community college payments to future fiscal years. Specifically, the State will not recognize these payments as a cost to the State general fund in the year it provided them i.e., fiscal year 2022-23. The maneuver does not delay or reduce any payments to schools or community colleges, nor does it reduce the Proposition 98 funding requirement in future fiscal years.

The LAO notes that the 2024-25 State Budget contains reserve withdrawals from the Proposition 98 Rainy Day Fund to mitigate the funding reductions to schools in fiscal year 2023-24. Additionally, the LAO estimates cost savings because the Coronavirus Disease 2019 disease (“COVID-19”) attendance policies preserving attendance numbers to pre-pandemic levels are being phased out. The LAO describes other minor savings for schools and community colleges from (1) deferring payments from fiscal year 2024-25 to fiscal year 2025-26, (2) reducing funding for the State Preschool program that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. The payment deferral

involved deferring \$487.0 million in payments from fiscal year 2024-25 to fiscal year 2025-26 by delaying a portion of payment to school districts from June 2025 to July 2025. The LAO notes that school districts may be exempt from this deferral if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in fiscal year 2024-25 to the minimum level required by Proposition 98.

The LAO indicates that after accounting for these actions, the State has \$1.5 billion available to augment school and community college programs. The LAO highlights that the budget allocates \$1.0 billion of this amount to cover a 1.07% cost-of-living adjustment for existing programs. For schools, the 2024-25 State Budget also provides an increase of \$300.0 million to cover cost increases of universal school meals. For community colleges, the 2024-25 Budget also provides \$75.0 million to cover increased costs.

The 2024-25 State Budget Analysis is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2025-26 State Budget. The Governor released the fiscal year 2025-26 proposed State budget (the “Proposed 2025-26 State Budget”) on January 10, 2025, which reflects a stronger financial position than it has in recent years. The Proposed 2025-26 State Budget notes that although the budget framework from the 2024-25 State Budget represents significant progress on the budget shortfall from the past two years, the current fiscal outlook underscores the need for continued vigilance to strengthen budget resiliency and fiscal stability even further. Citing the State revenue volatility, which is in part due to its reliance on the top 1% of income earners and capital gains revenues, the Proposed 2025-26 State Budget is balanced and reflects a modest surplus of \$363.0 million. The Proposed 2025-26 State Budget proposes reforms to the State’s reserve funds requirements to double the size of the State’s reserve cap from 10% to 20% and to clarify that deposits in the State Rainy Day Fund are not counted as expenditures toward the State’s appropriations limit. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII B of the California Constitution.” This proposed reform will require a statewide ballot initiative. The Proposed 2025-26 State Budget reflects support for vital initiatives in education, health care, housing, and homelessness, while enhancing economic development and supporting public safety.

The Proposed 2025-26 State Budget indicates that a stronger-than-anticipated performance by the economy, stock market, and cash receipts, combined with an improved economic outlook, have contributed toward an upgraded revenue forecast in the Proposed 2025-26 State Budget. The Proposed 2025-26 State Budget projects that State general fund revenues before accounting for transfers and tax policy proposals are to increase by approximately \$16.5 billion from fiscal year 2023-24 through fiscal year 2025-26. Although the Proposed 2025-26 State Budget forecast does not reflect a recession, it does recognize volatility in personal income tax and capital gains realization and several other risk factors that could negatively affect the economy and State revenue, including stock market and asset price volatility affecting high-income earners as well as geopolitical instability. While the Proposed 2025-26 State Budget is balanced, it cautions against shortfalls in future years driven by expenditures exceeding revenues and recognizes that further action may be necessary to maintain a balanced budget. The Proposed 2025-26 State Budget notes that potential federal policy changes could also negatively impact the State’s economy, specifically in the areas of international trade, immigration, and health care.

To provide for a balanced budget over two fiscal years, the 2024-25 State Budget assumed withdrawals from the State Rainy Day Fund of approximately \$5.1 billion in fiscal year 2024-25 and \$7.1 billion in fiscal year 2025-26, and the Proposed 2025-26 State Budget maintains such planned withdrawals. The Proposed 2025-26 State Budget maintains the planned withdrawal of approximately \$7.1 billion from the State Rainy Day Fund. The Proposed 2025-26 State Budget predicts a total reserve balance of \$17.0 billion at the end of fiscal year 2025-26. This includes \$10.9 billion in the State Rainy Day Fund, \$4.5

billion in SFEU, and \$1.5 billion in the Proposition 98 Rainy Day Fund. To remove the cap on deposits to the State Rainy Day Fund and increase budget resiliency, the Proposed 2025-26 State Budget proposes statutory changes to allow the State to make larger deposits into reserve accounts during fiscal upturns, enhancing the State's ability to protect vital programs and services during future downturns. Specifically, the Proposed 2025-26 Budget suggests increasing the mandatory deposit level in the State Rainy Day Fund from the current 10% to 20% of State general fund revenues and exempt deposits into the State Rainy Day Fund from the State's appropriations limit. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII B of the California Constitution."

The Proposed 2025-26 State Budget estimates total resources available in fiscal year 2024-25 of approximately \$258.4 billion, including revenues and transfers of approximately \$222.5 billion and a prior year balance of approximately \$35.9 billion, and total expenditures in fiscal year 2024-25 of approximately \$232.1 billion. The Proposed 2025-26 State Budget projects total resources available for fiscal year 2025-26 of approximately \$251.4 billion, inclusive of revenues and transfers of approximately \$225.1 billion and a prior year balance of approximately \$26.3 billion. The Proposed 2025-26 State Budget projects total expenditures in fiscal year 2025-26 of approximately \$228.9 billion, inclusive of non-Proposition 98 expenditures of approximately \$144.3 billion and Proposition 98 expenditures of approximately \$84.6 billion. The Proposed 2025-26 State Budget includes approximately \$34.9 billion in reserves in fiscal year 2025-26 and allocates reserves as follows: approximately \$10.9 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$1.5 billion in the Proposition 98 Rainy Day Fund, approximately \$18.0 billion in the Reserve for Liquidation and Encumbrances, and approximately \$4.5 billion in the SFEU.

The Proposed 2025-26 State Budget includes total funding of approximately \$137.1 billion for all TK-12 education programs, including approximately \$83.3 billion from the State's general fund and approximately \$53.8 billion from other funds. Per-pupil funding totals \$18,918 per pupil in Proposition 98 funding and \$24,764 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2025-26 State Budget include the following:

- California for All Kids. As part of the California for All Kids Plan, the Proposed 2025-26 State Budget fully implements universal transitional kindergarten and universal before, after, and summer school for TK-6 grade students. The Proposed 2025-26 State Budget contemplates other key achievements in fiscal year 2025-26, including: State schools will serve nearly 1 billion meals through the universal school meals program; all kindergarten through second grade students will be screened for risk of reading difficulties, grants to local educational agencies for the California Community Schools Partnership Program will be fully disbursed; all educators will have access to the Literacy Roadmap; and beginning January 1, 2025, all local educational agencies may apply to participate in the Children and Youth Behavioral Health Initiative Fee Schedule Program. The Proposed 2025-26 State Budget also protects core programs by providing increased ongoing funding for the LCFF, special education, and nutrition programs.
- Proposition 98 Minimum Guarantee. The revised estimates of general fund revenues in the Proposed 2025-26 State Budget result in notable adjustments to the Proposition 98 minimum guarantee, resulting in funding estimates of approximately \$98.5 billion in fiscal year 2023-24, \$119.2 billion in fiscal year 2024-25, and \$118.9 billion in fiscal year 2025-26, representing a three-year increase in the minimum guarantee of approximately \$7.5 billion over the level funded in the 2024-25 State Budget. Recognizing the inherent risk in revenue projections, the Proposed 2025-26 State Budget appropriates the Proposition 98 minimum guarantee at \$117.6 billion, instead of the currently calculated level of \$119.2 billion in fiscal year 2024-25. This is intended to mitigate the risk of potentially appropriating more resources to the Proposition 98 minimum guarantee than are

ultimately available in the final calculation for fiscal year 2024-25. Unlike fiscal year 2023-24, where Proposition 98 minimum guarantee was in a Test 2 year, it is anticipated that the minimum guarantee will be in Test 1 for fiscal years 2024-25 and 2025-26, a funding level equal to approximately 40% of the State's general fund revenues. With the Proposition 98 minimum guarantee being "rebenched" to reflect the ongoing implementation of universal transitional kindergarten, Test 1 will increase the State general fund revenues due to the Proposition 98 minimum funding guarantee from 39.2% to 39.6%.

- Proposition 98 Rainy Day Fund. The 2024-25 State Budget projected a total balance of \$1.1 billion in the Proposition 98 Rainy Day Fund. The Proposed 2025-26 State Budget reflects revised fiscal year 2024-25 payment of approximately \$1.2 billion, a mandatory repayment that replaces the discretionary repayment, and an additional mandatory repayment of \$376.0 million in fiscal year 2025-26, into the Proposition 98 Rainy Day Fund, for a revised balance of approximately \$1.5 billion at the end of fiscal year 2025-26. The Proposed 2025-26 State Budget makes no change to the withdrawal of \$8.4 billion in fiscal year 2023-24. Under current law, there is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total TK-12 share of the Proposition 98 minimum guarantee. The balance of \$1.2 billion in the Proposition 98 Rainy Day Fund in fiscal year 2024-25 does not trigger school district reserve caps in fiscal year 2025-26. See "– School District Reserves" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751."
- Local Control Funding Formula. The Proposed 2025-26 State Budget includes a LCFF cost-of-living adjustment of approximately 2.43%. When combined with population growth adjustments, this will result in an increase of approximately \$2.5 billion in discretionary funds for local educational agencies. Budgetary deferrals of \$246.6 million for TK-12 education are fully repaid in fiscal year 2025-26. To fully fund the LCFF and maintain the level of past year principal apportionments, the Proposed 2025-26 State Budget proposes using available reappropriation and reversion funding totaling \$25.9 million to support ongoing LCFF costs in fiscal year 2023-24 and deferring LCFF funding totaling \$35.1 million from fiscal year 2023-24 to fiscal year 2024-25. This one-time deferral is fully repaid in fiscal year 2024-25.
- Universal Transitional Kindergarten. For fiscal year 2024-25, the Proposed 2025-26 State Budget provides a total of \$1.5 billion of ongoing Proposition 98 general fund resources to support expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five years old between September 2 and April 2 to all children turning five between September 2 and June 2, and an additional \$516.7 million Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class. For fiscal year 2025-26, the Proposed 2025-26 State Budget provides a total of \$2.4 billion (inclusive of all prior years' investments), in ongoing Proposition 98 general fund resources to support the full implementation of universal transitional kindergarten. The Proposed 2025-26 State Budget also provides \$1.5 billion ongoing Proposition 98 general fund resources to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom.
- Before School, After School, and Summer School. The Proposed 2025-26 State Budget fully implements the Expanded Learning Opportunities Program, which is a multi-year investment plan to implement before, after, and summer school instruction and enrichment for students in grades TK-6, with a focus on local educational agencies with the highest concentration of low-income students, English learners, and youth in foster care. The Proposed 2025-26 State Budget increases the number of local educational agencies that offer universal access to students, from those with an unduplicated pupil percentage of 75% to those with 55% unduplicated students. The Proposed

2025-26 State Budget also includes \$435.0 million in ongoing Proposition 98 general fund resources to cover implementation of this program, for a total program funding of \$4.4 billion.

- Master Plan for Career Education. As part of the plan to make it easier for Californians to receive college credit both in high school and in recognition of their real-world experience and create more pathways to in-demand careers in the State, the Proposed 2025-26 State Budget proposes including dual enrollment and pathways programs as allowable expenditures for funds allocated through the \$1.8 billion Student Support and Discretionary Block Grant and includes an increase of \$3.0 million in ongoing Proposition 98 general fund resources to the California College Guidance Initiative and the Cradle-to-Career Data System. The Proposed 2025-26 State Budget also proposes to direct the Department of Education to examine feasibility of streamlining applications for TK-12 career technical education programs into a single consolidated application.
- Literacy Instruction. To support the State’s research-based English Language Arts/English Language Development (“ELA/ELD”) Framework, the Proposed 2025-26 State Budget allocates \$500.0 million in one-time Proposition 98 general fund resources for TK-12 literacy and mathematics coaches; \$40.0 million in one-time Proposition 98 general fund resources to support necessary costs, including purchasing screening materials and training for educators to administer literacy screenings; and \$5.0 million in Proposition 98 general fund resources annually through fiscal year 2029-30 to launch a Literacy Network for state-developed literacy resources, elevate high performing districts and best practices, and provide support to select local educational agencies facing persistent performance challenges. The Proposed 2025-26 State Budget also directs the Instructional Quality Commission to initiate a follow-up adoption for ELA/ELD instruction materials, and provides \$300,000 one-time non-Proposition 98 general fund resources in fiscal year 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources in personal finance, and \$1.8 billion for the Student Support and Discretionary Block Grant which can fund professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap.
- Teacher Preparation and Professional Development. The Proposed 2025-26 State Budget includes proposals intended to support teachers and improve access to the educator pipeline, including \$150.0 million in one-time Proposition 98 general fund resources to provide financial assistance for teacher candidates through the Teacher Recruitment Incentive Grant Program and an additional \$100.0 million in one-time Proposition 98 general fund resources to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified Teachers to teach and mentor other staff in high poverty schools.
- Student Support and Professional Development Discretionary Block Grant. The Proposed 2025-26 State Budget includes \$1.8 billion one-time in Proposition 98 general fund resources for a discretionary block grant to provide local educational agencies with additional fiscal support to address rising costs and fund statewide priorities, including: (1) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners, (2) professional development for teachers on the Mathematics Framework, (3) teacher recruitment and retention strategies, and (4) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- School Facility Program. The Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024, approved by voters on November 5, 2024 (“Proposition 2 (2024)”), authorized a total of \$8.5 billion in State general obligation bonds for K-12 schools to be allocated through the School Facility Program. These funds are allocated across several key areas: \$4.0 billion for modernization projects, \$3.3 billion for new construction, \$600.0 million for charter schools, and \$600.0 million for career

technical education projects. Proposition 2 (2024) also supports the replacement of school buildings that are at least 75 years old, funding for school districts with specific needs, such as small districts and those located in military installations, programmatic changes for energy-efficient components in new construction and modernization projects, and construction or retrofit of transitional kindergarten classrooms. Proposition 2 (2024) also includes programmatic changes that emphasize health and safety components of school facilities and allows the State Allocation Board to provide assistance for purposes of procuring interim housing for school districts and county offices of education impacted by a natural disaster for which the Governor has declared state of emergency.

- Learning Recovery Emergency Block Grant. The Proposed 2025-26 State Budget includes \$378.6 million in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant to support local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- Cost-of-Living Adjustments. The Proposed 2025-26 State Budget includes \$204.0 million in ongoing Proposition 98 general fund resources to reflect a 2.43% cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Kitchen Infrastructure and Training. The Proposed 2025-26 State Budget includes \$150.0 million in one-time Proposition 98 general fund resources for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Local Property Tax Adjustments. The Proposed 2025-26 State Budget includes an additional \$125.0 million in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2024-25, and a decrease of \$1.5 billion in fiscal year 2025-26, as a result of increased offsetting property taxes.
- Nutrition. The Proposed 2025-26 State Budget includes \$106.3 million in additional ongoing Proposition 98 general fund resources to fully fund the universal school meals program in fiscal year 2025-26.
- County Offices of Education. The Proposed 2025-26 State Budget includes \$12.2 million in ongoing Proposition 98 general fund resources to reflect A.D.A. changes applicable to the county office of education LCFF, and a 2.43 % cost-of-living adjustment.
- English Language Proficiency Screener for Transitional Kindergarten Students. The Proposed 2025-26 State Budget includes \$10.0 million in one-time Proposition 98 general fund resources for the statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.

The complete Proposed 2025-26 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the Proposed 2025-26 State Budget. The LAO released its report on the Proposed 2025-26 State Budget entitled “The 2025-26 Budget: Overview of the Governor’s Budget” on January 13, 2025 (the “LAO Analysis of the Proposed 2025-26 State Budget”). In the LAO Analysis of the Proposed

2025-26 State Budget, the LAO assesses the budget condition and analyzes the major proposals for K-12 education.

The LAO estimates that the underlying condition of the Proposed 2025-26 State Budget is roughly balanced. The LAO notes that one of the main reasons for the balanced budget is the State Legislature's atypical action taken last year to address the deficit and withdraw more in reserves as well as proactive decisions to address the anticipated budget deficit for fiscal year 2025-26. The 2024-25 State Budget committed a total of \$28.0 billion in budgeting maneuvers for fiscal year 2025-26, which included, \$12.0 billion in spending-related reductions and approximately \$16.0 billion in all other reductions. The LAO notes that the Proposed 2025-26 State Budget does not propose any significant policy changes to the already-adopted 2024-25 State Budget, but some of the assumed savings are now lower, totaling \$24.0 billion for fiscal year 2025-26. Two key areas where these savings have eroded are in the managed care organization tax package and reductions to State operations. The LAO notes that their estimates are slightly different than the Proposed 2025-26 State Budget estimates, but the differences are small enough on net that they do not substantively change the assessment of the budget condition. Specifically, the Proposed 2025-26 State Budget estimates the revenues to be \$9.0 billion higher, but this is partially offset by the Proposed 2025-26 State Budget's estimate of constitutionally required State general fund spending on K-14 education, which is \$4.7 billion higher than the LAO's November 2024 estimates. The Proposed 2025-26 State Budget estimates of baseline spending (for example, for caseload growth, federal reimbursements, and statutory cost increases) are lower than LAO estimates by \$600.0 million. The LAO cautions that neither LAO's November 2024 estimates nor the Proposed 2025-26 State Budget included any costs associated with the devastating wildfires in Southern California, as both were developed before those wildfires began. While the LAO anticipates some State costs as well as State policy responses to the disaster, sufficient information is not available about the extent of those costs. Both the Proposed 2025-26 State Budget and the LAO anticipate deficits in future years.

The LAO notes that the Proposed 2025-26 State Budget includes three categories of discretionary proposals that are not already committed to under current law or policy. First, some proposals provide short-term budget savings that create more budget capacity. These proposals generate a total of \$2.2 billion in State general fund savings within the budget window. The Proposed 2025-26 State Budget proposes providing \$1.6 billion less in total funding for schools and community colleges than the estimated Proposition 98 minimum guarantee for fiscal year 2024-25. This provides one-time State general fund savings in fiscal year 2024-25, but also creates a "settle-up" obligation, which will need to be paid in a future year if revenues for fiscal year 2024-25 were to remain unchanged. If revenues for fiscal year 2024-25 come in below current projections, this obligation would also decline, potentially to zero. Second, the Proposed 2025-26 State Budget includes new discretionary proposals that use budget capacity by increasing spending or reducing revenues, totaling approximately \$700.0 million. The major proposals in this category include increasing revenues by approximately \$300.0 million by changing rules for determination of taxable profits for financial institutions, shifting approximately \$300.0 million in State general fund spending on water recycling, wildfire prevention activities at State parks, and dam safety activities to funding from Proposition 4, the climate bond approved by voters on November 5, 2024, and approximately \$570.0 million in new discretionary State general fund spending in fiscal year 2025-26. Finally, the Proposed 2025-26 State Budget sets the balance of the SFEU to \$4.5 billion, which is higher than recent budgets that set the SFEU balance between \$3.5 billion and \$4.0 billion.

The LAO notes that compared to the estimates in the 2024-25 State Budget, the Proposed 2025-26 State Budget estimates the Proposition 98 minimum guarantee for school and community colleges is up by approximately \$7.1 billion (\$3.9 billion of which is attributable to fiscal year 2024-25 and \$3.2 billion is attributable to fiscal year 2025-26). The LAO notes that this increase is due almost entirely to higher State general fund revenue estimates. In addition, approximately \$4.0 billion in one-time spending expires in fiscal year 2025-26, freeing-up the underlying funding for other school and community college purposes. The Proposed 2025-26 State Budget would make mandatory deposits into the Proposition 98 Rainy Day

Fund of approximately \$1.2 billion in fiscal year 2024-25 and \$376.0 million in fiscal year 2025-26, which would bring the total balance in the Proposition 98 Rainy Day Fund to \$1.5 billion. The mandatory deposit in the fiscal year 2024-25 replaces the \$1.1 billion discretionary deposit included in the 2024-25 State Budget.

The LAO notes that the Proposed 2025-26 State Budget provides approximately \$2.5 billion to fund a 2.43% statutory cost-of-living adjustment for existing school and community college programs. Consistent with previous budgets, the Proposed 2025-26 State Budget sets aside \$1.1 billion to complete the expansion of transitional kindergarten in fiscal year 2025-26. The Proposed 2025-26 State Budget also provides \$746.0 million funding to reduce the student-to-adult ratios in transitional kindergarten classrooms from 12:1 to 10:1, and \$435.0 million for the Expanded Learning Opportunities Program, primarily to increase the number of school districts that must offer enrichment programs (such as after school activities and summer school) to all students. The LAO notes that the largest one-time proposal is to provide \$1.8 billion for schools through a new discretionary block grant that could be used to fund new activities or cover costs of existing programs. The Proposed 2025-26 State Budget also includes \$500.0 million to fund literacy and mathematics coaches at high poverty schools, expanding upon a program the state funded in previous budgets. The LAO notes that the Proposed 2025-26 State Budget includes a series of initiatives intended to advance teacher training and recruitment efforts at schools.

The LAO finds the Proposed 2025-26 State Budget estimates of revenues and use of reserves reasonable, but expressed concern that recent gains are on shaky ground. The LAO notes that the tax collection gains are not tied to improvements in the State's broader economy, which has been lackluster, with elevated unemployment, a stagnant job market outside of government and healthcare, and sluggish consumer spending. Agreeing with the narrative in the Proposed 2025-26 State Budget, the LAO notes that the revenue gains appear largely tied to the booming stock market, a situation which can change rapidly and without warning. This is further complicated by the recent wildfires in Southern California which may result in tax deadline delay and make it difficult to read tax collection trends. The LAO also emphasizes that the State costs from these fires will depend on the continually evolving situation, as well as decisions by the State Legislature and federal government, including those related to cost sharing for response, clean up, recovery, and other possible assistance. The LAO notes that the \$7.0 billion withdrawal from the State Rainy Day Fund in fiscal year 2025-26 is reasonable. A cumulative total of \$82.0 billion in budget deficit has been addressed, but even including the fiscal year 2025-26 withdrawal, only half of the State Rainy Day Fund has been withdrawn. The LAO recommends that State Legislature maintain last year's momentum by developing a plan for addressing potential budget problems on the horizon, as the underlying budget dynamics are particularly challenging. The LAO recommends that the State Legislature analyze which programs are working well and have grown considerably in recent years and understand the efficacy of those expansions and which programs are in need of adjustments or are no longer achieving desired outcomes within the next couple of months so that difficult choices can be made in May 2025. The LAO supports the changes proposed by the Proposed 2025-26 State Budget to increase the cap on State Rainy Day Fund required deposits and to exclude the State's reserve deposits from the State appropriations limit but suggests additional changes to increase how much is saved each year.

The LAO Analysis of the Proposed 2025-26 State Budget is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to Proposed 2025-26 State Budget. The Governor released the May Revision to the Proposed 2025-26 State Budget on May 14, 2025 (the "2025-26 May Revision"). The 2025-26 May Revision provides that the risks related to substantial changes in federal policy, specifically, broad-based tariffs, that were highlighted in the Proposed 2025-26 State Budget, have now become a reality driving a downgrade in both economic and revenue forecasts. Due to the increased expenditure growth above the

Proposed 2025-26 State Budget projections, the State now faces an estimated \$12.0 billion budget shortfall. This will require the State to make difficult but necessary decisions to reduce ongoing expenditure growth to maintain budget resilience and stability for critical State programs. Regardless of the shortfall, the 2025-26 May Revision continues to support TK-12 education initiatives and reflects the full implementation of transitional kindergarten, full funding for school meals for all, and free access to expanded school day and school year enrichment and academic support for thousands of students. While the 2025-26 May Revision does not forecast a traditional recession, it does reflect changing national conditions that economists consider to be a “growth recession,” marked by a substantial slowdown in Gross Domestic Product (“GDP”) growth combined with lower job growth and higher unemployment. Key economic factors driven by higher tariffs include: (a) downgrade of the United States real GDP growth by 0.7% in calendar year 2025 and by 0.3% in calendar year 2026, (b) downgrade to nationwide job growth by 0.3% in calendar year 2026, (c) increase in the unemployment rate by an average of 0.3%, to reach 4.4% and 4.9% in calendar years 2025 and 2026, respectively, (d) impact on State economy because of the substantial volume of commerce that flows through the State’s ports, and (e) downgrade of the wage and salary growth projections as tariffs make businesses less profitable.

The 2025-26 May Revision notes that because the financial markets play a pivotal role in State revenues, the onset of tariffs has already impacted the updated revenue forecasts from the Proposed 2025-26 State Budget and caused a downgrade in the Standard and Poor’s 500 market index forecast for the second quarter of calendar year 2025. The 2025-26 May Revision projects a decrease in stock-based compensation to employees of State based technology companies, contributing to a downgrade in projected personal income tax revenues in fiscal year 2025-26 that will reverse the positive trends in personal income tax withholding cash results through April 2025 and a downgrade of personal income tax revenues from capital gains. The 2025-26 May Revision notes that despite a surplus in cash receipts through April 2025, the State’s general fund revenues, excluding transfers and loans, have decreased by approximately \$5.2 billion through fiscal year 2025-26. Conversely, expenditures for the State’s health care program for low-income individuals, Medi-Cal, have increased significantly and continue to outpace revenues due to higher overall enrollment, pharmacy costs and managed care costs, and other factors like COVID-19 continuous coverage requirement and the implementation of major policy changes such as the full elimination of the asset test for older adults and the full-scope expansion to all income-eligible State residents, regardless of immigration status. In March 2025, the State borrowed \$3.4 billion and appropriated an additional \$2.8 billion from the State general fund to support Medi-Cal expenditures of \$37.6 billion. In the last 10 years, Medi-Cal general fund costs have increased from \$17.1 billion to \$37.6 billion and Medi-Cal caseload has increased from 12.7 million in fiscal year 2019-20 to 15.0 million in fiscal year 2024-25. These expenditure increases are expected to continue through fiscal year 2025-26.

The 2025-26 May Revision maintains the planned withdrawal of approximately \$7.1 billion from the State Rainy Day Fund in fiscal year 2025-26. Accounting for withdrawals, the 2025-26 May Revision reflects total reserve balances of approximately \$15.7 billion at the end of fiscal year 2025-26. This consists of \$11.2 billion in the State Rainy Day Fund and \$4.5 billion in the SFEU. To address the \$12.0 billion budget deficit, the 2025-26 May Revision proposes significant reductions to ongoing programs, totaling \$5.0 billion in fiscal year 2025-26, and expected to grow to \$14.8 billion by fiscal year 2028-29. These maneuvers include reductions in Medi-Cal and healthcare programs, \$5.3 billion of revenue and borrowing related maneuvers and \$1.7 billion in fund shifts.

The 2025-26 May Revision includes total funding of \$137.8 billion consisting of \$80.5 billion from the State general fund and \$57.3 billion from other funds for all TK-12 education programs. Significant proposals affecting TK-12 districts in this category include:

- Proposition 98 Minimum Guarantee. The revised estimates of State general fund revenues result in notable adjustments to the Proposition 98 minimum guarantee. The revised minimum guarantee for TK-14 schools is calculated to be \$98.5 billion in fiscal year 2023-24, \$118.9 billion in fiscal year

2024-25, and \$114.6 billion in fiscal year 2025-26. These levels represent an increase of approximately \$2.9 billion over the three-year period relative to the 2024-25 State Budget, and a remarkable decrease of approximately \$4.6 billion from the Proposed 2025-26 State Budget. Due to the inherent risk in revenue projections, the 2025-26 May Revision proposes to appropriate the Proposition 98 minimum guarantee for fiscal year 2024-25 at \$117.6 billion, instead of the currently calculated level of \$118.9 billion. The difference between the appropriated and the calculated levels is less than the Proposed 2025-26 State Budget, at \$1.3 billion instead of \$1.6 billion. This is intended to mitigate the risk of potentially appropriating more resources to the Proposition 98 minimum guarantee than are ultimately available in the final calculation for fiscal year 2024-25.

- Proposition 98 Rainy Day Fund. The 2025-26 May Revision maintains the withdrawal of the full \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24. The Proposed 2025-26 State Budget included a mandatory deposit of \$1.2 billion in fiscal year 2024-25 and a discretionary deposit of \$376.0 million in fiscal year 2025-26. Adjustments in capital gains revenues in the 2025-26 May Revision are projected to reduce the mandatory deposit in fiscal year 2024-25 to \$540.0 million. Additionally, a decrease in the Proposition 98 minimum guarantee triggers a mandatory withdrawal of \$540.0 million in fiscal year 2025-26, exhausting the remaining Proposition 98 Rainy Fund balance.
- Proposition 98 Funding Split. The 2025-26 May Revision includes a shift in how transitional kindergarten expansion funds are distributed between TK-12 school districts and community college districts. In prior years, consistent with the statutory requirement, 10.9% of the amount of State general fund rebench into the Proposition 98 minimum guarantee as the cost of transitional kindergarten expansion was added to the community college districts' budget. Over the three-year budget window, this has resulted in \$492.4 million in increased resources for community college districts, and a like amount of funding that has not been available for TK-12 school districts to implement the expansion of transitional kindergarten. The 2025-26 May Revision shifts the full transitional kindergarten expansion funding to the TK-12 education side of the Proposition 98 budget. This reduces by a like amount the resources for community college districts. However, the purpose of rebenching Proposition 98 for the cost of transitional kindergarten expansion was to ensure that implementation of universal transitional kindergarten did not create a fiscal burden on existing TK-12 programs, therefore this shift will align resources generated by the rebench with this intent.
- Local Control Funding Formula. The 2025-26 May Revision includes a LCFF cost-of-living adjustment of 2.3%, down from 2.4% included in the Proposed 2025-26 State Budget. When combined with population growth adjustments, this will result in an increase of approximately \$2.1 billion in discretionary funds for local educational agencies ("LEAs") as compared to the 2024-25 State Budget. To fully fund the LCFF, the 2025-26 May Revision uses \$481.0 million from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2025-26.
- Deferrals. Budgetary deferrals of \$246.6 million for TK-12 education from fiscal years 2023-24 and 2024-25 are fully repaid in the three-year budget window. However, to fully fund the LCFF and maintain the level of fiscal year 2025-26 principal apportionments, the 2025-26 May Revision proposes deferring \$1.8 billion in LCFF funding from June 2026 to July 2026.
- Universal Transitional Kindergarten. In the 2025-26 school year, the 2025-26 May Revision provides a total of \$2.1 billion ongoing Proposition 98 general fund (inclusive of all prior years' investments) to support the full implementation of universal transitional kindergarten, so that all children who turn four years old by September 1 of the school year can enroll in the 2025-26 school year. This is down slightly from the Proposed 2025-26 State Budget's estimate of \$2.4 billion, driven largely by revised average daily attendance estimates and a lower LCFF cost-of-living

adjustment. The 2025-26 May Revision also provides an additional \$1.2 billion ongoing Proposition 98 general fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom. This is also lower than the Proposed 2025-26 State Budget estimate of \$1.5 billion, again driven by revised average daily attendance estimates.

- Before School, After School and Summer School. The 2025-26 May Revision maintains the full implementation of the expanded learning opportunities program by increasing the number of LEAs with TK-6th grade that offer universal access to students, from those with an unduplicated pupil percentage of 75% to those with 55% unduplicated students. However, increasing unduplicated pupil average daily attendance estimates have increased the estimated cost of this investment, from \$435.0 million in ongoing Proposition 98 general fund resources at the Proposed 2025-26 State Budget to \$515.5 million at the 2025-26 May Revision. Additionally, the 2025-26 May Revision includes an additional \$10.0 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA. This increase will allow small LEAs to maintain expanded learning programming without redirecting funding from other local programs.
- Literacy Instruction. The 2025-26 May Revision builds upon the comprehensive package of \$545.3 million investment included in the Proposed 2025-26 State Budget, to include \$200.0 million in one-time Proposition 98 general fund resources to support evidenced-based professional learning for elementary school educators aligned with the ELA/ELD framework, \$10.0 million in one-time Proposition 98 general fund sources for a county office of education to partner with the University of California, San Francisco Dyslexia Center to support the Multitudes screener, and expand capacity for educator support for schools using Multitudes and authority for the Department of Education to draw down funding awarded through the federal Comprehensive Literacy State Development grant.
- Teacher Preparation and Professional Development. The Proposed 2025-26 State Budget included multiple proposals intended to support teachers and improve access to the educator pipeline. The 2025-26 May Revision builds on these proposals by repurposing \$150.0 million in one-time Proposition 98 general fund resources for the Teacher Recruitment Incentive Grant Program to, among other things, provide \$100.0 million in one-time Proposition 98 general fund resources to fund stipends for student teachers and, among other things, extending deadlines for completion of induction program and reading instruction competence assessment.
- Student Support and Professional Development Discretionary Block Grant. Given the reduction in Proposition 98 resources, the 2025-26 May Revision updates the amount of one-time Proposition 98 general fund resources available for the Student Support and Professional Development Discretionary Block Grant to \$1.7 billion (from \$1.8 billion at the Proposed 2025-26 State Budget). These funds will provide LEAs with additional fiscal support to address rising costs, as well as fund statewide priorities.

The 2025-26 May Revision includes certain adjustments that add or amend the State general fund resources affecting TK-12 districts. Significantly, these include:

- Local Property Tax Adjustments. Allocation of \$309.0 million in additional Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2024-25, and a decrease of \$1.1 billion in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2025-26, resulting from increased offsetting property taxes.
- Cost-of-Living Adjustments. Allocation of \$174.0 million in ongoing Proposition 98 general fund resources to reflect a 2.3% cost-of-living adjustment for specified categorical programs and the

LCFF equity multiplier. The specified categorical programs include Special Education, Child Nutrition, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- Nutrition. Allocation of \$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the Universal School Meals Program in fiscal year 2025-26.

To address the projected budget shortfall, the 2025-26 May Revisions includes certain reductions affecting TK-12 districts, as described below:

- Reversion of Unallocated School Facilities Funds. A reduction of \$177.5 million in remaining, unused State general fund resources from a \$2.0 billion one-time allocation provided to the Office of Public School Construction in the budget for fiscal year 2023-24 for TK-12 school facilities. These funds were made available on an as-needed basis for fire-impacted LEAs through August 2025. However, impacted schools indicated that they would not be able to use the funds by that date. Proposition 2 facilities funds will be available for fire-impacted LEAs to access moving forward, as needed.
- Suspension of the State Preschool Cost-of-Living Adjustment. A reduction of \$19.3 million in ongoing Proposition 98 general fund resources and \$10.2 million in ongoing State general fund resources to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in fiscal year 2025-26.

The complete 2025-26 May Revision is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the 2025-26 May Revision. The LAO released its analyses of the education proposals included in the 2025-26 May Revision entitled, “The 2025-26 Budget: Analysis of the May Revision K-14 Education Plan” and “The 2025-26 Budget: Analysis of the School and Community College Funding Split,” on May 20, 2025 (collectively, the “May Revise Analysis”). In the May Revise Analysis, the LAO assesses changes to the Proposition 98 minimum guarantee and budget maneuvers affecting school districts. The May Revise Analysis proposes an alternate plan with ongoing actions affecting school districts and offers specific recommendations for building the final 2025-26 State budget.

The LAO estimates that the Proposition 98 minimum guarantee has decreased by \$4.6 billion across the budget period, including \$3.9 billion decrease in the Proposition 98 general fund resources and approximately \$753.0 million decrease in local property tax portion of the Proposition 98 minimum guarantee. The LAO notes that the 2025-26 May Revision proposes to “rebench” the Proposition 98 minimum guarantee upward to offset the property tax reductions attributable to the fires in Los Angeles in January 2025. This adjustment is expected to increase the Proposition 98 general fund by \$172.0 million across fiscal years 2024-25 and 2025-26. The LAO assesses that the fiscal year 2025-26 Proposition 98 minimum guarantee is moderately sensitive. Holding other factors constant, it would change about 40 cents for each \$1 of higher or lower revenue. However, the fiscal year 2024-25 Proposition 98 minimum guarantee is highly sensitive and holding other factors constant, it would change nearly dollar for dollar with changes in revenue. This high sensitivity exists because the State is paying maintenance factor. The 2025-26 May Revision estimate of property tax revenue are lower by \$382.0 million than the LAO estimate for fiscal year 2024-25 and by \$422.0 million for fiscal year 2025-26, totaling \$804.0 million over the two years. The main difference involves property tax revenue from former redevelopment agencies. The State

Department of Finance assumes this revenue will stagnate in fiscal year 2024-25 and grow moderately in fiscal year 2025-26, whereas LAO's outlook anticipates faster growth in line with historical trends.

The LAO notes that most of the proposals for schools included in the Proposed 2025-26 State Budget remain in place and the 2025-26 May Revision reduces spending primarily through deferrals, reserves, and other one-time solutions. For school districts, the State would defer more than \$1.8 billion from June 2026 to July 2026, approximately 2.2% of the LCFF, and for community college districts, \$532.0 million from May and June 2026 to July 2026, approximately 5.3% of the Student Centered Funding Formula. The LAO further notes that the Proposed 2025-26 State Budget deposited \$1.5 billion into the Proposition 98 Rainy Day Fund, comprising of \$1.2 billion required deposit and \$376.0 million discretionary deposit. Lower revenue estimates in the 2025-26 May Revision reverse the required deposit through automatic adjustments in fiscal years 2024-25 and 2025-26, and the 2025-26 May Revision rescinds the discretionary deposit proposal. These actions reduce the balance in the Proposition 98 Rainy Day Fund to zero. The 2025-26 May Revision withdraws several proposals for community college districts leading to a total reduction of \$394.0 million, modifies a settle-up payment of \$1.6 billion proposed in the Proposed 2025-26 State Budget to \$1.3 billion increasing the funding available for programs in fiscal year 2024-25 by \$250.0 million, and reduces the statutory COLA rate for fiscal year 2025-26 to 2.3% (lower from 2.43% under the Proposed 2025-26 State Budget).

The LAO observes that several proposals included in the 2025-26 May Revision affect school spending. The 2025-26 May Revision (a) maintains the proposal to expand the Expanded Learning Opportunities Program but increases the augmentation to \$526.0 million (an increase of \$91.0 million from the Proposed 2025-26 State Budget), reflecting updated costs of implementing the changes proposed in January 2025, (b) maintains the requirement for a 10:1 staffing ratio in fiscal year 2025-26, but reduces the associated funding to \$517.0 million (a decrease of \$229.0 million from the Proposed 2025-26 State Budget), reflecting lower attendance estimates and a lower funding rate per student, (c) provides a new one-time allocation of \$200.0 million to support literacy training for elementary school teachers, and (d) replaces the Proposed 2025-26 State Budget proposal to provide \$150.0 million for a teacher loan repayment program with a proposal to provide \$100.0 million in stipends for student teachers.

The LAO raises concerns that the 2025-26 May Revision expands certain programs despite weaker revenues and uncertain economy, which would task school districts with hiring staff and expanding local programs based on funding levels that the State might be unable to sustain. The 2025-26 May Revision's use of \$1.6 billion in one-time funds to cover ongoing spending creates a structural deficit—the one-time funds expire in fiscal year 2026-27 but the ongoing program costs continue. The state would have to address this deficit before funding COLA or other priorities in fiscal year 2026-27. The 2025-26 May Revision anticipates growth of \$3.5 billion (3.1%) in the Proposition 98 minimum guarantee for fiscal year 2026-27. This relatively slow growth rate would likely be insufficient to cover the shortfall and fund the COLA for fiscal year 2026-27. The LAO cautions that payment deferrals create debts that reduce funding available in the future and weaken cash flow for school districts. Given these downsides, the State has tended to limit deferrals to severe downturns when few alternatives exist. The 2025-26 May Revision uses deferrals to free up funding for new proposals and augmentations to existing programs. This approach reduces the State's capacity to address a sharper downturn that could emerge before the deferrals are repaid.

The LAO observes that the State has historically allocated approximately 89% of the Proposition 98 minimum guarantee to schools and 11% to community colleges. These percentages are known colloquially as “the split” and reflect the actual allocation in fiscal year 1989-90. The split calculation is uncodified and includes a growing list of exceptions. Specifically, some Proposition 98 programs are excluded from the calculation as an indirect way to allocate more or less funding to schools or community colleges. The 2025-26 May Revision modifies the split calculation across the budget window to shift \$492.0 million in Proposition 98 funding resources from community colleges to schools. Of this shift, \$233.0 million is ongoing. The LAO warns that allocating Proposition 98 funding resources based on spending

decisions in fiscal year 1989-90 is poor budgeting practice. It produces outcomes that are disconnected from (a) trends in school and community college enrollment, (b) the evolving responsibilities and cost pressures facing each segment, and (c) the State Legislature's priorities. The LAO recommends discontinuing the use of split as a budgeting tool and building a Proposition 98 budget that funds the statutory cost-of-living adjustment, enrollment changes, and the most compelling school and community college proposals instead of making allocations based on historical percentages.

The LAO proposes an alternate "less risky" plan that recommends eliminating the budget deficit by aligning ongoing spending with the Proposition 98 minimum guarantee; avoiding payment deferrals and apportionment shortfalls; maintaining funding for COLA and enrollment-related increases; and providing more one-time discretionary funding for schools. The alternate plan proposes delaying or rejecting a few ongoing spending increases and reducing a few ongoing programs, adding up to \$1.6 billion, rejecting most of the Proposed 2025-26 State Budget one-time spending proposals for a total of \$1.2 billion; and providing \$458.0 million more in resources for community college districts (and correspondingly less for school districts). Some of the ongoing actions proposed under the alternate plan include rejecting increased funding for the expanded learning opportunities program, delaying 10:1 staffing requirement for TK classrooms, reducing funding for the State preschool program, delaying implementation of school attendance recovery program, reducing funding for community college part-time faculty health insurance, increased funding for community college apportionments, rejecting several budget proposals, increasing funding for discretionary block grant, and rejecting remaining funds for community college career education and technology projects.

The May Revise Analysis is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2025-26 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the 2025-26 May Revision. The final fiscal year 2025-26 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2025-26 State budget from the 2025-26 May Revision. The District cannot predict the impact that the final fiscal year 2025-26 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2025 Bonds are payable from *ad valorem* property taxes, the final fiscal year 2025-26 State budget is not expected to have a material impact on the payment of the Series 2025 Bonds.

School District Reserves. The State's economic and revenue outlook has changed. Although the 2024-25 State Budget provides for a discretionary payment of approximately \$1.1 billion to the Proposition 98 Rainy Day Fund in fiscal year 2024-25, the 2024-25 State Budget also provides for a withdrawal of the entire \$8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24, leaving a projected balance of \$1.1 billion at the end of fiscal year 2024-25. See "*2024-25 State Budget*." School districts may need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance ("A.D.A.") of less than

30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. At the time of preparation of the Fiscal Year 2025-26 Budget, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2025-26 through 2027-28.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the fiscal year 2022-23 State budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. Given 2024-25 State Budget provisions relating to the Proposition 98 Rainy Day Fund (see “–2024-25 State Budget”), school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See “–2024-25 State Budget.” In accordance with Section 42127.01(a) of the California Education Code, when the reserve cap is triggered, a school district’s assigned and unassigned ending fund balance cannot exceed 10% of such school district’s general fund balance. Pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap when applicable. For more information on the reserve cap legislation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take

other actions to balance its budget in some years such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the LCFF in fiscal year 2013-14, each school district received State funding based on a unique revenue limit multiplied by such school district's A.D.A. Under the revenue limit funding system, school districts also received funding for categorical programs based on the demographics and needs of the students in each school district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of A.D.A. with additional supplemental funding (referred to as a "Supplemental Grant" and a "Concentration Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2024-25, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$11,068 per A.D.A. for transitional kindergarten/kindergarten through grade 3 (including grade span adjustment); (b) a Base Grant for each LEA equivalent to \$10,177 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to \$10,478 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to \$12,460 per A.D.A. for grades 9 through 12 (including grade span adjustment). However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. The Base Grant amount for fiscal year 2024-25 includes a cost-of-living adjustment of 1.07%.
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.
- Starting with the 2023-24 fiscal year, an additional equity multiplier (the "Equity Multiplier") was added as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps for LEAs who qualify by having both (1) a prior year nonstability rate of greater than 25% (which refers to the percentage of students who do not complete the year due to factors like expulsion) and (2) a prior year socioeconomically disadvantaged pupil rates of greater than 70% (which includes students with parents that do not have high school diplomas, students from low-income families, homeless youth, and foster youth). Every year, the state will allocate \$300 million to the qualifying LEAs on a per-unit basis based on the LEA's prior year adjusted cumulative enrollment, but each

qualifying school will receive at least \$50 thousand. The Equity Multiplier revenue must be used for evidence-based services and support for pupils.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the respiratory disease caused by the COVID-19 pandemic, the fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. in accordance with the LCFF.

The fiscal year 2022-23 State budget, as amended (the “2022-23 State Budget”), amended the LCFF calculation to consider the greater of a school district’s current fiscal year, prior fiscal year, or the average of three prior fiscal years’ A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district’s fiscal year 2021-22 A.D.A. or such school district’s fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district’s fiscal year 2021-22 annual apportionment and calculating a school district’s prior year A.D.A. or the average of three prior years’ A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts continue to receive the same level of State aid as allocated under the prior revenue limit funding system in fiscal year 2012-13.

Risks Affecting District Revenue. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of A.D.A. with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See “*Allocation of State Funding to School Districts; Local Control Funding Formula.*” Thus, a temporary shutdown of a school or an entire school district or other event resulting in reduced enrollment or attendance would reduce the A.D.A. of a school district and could impact the funding a school district receives. For example, events like the outbreak of a highly contagious disease or epidemic disease could harm a school district’s financial results or result in a temporary shutdown of the school district’s facilities. Such an event could also have impacts on the State’s tax and other revenue receipts which may, in turn, impact educational funding that school districts receive from the State. See “*Future Budgets and Budgetary Actions.*” The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by then President Trump and a state of emergency by the Governor. While State and federal one-time COVID-19 relief funding provided some immediate relief to school districts, including the District, during the COVID-19 pandemic, the District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the future in the event the outbreak of COVID-19 were to increase in intensity or a similar or other outbreak of a highly contagious disease or epidemic disease or other event resulting in reduced enrollment or attendance were to occur in the future.

Enrollment, A.D.A. and LCFF. The following table sets forth the District’s actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years’ A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and

Base Grant per unit of A.D.A. for fiscal years 2021-22 through 2024-25, and the District's budgeted A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2025-26 at the time of preparation of the Fiscal Year 2025-26 Budget. The A.D.A. and enrollment numbers below include TK students and certain special education students enrolled directly with the District, but exclude certain special education students enrolled in programs operated by the Merced County Office of Education.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2021-22 through 2025-26

Fiscal Year		A.D.A./Base Grant		Enrollment ⁽⁹⁾	
		9-12	Funding Basis	Total Enrollment	Unduplicated % of EL/LI Students
2021-22	Actual A.D.A. ⁽¹⁾⁽³⁾ :	10,476.42	--	11,462	76.41%
	Funded A.D.A. ⁽¹⁾⁽³⁾ :	10,476.42	Current Year	--	--
	Base Grant ⁽²⁾⁽³⁾ :	\$10,057	--	--	--
2022-23	Actual A.D.A. ⁽¹⁾ :	10,233.68	--	11,552	78.17%
	Funded A.D.A. ⁽¹⁾ :	10,476.42	Prior Year	--	--
	Base Grant ⁽²⁾⁽⁴⁾ :	\$11,391	--	--	--
2023-24	Actual A.D.A. ⁽¹⁾ :	10,261.20	--	11,437	79.30%
	Funded A.D.A. ⁽¹⁾ :	10,264.81	3 Year Avg.	--	--
	Base Grant ⁽²⁾⁽⁵⁾ :	\$12,327	--	--	--
2024-25	Actual A.D.A. ⁽¹⁾ :	10,206.14	--	11,391	80.33%
	Funded A.D.A. ⁽¹⁾ :	10,323.77	3 Year Avg.	--	--
	Base Grant ⁽²⁾⁽⁶⁾ :	\$12,460	--	--	--
2025-26	Actual A.D.A. ⁽⁷⁾ :	10,175.14	--	11,341	80.65%
	Funded A.D.A. ⁽⁷⁾ :	10,233.93	3 Year Avg.	--	--
	Base Grant ⁽²⁾⁽⁸⁾ :	\$12,144	--	--	--

⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.

⁽²⁾ Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.

⁽³⁾ Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.

⁽⁴⁾ Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.

⁽⁵⁾ Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes a 8.22% cost-of-living adjustment from Fiscal Year 2022-23 Base Grant amounts.

⁽⁶⁾ Fiscal year 2024-25 Base Grant amount reflects a 1.07% cost-of-living adjustment from fiscal year 2023-24 Base Grant amounts based on the 2024-25 State Budget.

⁽⁷⁾ Reflects budgeted A.D.A., funded A.D.A., enrollment and percentage of unduplicated EL/LI Students as of the Fiscal Year 2025-26 Budget.

⁽⁸⁾ Fiscal year 2025-26 Base Grant amount included in the Fiscal Year 2025-26 Budget assumes an approximately 2.30% cost-of-living adjustment from Fiscal Year 2025-26 Base Grant amounts consistent with the 2025-26 May Revision.

⁽⁹⁾ Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Merced Union High School District.

As of the Fiscal Year 2024-25 Estimated Actuals, the District estimates to receive approximately \$176.97 million in aggregate revenues reported under LCFF sources in fiscal year 2024-25 (or approximately 77.92% of its general fund revenues in fiscal year 2024-25). Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately \$21.41 million and \$21.94 million, respectively, in fiscal year 2024-25. As of the Fiscal Year 2025-26 Budget, the District

budgets to receive approximately \$179.02 million in aggregate revenues reported under LCFF sources in fiscal year 2025-26 (or approximately 82.67% of its general fund revenues in fiscal year 2025-26). Such amount includes Supplemental Grants and Concentration Grants for targeted groups expected at approximately \$21.80 million and \$22.54 million, respectively, in fiscal year 2025-26.

The District is expected to receive additional revenue from the Equity Multiplier because the District has three LEAs eligible for Equity Multiplier funding. The eligible LEAs have a Total Prior Year Adjusted Cumulative Enrollment Eligible for LCFF Equity Multiplier Funding of 851. The Equity Multiplier Rate for fiscal year 2024-25 was \$939.05202, which is based on the \$303.2 million of state funds allocated to the Equity Multiplier split between all qualifying LEAs based on the LEA's prior year adjusted cumulative enrollment. The amount of revenue from the Equity Multiplier for fiscal year 2024-25 is estimated to be \$799,133 (the Equity Multiplier Rate multiplied by the Total Prior Year Adjusted Cumulative Enrollment Eligible for LCFF Equity Multiplier Funding for the eligible school sites).

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Local Property Tax Revenues

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* property tax pledged to the repayment of all general obligation bonds of the District, including the Series 2025 Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to

include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some State equalization aid were commonly referred to as “revenue limit districts.” The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information about the LCFF.

Based on the Fiscal Year 2024-25 Estimated Actuals, local property tax revenues are estimated to account for approximately 16.49% of the District’s aggregate general fund revenues reported under LCFF sources and are approximately \$29.19 million, or 12.85% of total general fund revenues in fiscal year 2024-25. Based on the Fiscal Year 2025-26 Budget, local property tax revenues are budgeted to account for approximately 15.83% of the District’s aggregate revenues reported under LCFF sources and are budgeted to be approximately \$28.33 million, or 13.08% of total general fund revenues in fiscal year 2025-26.

For information about the property taxation system in the State and the District’s property tax base, see “– Property Taxation System,” “– Assessed Valuation of Property Within the District,” and “– Tax Charges and Delinquencies” under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS” in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below.

Effect of Changes in Enrollment. Changes in local property tax revenue and A.D.A. affect LCFF districts and community funded districts differently. In a LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district’s entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF funding (and more) is already generated by local property taxes, there is no increase in State funding, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax revenue is stretched further. Declining enrollment does not reduce property tax revenue, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2024-25 Estimated Actuals, federal revenues, most of which are restricted, are estimated to account for approximately 5.45% (or approximately \$12.38 million) of the District’s general fund revenues for fiscal year 2024-25. Based on the Fiscal Year 2025-26 Budget, the District budgets that federal revenues, most of which are restricted, will comprise approximately 4.99% (or approximately \$10.81 million) of the District’s general fund budgeted revenues

for fiscal year 2024-25. Federal revenues are budgeted to be lower in fiscal year 2025-26 due the expiration of federal funding related to the COVID-19 pandemic, which was available through September 30, 2024.

On January 27, 2025, the Acting Director of the Office of Management and Budget issued a memorandum (the “OMB Memo”) directing federal agencies, to the extent permissible under applicable law, to temporarily pause all activities related to obligation or disbursement of federal financial assistance (including federal grants, loans and other financial assistance, but specifically excluding aid to individuals and Social Security and Medicare benefits) beginning at 5:00 p.m. on January 28, 2025, creating uncertainty regarding the District’s ongoing receipt of federal funding. The following day, the U.S. Department of Education confirmed that the order only applied to discretionary grants at the U.S. Department of Education and did not impact funding under Title I of the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act (IDEA), or other formula grants. Prior to the OMB Memo taking effect on January 28, 2025, a federal judge temporarily blocked the order. Subsequently, on January 29, 2025, the Office of Management and Budget rescinded the OMB Memo, but indicated the rescission would not end its review of spending and was aimed at ending litigation and confusion. Then, on January 31, 2025, a federal judge issued a temporary restraining order that says the Trump Administration cannot pause, freeze, impede, block, cancel, or terminate federal financial-assistance obligations to the states. The District is unable to predict whether the Trump Administration’s review of spending may eventually impact its receipt of federal funding or whether any such impact will have a material effect on the finances or operations of the District.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year 2024-25 Estimated Actuals, the District estimates that other State revenues will comprise approximately 14.20% (or approximately \$32.25 million) of the District’s general fund estimated revenues for fiscal year 2024-25. Based on the Fiscal Year 2025-26 Budget, other State revenues are budgeted to comprise approximately 10.61% (or approximately \$22.98 million) of the District’s general fund budgeted revenues for fiscal year 2025-26.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2024-25 Estimated Actuals, the District estimates it will receive approximately \$2.92 million in State lottery revenue fiscal year 2024-25. Based on the Fiscal Year 2025-26 Budget, the District budgets it will receive approximately \$2.97 million in State lottery revenue for fiscal year 2025-26.

Other Local Revenues. In addition to ad valorem property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2024-25 Estimated Actuals, the District estimates that other local revenues will comprise approximately 2.43% (or approximately \$5.52 million) of the District’s general fund estimated revenues for fiscal year 2024-25. Based on the Fiscal Year 2025-26 Budget, the District budgets that other local revenues will comprise approximately 1.72% (or approximately \$3.73 million) of the District’s general fund estimated revenues for fiscal year 2025-26

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both affiliated and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district’s financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Affiliated charter schools receive their funding from the school district and would generally be included in the school district’s financial reports and audited financial statements.

At this time, there are no charter schools operating in the District, and there are no applications for charter schools currently pending before the Board of Trustees of the District. The District is aware of a charter school operating in the County, Merced Scholars Charter School, which is authorized and operated by the Merced County Office of Education and is open to all County students. Merced Scholars Charter School is a nonclassroom-based program that serves approximately 300 students in grades TK through 12 across the County. The District cannot provide any assurances as to whether any charter schools will be established within the territory of the District, or as to the impact any charter school developments may have on the District’s A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education’s California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District’s audited financial statements for the fiscal year ended June 30, 2024, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller’s Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provided that a school district’s audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller’s Office, the State Superintendent of Public Instruction, and the Merced County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July

9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the Merced County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal years 2021-22, 2022-23 and 2023-24 were not extended.

The following tables contain data extracted from general fund financial statements prepared by the District's independent auditor, Eide Bailly LLP, Certified Public Accountants, Fresno, California ("Eide Bailly"), for fiscal years 2019-20 through 2023-24. Eide Bailly has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for fiscal year 2023-24 are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2019-20 through 2023-24.

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MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2019-20 through 2023-24⁽¹⁾

	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals	Fiscal Year 2022-23 Audited Actuals	Fiscal Year 2023-24 Audited Actuals
REVENUES					
Local Control Funding Formula (LCFF)	\$126,499,189	\$125,788,532	\$141,006,875	\$161,373,998	\$173,058,519
Federal sources ⁽²⁾	8,868,433	27,237,876	23,286,877	30,861,812	24,282,850
Other State sources ⁽³⁾	14,157,326	25,315,880	22,341,057	45,489,922	29,397,502
Other local sources	3,597,056	3,377,758	806,257	4,355,755	8,755,507
Total Revenues	153,122,004	181,720,046	187,441,066	242,081,487	235,494,378
EXPENDITURES					
Current:					
Instruction	76,796,403	86,107,920	88,709,315	108,317,930	105,989,960
Instruction-related activities:					
Supervision of instruction	5,178,800	5,099,333	5,022,332	6,411,044	6,906,454
Instructional library, media, and technology	1,679,007	1,616,347	1,708,072	1,716,608	2,003,081
School site administration	11,923,631	12,079,476	14,018,687	15,670,260	17,327,592
Pupil services:					
Home-to-school transportation	5,309,717	3,958,174	6,176,784	5,470,607	7,388,136
Food services	111,062	114,442	181,264	315,285	577,856
All other pupil services	13,976,551	14,090,551	16,868,887	18,360,861	20,553,290
Administration:					
Data processing	1,797,574	2,152,147	1,574,277	1,976,653	2,587,448
All other administration	5,859,281	6,687,174	6,060,268	7,468,178	8,581,613
Plant services	13,312,066	14,569,995	15,685,730	17,030,266	18,183,991
Ancillary services	3,231,783	2,569,001	3,748,862	4,057,518	4,696,969
Other outgo	3,366,840	-	-	-	-
Enterprise services	164,068	161,706	166,991	185,322	214,377
Facility acquisition and construction	530,182	1,399,204	2,407,963	4,186,000	5,380,737
Debt service:					
Principal	-	-	-	2,785,451	4,492,183
Interest and other	-	-	-	31,758	-
Total Expenditures	143,236,965	150,605,470	162,329,432	193,983,741	204,883,687
Excess (Deficiency) of Revenues Over Expenditures	9,885,039	31,114,576	25,111,634	48,097,746	30,610,691
Other Financing Sources (Uses)					
Transfers in ⁽⁴⁾	-	-	-	513,872	482,531
Other sources - leases	-	-	506,370	661,228	301,406
Other sources – SBITAs	-	-	-	-	2,648,519
Other sources - financed purchase agreement	-	-	-	8,924,386	-
Transfers out ⁽⁵⁾	(5,954,706)	(9,037,057)	(18,917,972)	(25,106,098)	(32,028,587)
Payment to County Office of Education	-	(3,324,569)	(3,141,757)	(5,734,543)	(6,694,864)
Net Financing Sources (Uses)	(5,954,706)	(12,361,626)	(21,553,359)	(20,741,155)	(35,290,995)
NET CHANGE IN FUND BALANCE	3,930,333	18,752,950	3,558,275	27,356,591	(4,680,304)
Fund Balance – Beginning	28,234,276	32,164,609	50,917,559	54,475,834	81,832,425
Fund Balance – Ending⁽⁶⁾	\$32,164,609	\$50,917,559	\$54,475,834	\$81,832,425	\$77,152,121

⁽¹⁾ Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 54, the District’s audited financial statements include the financial activity of the District’s pupil transportation equipment fund (fund 15), special reserve fund for other than capital outlay projects (fund 17) and special reserve fund for postemployment benefits (fund 20) with the District’s general fund.

⁽²⁾ Increase in federal funds in fiscal years 2020-21 through 2023-24 is primarily attributed to one-time pandemic relief funds.

⁽³⁾ Increase in other state sources in fiscal year 2022-23 is primarily attributed to one-time State pandemic block grant.

⁽⁴⁾ Transfers in from the District’s other post-employment benefits fund (fund 20) to the District’s general fund for OPEB payment.

⁽⁵⁾ The District makes periodic transfers to various funds, including the special reserve non-capital fund (fund 17), special reserve capital fund (fund 43), deferred maintenance fund (fund 14) and transportation fund (fund 15).

⁽⁶⁾ The District is projecting unrestricted general fund deficit spending in fiscal years 2024-25 and 2027-28 and restricted general fund deficit spending in fiscal year 2024-25. See “– District Budget Process and County Review” below.

Source: Merced Union High School District Audited Financial Statements for fiscal years 2019-20 through 2023-24.

The following table sets forth the general fund balance sheet of the District for fiscal years 2019-20 through 2023-24.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2019-20 through 2023-24

	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals	Fiscal Year 2022-23 Audited Actuals	Fiscal Year 2023-24 Audited Actuals
Assets					
Deposits and investments	\$24,187,841	\$55,732,141	\$53,612,872	\$97,308,059	\$110,938,521
Receivables	21,259,077	35,037,948	18,425,382	12,292,720	9,877,000
Due from other funds	428,781	337,454	334,929	4,742,525	685,504
Prepaid expenditures	70,366	79,360	82,176	82,565	112,743
Stores inventories	-	-	14,945	183,940	101,634
Total assets	\$45,946,065	\$91,186,903	\$72,470,304	\$114,609,809	\$121,715,402
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accrued payables	\$11,925,864	\$22,579,060	\$7,819,565	\$14,075,171	\$10,876,343
Due to other funds	804,509	15,384,531	6,691,192	15,274,566	31,429,426
Unearned revenue	1,051,083	2,305,753	3,468,768	3,243,707	2,155,878
Total liabilities	13,781,456	40,269,344	17,979,525	32,593,444	44,461,647
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	-	-	14,945	183,940	101,634
Fund Balances					
Nonspendable	90,366	99,360	102,176	102,565	132,743
Restricted	2,452,203	5,966,814	7,734,156	31,133,978	26,118,152
Committed	920,952	2,392,413	8,682,264	13,463,860	8,760,973
Assigned	17,268,246	25,734,285	23,407,116	14,588,226	18,462,032
Unassigned	11,432,842	16,724,687	14,550,122	22,543,796	23,678,221
Total Fund Balances	32,164,609	50,917,559	54,475,834	81,832,425	77,152,121
Total liabilities, deferred inflows of resources, and fund balances	\$45,946,065	\$91,186,903	\$72,470,304	\$114,609,809	\$121,715,402

Source: Merced Union High School District Audited Financial Statements for fiscal years 2019-20 through 2023-24.

District Budget Process and County Review

Budget Process. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Merced County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify

technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the California Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State

Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a negative or qualified certification for an interim financial report.

County and State Response to School Districts Under Financial Distress. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

Fiscal Year 2024-25 Estimated Actuals. The District revises its projections of revenues, expenditures, and ending fund balances contained in its adopted fiscal year 2024-25 budget (the "Fiscal Year 2024-25 Budget") as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2024-25 Estimated Actuals reflect actual financial data through May 31, 2025, and projections for the remainder of fiscal year 2024-25 based on such data. The Fiscal Year 2024-25 Estimated Actuals, which are to be presented to the Board of Education in connection with the adoption of the Fiscal Year 2025-26 Budget on June 11, 2025, are included in the table that follows and described throughout the section entitled "DISTRICT FINANCIAL MATTERS."

The District is projecting unrestricted and restricted general fund deficit spending in fiscal year 2024-25. Restricted general fund deficit spending in fiscal year 2024-25 is primarily due to the spending down of one-time funds that have expiration dates. Unrestricted general fund deficit spending in fiscal year

2024-25 is primarily due to the District's choice to place funds in specific funds rather than leaving them in the general fund.

The achievement of certain results or other expectations contained in the Fiscal Year 2024-25 Estimated Actuals involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2024-25 Estimated Actuals are expressly qualified in their entirety by the foregoing and the other cautionary statements.

District's Fiscal Year 2025-26 Budget. The Fiscal Year 2025-26 Budget, which is expected to be adopted by the Board of Trustees on June 11, 2025 (and is subject to revision by the Board of Trustees prior to such adoption), is included in the table that follows. The Fiscal Year 2025-26 Budget largely reflects assumptions contained in the 2025-25 May Revision. As indicated above, the final fiscal year 2025-26 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the 2025-26 May Revision. The final fiscal year 2025-26 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2025-26 State budget from the 2025-26 May Revision. Once the final fiscal year 2025-26 State budget is adopted, the District will analyze it and determine what adjustments, if any, will need to be made to the Fiscal Year 2025-26 Budget.

In the Fiscal Year 2025-26 Budget, the District is projecting unrestricted general fund deficit spending in fiscal years 2025-26 through 2027-28. The projected unrestricted general fund deficit spending is primarily due to the District's choice to place funds in specific funds rather than leaving them in the general fund.

The Fiscal Year 2025-26 Budget does not contain historical facts but consists of forecasts and "forward-looking statements" at the time of preparation thereof. The achievement of certain results or other expectations contained in the Fiscal Year 2025-26 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2025-26 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements. The Fiscal Year 2025-26 Budget may be revised throughout fiscal year 2025-26 as additional information becomes available.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2022-23 through 2025-26, unaudited actuals for fiscal years 2022-23 and 2023-24, and the Fiscal Year 2024-25 Estimated Actuals.

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MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
General Fund Budgets for Fiscal Years 2022-23 through 2025-26,
Unaudited Actuals for Fiscal Years 2022-23 and 2023-24
and Estimated Actuals for Fiscal Year 2024-25⁽¹⁾

	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Unaudited Actuals	2024-25 Original Budget	2024-25 Estimated Actuals ⁽²⁾	2025-26 Original Budget
REVENUES							
LCFF Sources	\$145,757,157.00	\$161,373,998.39	\$172,199,784.00	\$173,058,518.32	\$176,219,447.00	\$176,974,330.00	\$179,022,133.00
Federal Revenue	9,804,320.00	31,188,865.10	9,969,702.33	24,903,329.59	11,105,121.00	12,381,397.10	10,810,232.00
Other State Revenue	20,737,310.60	45,489,922.46	17,943,453.96	29,397,502.58	21,295,385.18	32,250,693.07	22,976,647.00
Other Local Revenue	1,278,756.00	3,738,089.82	1,536,471.00	6,434,696.19	3,329,934.41	5,517,570.09	3,734,343.00
Total Revenues	<u>177,577,543.60</u>	<u>241,790,875.77</u>	<u>201,649,411.29</u>	<u>233,794,046.68</u>	<u>211,949,887.59</u>	<u>227,123,990.26</u>	<u>216,543,355.00</u>
EXPENDITURES							
Certificated Salaries	71,203,378.79	75,009,052.71	83,908,635.16	83,370,877.04	85,932,701.72	87,694,584.81	83,151,324.00
Classified Salaries	22,560,333.88	24,121,258.35	26,262,530.20	27,409,479.25	27,511,744.47	29,207,967.26	29,441,159.00
Employee Benefits	45,002,299.00	45,733,739.39	47,886,111.96	48,929,936.77	52,149,080.66	50,664,649.44	50,763,229.00
Books and Supplies	19,343,268.21	12,016,931.22	20,082,691.32	7,058,532.60	19,697,123.86	19,312,108.65	9,692,518.00
Services, Other Operating Expenses	30,053,898.32	19,147,811.95	27,757,304.53	25,548,308.05	22,529,575.22	38,465,353.91	32,979,624.00
Capital Outlay	6,552,807.85	14,063,124.04	6,475,816.23	6,755,984.33	87,189.00	3,084,436.42	149,355.00
Other Outgo (excluding Transfers of Indirect Costs)	3,417,248.00	8,196,249.94	4,071,855.00	6,694,864.01	4,860,073.00	6,332,937.66	6,512,497.00
Transfers of Indirect Costs	(157,036.00)	(296,346.00)	(177,207.00)	(239,476.24)	(282,526.00)	(328,908.00)	(333,387.00)
Total Expenditures	<u>197,976,198.05</u>	<u>197,991,821.60</u>	<u>216,267,737.40</u>	<u>205,528,505.81</u>	<u>212,484,961.93</u>	<u>234,433,130.15</u>	<u>212,356,319.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,398,654.45)</u>	<u>43,799,054.17</u>	<u>(14,618,326.11)</u>	<u>28,265,540.87</u>	<u>(535,074.34)</u>	<u>(7,309,139.89)</u>	<u>4,187,036.00</u>
OTHER FINANCING SOURCES (USES)							
Inter-fund Transfers In ⁽³⁾	-	1,145,375.18	645,375.18	645,375.18	1,277,281.00	3,928,337.60	1,985,497.00
Sources ⁽⁴⁾	-	8,924,385.67	-	-	-	-	-
Inter-fund Transfers Out ⁽⁵⁾	(7,016,693.22)	(27,446,157.61)	(8,650,417.91)	(31,253,701.17)	(7,621,292.57)	(13,452,733.92)	(6,923,809.01)
Total, Other Financing Sources (Uses)	<u>(7,016,693.22)</u>	<u>(17,376,396.76)</u>	<u>(8,005,042.73)</u>	<u>(30,608,325.99)</u>	<u>(6,344,011.57)</u>	<u>(9,524,396.32)</u>	<u>(4,938,312.01)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(27,415,347.67)</u>	<u>26,422,657.41</u>	<u>(22,623,368.84)</u>	<u>(2,342,785.12)</u>	<u>(6,879,085.91)</u>	<u>(16,833,536.21)</u>	<u>(751,276.01)</u>
BEGINNING BALANCE, as of July 1	41,608,580.85	22,764,718.20	56,817,100.41	49,187,375.61	34,460,593.77	46,844,590.49	30,011,054.28
Audit Adjustments	-	-	-	-	-	-	-
As of July 1 – Audited	41,608,580.85	22,764,718.20	56,817,100.41	49,187,375.61	34,460,593.77	46,844,590.49	30,011,054.28
Other Restatements	-	-	-	-	-	-	-
Adjusted Beginning Balance	<u>41,608,580.85</u>	<u>22,764,718.20</u>	<u>56,817,100.41</u>	<u>49,187,375.61</u>	<u>34,460,593.77</u>	<u>46,844,590.49</u>	<u>30,011,054.28</u>
ENDING BALANCE⁽⁶⁾	<u>\$14,193,233.18</u>	<u>\$49,187,375.61</u>	<u>\$34,193,731.57</u>	<u>\$46,844,590.49</u>	<u>\$27,581,507.86</u>	<u>\$30,011,054.28</u>	<u>\$29,259,778.27</u>

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
General Fund Budgets for Fiscal Years 2022-23 through 2025-26,
Unaudited Actuals for Fiscal Years 2022-23 and 2023-24
and Estimated Actuals for Fiscal Year 2024-25⁽¹⁾
(Continued)

	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Unaudited Actuals	2024-25 Original Budget	2024-25 Estimated Actuals ⁽²⁾	2025-26 Original Budget
FUND BALANCE							
Nonspendable	\$78,304.82	\$102,565.03	\$85,511.56	\$132,742.63	\$84,109.41	\$144,544.52	\$144,544.52
Restricted	3,630,515.28	31,133,978.25	16,808,627.41	26,118,151.81	11,923,470.59	14,345,827.38	17,584,829.38
Committed	1,307,274.92	6,781,929.37	6,130,689.64	4,042,616.02	2,989,339.50	2,448,224.73	2,448,224.73
Assigned	-	-	-	3,478,622.38	-	-	-
Reserved for Economic Uncertainties	9,177,138.16	11,168,902.96	11,168,902.96	13,072,457.65	12,584,588.36	13,072,457.65	9,082,179.64
Unassigned/Unappropriated	-	-	-	-	-	-	-
	<u>\$14,193,233.18</u>	<u>\$49,187,375.61</u>	<u>\$34,193,731.57</u>	<u>\$46,844,590.49</u>	<u>\$27,581,507.86</u>	<u>\$30,011,054.28</u>	<u>\$29,259,778.27</u>

⁽¹⁾ For financial reporting purposes, the District's audited financial statements reflect the unrestricted and restricted general fund, as well as the District's pupil transportation equipment fund (fund 15), special reserve fund for other than capital outlay projects (fund 17) and special reserve fund for postemployment benefits (fund 20), but the District's unaudited actuals, adopted budgets, and interim reports reflect only the unrestricted and restricted general fund without the inclusion of such other funds.

⁽²⁾ Figures are projections.

⁽³⁾ Transfers in from the District's special reserve non-capital fund to the District's general fund.

⁽⁴⁾ Other sources amount used to replace network infrastructure.

⁽⁵⁾ The District makes periodic transfers to various funds, including the special reserve capital fund (fund 43) and deferred maintenance fund (fund 14) for future facility and maintenance projects.

⁽⁶⁾ The District is projecting unrestricted general fund deficit spending in fiscal years 2024-25 and 2027-28 and restricted general fund deficit spending in fiscal year 2024-25. See "– District Budget Process and County Review" above.

Source: Merced Union High School District original adopted general fund budgets for fiscal years 2022-23 through 2025-26; unaudited actuals for fiscal years 2022-23 and 2023-24; and estimated actuals for fiscal year 2024-25.

District Debt Structure

Long-Term Debt Liabilities Other than OPEB and Pensions. A schedule of changes in the District’s long-term liabilities, other than other post-employment benefits (“OPEB”) and pension liabilities, for the fiscal year ended June 30, 2024, consisted of the following:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
Long-Term Liabilities					
General obligation bonds ⁽¹⁾	\$160,594,425	\$5,419,661	\$(6,180,000)	\$159,834,086	\$6,580,000
Unamortized debt premiums	2,907,387	-	(335,454)	2,571,933	-
Unamortized debt discounts	(197,012)	-	7,036	(189,976)	-
Public agency retirement system	1,304,503	4,738,586	(645,375)	5,397,714	1,277,281
Compensated absences	549,221	-	(78,536)	470,685	-
Financed purchase agreement	6,494,437	-	(1,454,617)	5,039,820	1,561,667
Leases ⁽²⁾	1,185,048	301,406	(389,047)	1,097,407	310,174
Subscription-based IT arrangements	-	2,648,519	(2,648,519)	-	-
Total	<u>\$172,838,009</u>	<u>\$13,108,172</u>	<u>\$(11,724,512)</u>	<u>\$174,221,669</u>	<u>\$9,729,122</u>

⁽¹⁾ Does not reflect the issuance of the Series 2025 Bonds or the refunding of the Refunded Bonds.

⁽²⁾ Included as a long-term liability pursuant to GASB Statement No. 87. For more information on the District’s lease liabilities and GASB Statement No. 87, see “– Leases” below and the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

General Obligation Bonds. Prior to the issuance of the Series 2025 Bonds, the District has outstanding eight series of bonds secured by *ad valorem* property taxes levied upon all property subject to taxation by the District. See “THE SERIES 2025 BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of this Official Statement for more information about such outstanding bonds. See also Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Early Retirement. The District has obligations to the Public Agency Retirement System totaling \$5,397,714 for early retirement incentives granted to terminated employees. Payments will be made as follows:

Year Ended June 30,	PARS Payment
2025	\$1,277,281
2026	1,277,281
2027	947,717
2028	947,717
2029	947,717
Total	<u>\$5,397,714</u>

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

Compensated Absences. Compensated absences (unpaid employee vacation) for the District as of June 30, 2024, amounted to \$470,685. For more information regarding compensated absences for fiscal year 2023-24, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Financed Purchase Agreement. The District has entered into an arrangement to finance a network equipment upgrade. The District’s liability on such agreement is summarized below:

Year Ending June 30,	Network Equipment Upgrade Financing		
	Principal	Interest	Total
2025	\$1,561,667	\$373,376	\$1,935,043
2026	1,676,967	258,076	1,935,043
2027	1,801,186	133,859	1,935,045
Total	<u>\$5,039,820</u>	<u>\$765,311</u>	<u>\$5,805,131</u>

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

For more information regarding the network equipment upgrade for fiscal year 2023-24, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

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

Lease	Leases Outstanding July 1, 2023	Addition	Payments	Leases Outstanding June 30, 2024
Enterprise fleet vehicles	\$74,826	-	\$(74,826)	-
Williams Scotsman BCHS portables	15,427	-	(15,427)	-
Williams Scotsman ACH portables	110,039	-	(35,585)	\$74,454
Xerox equipment	196,367	-	(54,019)	142,348
Castle Commerce Center	209,100	-	(25,817)	183,283
Razzari	510,491	-	(102,462)	408,029
Williams Scotsman AHS 2023	68,798	-	(15,811)	52,987
Turf Tank	-	\$301,406	(65,100)	236,306
Total	<u>\$1,185,048</u>	<u>\$301,406</u>	<u>\$(389,047)</u>	<u>\$1,097,407</u>

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

Enterprise Fleet Vehicles. The District entered into an agreement with Enterprise Fleet Management to lease 23 Ford Transit-150 vehicles for five years, beginning January 25, 2019 (the “Fleet Vehicle Lease”). Under the terms of the Fleet Vehicle Lease, the District will make monthly payments of \$12,580, which amounts to total principal and interest costs of \$701,881. The annual interest rate charged on the Fleet Vehicle Lease is 3.00%. At June 30, 2024, the Fleet Vehicle Lease expired and the final amortization for the Fleet Vehicle Lease was \$70,189.

Williams Scotsman BCHS Portables. The District entered an agreement with Williams Scotsman Inc. to lease three portable buildings for five years, beginning March 18, 2019 located at Buhach Colony High School (the “BCHS Portable Lease”). Under the terms of the BCHS Portable Lease, the District will make monthly payments of \$1,950, which amounts to total principal and interest costs of \$117,000. The annual interest rate charged on the BCHS Portable Lease is 3.00%. At June 30, 2024, the BCHS Portable Lease expired and the final amortization for the BCHS Portable Lease was \$14,517.

Williams Scotsman AHS Portables. The District entered an agreement with Williams Scotsman Inc. to lease four portable buildings for five years, beginning July 19, 2021, located at Atwater High School (the “AHS Portable Lease”). Under the terms of the AHS Portable Lease, the District will make monthly payments of \$3,200, which amounts to total principal and interest costs of \$192,000. The annual interest

rate charged on the AHS Portable Lease is 3.00%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$178,553 and a lease liability of \$74,454 related to the AHS Portable Lease. During fiscal year 2023-24, the District recorded \$35,712 in amortization expense and \$2,815 in interest expense for the right-to-use the portable buildings.

Xerox Equipment. The District entered an agreement with Xerox to lease copiers for five years, beginning January 1, 2022, located at the sites throughout the District (the “Xerox Lease”). Under the terms of the Xerox Lease, the District will make monthly payments of \$4,931, which amounts to total principal and interest cost of \$295,860. The annual interest rate charged on the Xerox Lease is 3.00%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$275,108 and a lease liability of \$142,348 related to the Xerox Lease. During fiscal year 2023-24, the District recorded \$55,020 in amortization expense and \$5,153 in interest expense for the right-to-use the copiers.

Castle Commerce Center. The District entered an agreement with the County of Merced to lease buildings #34 and #35 located at 3430 A Street, Atwater, California, which includes the use of an adjacent parking area for six years, beginning April 1, 2022 (the “CCC Lease”). Under the terms of the CCC Lease, the District will make average monthly payments of \$3,570. After six years and by the “Expiration Date” of March 21, 2028, the District will have paid amounts in total principal and interest costs of \$257,040. The annual interest rate charged on the CCC Lease is 3.00%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$231,162 and a lease liability of \$183,283 related to the CCC Lease. During fiscal year 2023-24, the District recorded \$38,544 in amortization expense and \$5,941 in interest expense for the right-to-use the properties.

Razzari Family Trust. The District entered an agreement with the Razzari Family Trust to lease 3500 G Street and 99 Donna Drive for five years, beginning November 2022 (the “Razzari Lease”). Under the terms of the Razzari Lease, the District will make monthly payments ranging \$10,500 to \$11,500, which amounts to total principal and interest costs of \$660,000. The annual interest rate charged on the Razzari Lease is 5.50%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$577,080 and a lease liability of \$408,029 related to the Razzari Lease. During fiscal year 2023-24, the District recorded \$115,416 in amortization expense and \$25,538 in interest expense for the right-to-use the portable buildings.

Williams Scotsman AHS Portables 2023. The District entered an agreement with Williams Scotsman Inc. to lease two portable buildings for five years, beginning July 1, 2022, located at Atwater High School (the “2023 AHS Portable Lease”). Under the terms of the 2023 AHS Portable Lease, the District will make monthly payments of \$1,600, which amounts to total principal and interest costs of \$96,000. The annual interest rate charged on the 2023 AHS Portable Lease is 5.50%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$84,148 and a lease liability of \$52,987 related to the 2023 AHS Portable Lease. During fiscal year 2023-24, the District recorded \$16,830 in amortization expense and \$3,389 in interest expense for the right-to-use the portable buildings.

Turf Tanks Equipment. The District entered an agreement with Turf Tank to lease turf tanks for five years, beginning October 1, 2023, there are seven turf tanks used District-wide (the “Turf Lease”). Under the terms of the Turf Lease, the District will make yearly payments of \$65,100, which amounts to total principal and interest cost of \$301,406. The annual interest rate charged on the Turf Lease is 4.00%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$301,406 and a lease liability of \$236,306 related to the Turf Lease. During fiscal year 2023-24, the District recorded \$60,281 in amortization expense and no interest expense for the right-to-use the turf tanks.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024, are as follows:

Year Ended June 30,	Principal	Interest	Totals
2025	\$310,174	\$41,923	\$352,097
2026	334,126	28,450	362,576
2027	293,009	14,667	307,676
2028	160,098	3,679	163,777
Total	<u>\$1,097,407</u>	<u>\$88,719</u>	<u>\$1,186,126</u>

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

For more information regarding the leases for fiscal year 2023-24, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Subscriptions-Based Information Technology Arrangements (“SBITAs”). The District has entered into an SBITA for general operations of the District. At June 30, 2024, the District has recognized a right-to-use subscriptions IT asset of \$2,648,519 and no SBITA liability related to this agreement. During fiscal year 2023-24, the District recorded \$346,830 in amortization expense.

For more information regarding SBITAs, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024.”

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes (“TRANS”) or borrow funds to supplement the District’s cash flow in fiscal years 2023-24 and 2024-25. The District does not currently plan to issue TRANS in fiscal year 2025-26. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

General. As of the preparation of the Fiscal Year 2025-26 Budget, the District employs approximately 1,088 full-time equivalent (“FTE”) employees, including approximately 516.00 FTE certificated (credentialed teaching) staff, approximately 475.00 FTE classified (non-teaching) staff, and approximately 97.00 FTE management personnel. As of the Fiscal Year 2024-25 Estimated Actuals, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were estimated to be approximately \$87.69 million and \$29.21 million, respectively. As of the Fiscal Year 2025-26 Budget, the District budgets that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$83.15 million and \$29.44 million, respectively, in fiscal year 2025-26. These employees, except unrepresented management employees, are represented by the Merced Union High School District Teachers Association (“MUHSDTA”) and California School Employees Association – Ch. 252 (“CSEA”), as described in more detail below.

MUHSDTA. As of the preparation of the Fiscal Year 2025-26 Budget, MUHSDTA represents approximately 516.00 FTE certificated (credentialed teaching) employees in the District. The District and MUHSDTA entered into a multi-year contract effective July 1, 2025 through June 30, 2028 (the “MUHSDTA Agreement”). There are no reopeners under the MUHSDTA Agreement. Accordingly, salary

and benefit increases for fiscal year 2025-26 are settled and the financial impact of the MUHSDTA Agreement for fiscal year 2025-26 is reflected in the Fiscal Year 2025-26 Budget.

CSEA. CSEA represents approximately 475.00 FTE classified (non-teaching) employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2024 that expires on June 30, 2027 (the “CSEA Agreement”). There are no compensation reopeners permitted under the CSEA Agreement. Accordingly, salary and benefit increases for fiscal year 2025-26 are settled and the financial impact of the CSEA Agreement for fiscal year 2025-26 is reflected in the Fiscal Year 2025-26 Budget.

Management Employees. As of the preparation of the Fiscal Year 2025-26 Budget, there are approximately 97.00 FTE management employees in the District. Salary and benefit increases for fiscal year 2025-26 for management employees are settled and the financial impact for fiscal year 2025-26 is reflected in the Fiscal Year 2025-26 Budget.

Other Post-Employment Benefits

In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides other post-retirement healthcare benefits (“OPEB”) under two different plans: (1) the District’s single-employer defined benefit OPEB plan (the “District Plan”) and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers’ Health Benefit Fund (the “MPP Plan”):

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$19,818,837	\$5,201,160	\$9,089,402	\$1,124,692
MPP Plan	514,481	-	-	(29,723)
Total	\$20,333,318	\$5,201,160	\$9,089,402	\$1,094,969

Source: Merced Union High School District Audited Financial Statements for fiscal year 2023-24.

District Plan. The Board of Trustees of the District administers the District Plan, which is a single-employed defined benefit plan that is used to provide OPEBs for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement Number 75 (defined below). At June 30, 2023, the District Plan membership consisted of 974 active employees and 65 inactive employees or beneficiaries currently receiving benefits.

Benefits Provided. The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and the cost of benefits up to a cap of \$12,277 for CSEA and \$14,691 for CSEA is covered by the District Plan. The Board of Trustees of the District has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The benefit payment requirements of District Plan members and the District are established and may be amended by the District, the Merced Union High School District Teachers Association (“MUHSDTA”), the local California Service Employees Association (“CSEA”), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MUHSDTA, CSEA and the underrepresented groups. For fiscal year 2022-23, the District contributed \$1,060,847 in benefits.

Actuarial Report. Total Compensation Systems, Inc. prepared an actuarial valuation for the District Plan, dated January 16, 2025, for the reporting period for fiscal year 2024-25, using a valuation date of June 30, 2023, which was rolled forward to the June 30, 2024, measurement date (the “Actuarial Valuation”). According to the Actuarial Valuation, at June 30, 2024, the District’s total and net OPEB liability was

\$20,359,244. Such liability reflects an increase in the total and net OPEB liability from the prior year, for the June 30, 2023 measurement date, that reflected a total and net OPEB liability of \$19,818,837. The Actuarial Valuation uses the following assumptions when determining the District's net and total OPEB liability for fiscal year 2023-24: a discount rate of 3.93% per year, an inflation rate of 2.50% per year, a payroll increase rate of 2.75% per year, and a healthcare cost trend rate of 4.00%.

The following table sets forth the reconciliation of the June 30, 2023 net OPEB liability ("NOL") in the prior valuation to the June 30, 2024 NOL.

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at June 30, 2023 Measurement Date	\$19,818,837	\$0	\$19,818,837
Service cost	\$1,115,771	\$0	\$1,115,771
Interest on TOL / Return on FNP	\$728,491	\$0	\$728,491
Employer Contributions	\$0	\$987,625	\$(987,625)
Benefit Payments	\$(987,625)	\$(987,625)	\$0
Administrative Expenses	\$0	\$0	\$0
Experience (Gains)/Losses	\$151,512	\$0	\$(467,742)
Change in Assumptions	\$(467,742)	\$0	\$(467,742)
Other	\$0	\$0	\$0
Net change	\$540,407	\$0	\$540,407
Actual Balance at June 30, 2024 Measurement Date	\$20,359,244	\$0	\$20,359,244

Source: Actuarial Report.

MPP Plan. The MPP Plan is a cost-sharing multiple-employer OPEB established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

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

Net OPEB Liability and OPEB Expense. At June 30, 2024, the District reported a liability of \$514,481 for its proportionate share of the net OPEB liability for the MPP Plan. The net OPEB liability

was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability/(asset) was based on a projection of the District's long-term share of contributions to the MPP Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods June 30, 2023 and June 30, 2022, respectively, was 0.1696% and 0.1652%, respectively, resulting in a net decrease in the proportionate share of 0.0044%. For the year ended June 30, 2024, the District recognized an OPEB expense of \$(29,723).

The MPP Program is funded on a pay-as-you-go basis and the MPP Program's fiduciary net position was not projected to be sufficient to make future benefit payments. Therefore, the MPP Program used *The Bond Buyer's* 20-Bond GO Index from **Bondbuyer.com** as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54%, as of June 30, 2022.

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2023-24, see Note 10 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement No. 75"). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 in its financial statements beginning with fiscal year 2017-18.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and

State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.50% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal years 2022-23, 2023-24 and 2024-25, the employer contribution rate was approximately 19.10% of covered payroll and will remain at 19.10% for fiscal year 2025-26. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.83% of payroll in fiscal year 2017-18 to approximately 10.83% of payroll in fiscal year 2021-22. The State's contribution rate was approximately 10.83% of payroll for fiscal years 2022-23, 2023-24 and 2024-25, and will remain at approximately 10.83% for fiscal year 2025-26. The State's contribution includes an annual payment of 2.50% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2024-25 and will remain at 10.25% for fiscal year 2025-26. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was approximately 9.21% for fiscal years 2016-17 and 2017-18, approximately 10.21% for fiscal years 2018-19 through 2024-25 and will remain at approximately 10.21% for fiscal year 2025-26.

The following table sets forth the District's employer contributions from all funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2021-22 through 2024-25, and the budgeted contributions for fiscal year 2025-26.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Contributions to CalSTRS for Fiscal Years 2021-22 through 2025-26

Fiscal Year	District Contribution	State On-Behalf Contribution
2021-22	\$10,595,932	\$6,797,482
2022-23	14,168,015	6,144,979
2023-24	15,674,147	6,690,635
2024-25 ⁽¹⁾	18,629,647	7,036,713
2025-26 ⁽²⁾	18,629,647	7,036,713

⁽¹⁾ Estimated actuals for fiscal year 2024-25.

⁽²⁾ Original adopted budget for fiscal year 2025-26.

Source: Merced Union High School District.

The District's total employer contributions to CalSTRS for fiscal years 2021-22 through 2024-25 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2023 (the “2023 CalSTRS Actuarial Valuation”) showed an estimated unfunded actuarial liability of \$86.59 billion, a decrease of approximately \$1.97 billion from the June 30, 2022, valuation. Such estimated unfunded actuarial liability was projected to decrease in the June 30, 2022, valuation, which projected an unfunded actuarial liability of \$88.10 billion as of June 30, 2023. The actual unfunded actuarial liability as of June 30, 2023, represents a net actuarial gain of approximately \$1.52 billion. Such net actuarial gain is due primarily to change in actuarial value assumptions based on the most recent experience analysis, member salary increases being more than assumed, market value returns (estimated at 6.50%) being less than assumed (7.00%) and returns on actuarial value of assets (estimated at 7.20%) being greater than assumed as the recognition of actuarial investment gains which were previously deferred had a greater impact on recognition of the less-than-assumed market return for the most recent year. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2023, and June 30, 2022, based on the actuarial assumptions, were approximately 75.90% and 74.40%, respectively. According to the 2023 CalSTRS Actuarial Valuation, the funded ratio increased by 1.50% during the past year. As described in the 2023 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the new assumptions and contributions made to pay down the unfunded actuarial obligation in fiscal year 2022-23. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District’s required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469. The following are certain of the actuarial assumptions set forth in the 2023 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, 3.25% payroll growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2023 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPPRA (as defined herein). See “— *Governor’s Pension Reform*” below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

See also Note 13 to and the Required Supplementary Information included with the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024,” for information with respect to the District’s proportionate share of the CalSTRS net pension liability of \$87,302,702 as of June 30, 2024 (which excludes the State proportionate share of the net pension liability in the amount of \$41,829,180), as well as information about the District’s proportionate share for prior fiscal years.

CalPERS. All qualifying classified employees of K-14 school districts in the State are members in CalPERS. All K-14 school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. K-14 school districts’ contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District’s required

contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. K-14 school districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in K-14 school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and K-14 school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of 50% of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% for fiscal years 2022-23 and 2024-25 and remains at 8.00% for fiscal year 2025-26. K-14 school districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.06% of eligible salary expenditures for fiscal year 2018-19 and originally 20.73% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.72% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23, 26.68% for fiscal year 2023-24, 27.05% for fiscal year 2024-25 and is 26.81% for fiscal year 2025-26.

The table on the following page sets forth the District's total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2021-22 through 2024-25, and the budgeted contribution for fiscal year 2025-26.

MERCED UNION HIGH SCHOOL DISTRICT
(Merced County, California)
Contributions to CalPERS for Fiscal Years 2020-21 through 2024-25

Fiscal Year	District Contribution
2021-22	\$5,016,351
2022-23	6,207,886
2023-24	7,371,087
2024-25 ⁽¹⁾	7,405,171
2025-26 ⁽²⁾	6,505,442

⁽¹⁾ Estimated actuals for fiscal year 2024-25.

⁽²⁾ Original adopted budget for fiscal year 2025-26.

Source: Merced Union High School District.

The District's total employer contributions to CalPERS for fiscal years 2021-22 through 2024-25 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2023 (the "2023 CalPERS Schools Pool Actuarial Valuation"), was released in August 2024, and such valuation reported an actuarial accrued liability of approximately \$124.92 billion with the market value of assets at approximately \$84.29 billion, and a funded status of approximately 67.50%. From June 30, 2022, to June 30, 2023, the funded status of the CalPERS Schools Pool decreased by approximately 0.40%, and the unfunded accrued liability increased by approximately \$3.04 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 6.10% net return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 6.10% net return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately \$12.40 billion, which will be amortized over 20 years with a five-year phase-in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2024-25 by 0.07% of payroll. The 2023 CalPERS Schools Pool Actuarial Valuation reports that the employer contribution rates for fiscal years 2024-25, 2025-26, 2026-27, 2027-28, 2028-29 and 2029-30 are projected to be 27.05%, 27.60%, 28.00%, 29.20%, 29.00% and 28.80%, respectively. Such projections assume that all actuarial assumptions will be realized, including net investment returns in such fiscal years of 6.80%, and that no further changes to assumptions, contributions, benefits or funding will occur during such fiscal years. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2023 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

The 2023 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% price inflation, 2.80% wage inflation and payroll growth of 2.80% compounded annually. The 2023 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2023. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2023 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method."

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

See also Note 13 to and the Required Supplementary Information included with the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024," for information with respect to the District's proportionate share of the CalPERS net pension liability of \$50,952,874 as of June 30, 2024, as well as information about the District's proportionate share for prior fiscal years.

Social Security. As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to contribute to Social Security as its alternative plan (the "Alternative Plan"). Contributions made by the District and an employee vest immediately. The District contributes 6.20% of an employee's gross earnings. An employee is required to contribute 6.20% of his or her gross earnings to the Alternative Plan.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS, CalPERS and the Alternate Plan are more fully described in Note 13 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Governor’s Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees’ Pension Reform Act of 2012 (“PEPRA”) which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$160,200 for 2023, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District is a member of SISC II, Self Insured Schools of California III (“SISC III”), and the Merced County Schools Insurance Group (“MCSIG”) public entity risk pools (collectively, the “JPAs”). The District pays an annual premium to each entity for its health, workers’ compensation and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. These JPAs have budgeting and financial reporting requirements independent of member units, such as the District, and their financial statements are not presented in the District’s financial statements; however, fund transactions between the JPAs and the District are included in the District’s financial statements. Audited financial statements are available from the respective entities.

SISC II. During fiscal year 2023-24, the District made payment of \$1,517,187 to SISC II for property and liability insurance. The District has no appointed members of the governing board of SISC II.

SISC III. During fiscal year 2023-24, the District made payment of \$14,241,454 to SISC III for medical, dental and vision insurance. The District has no appointed members of the governing board of SISC III.

MCSIG. During fiscal year 2023-24, the District made payment of \$1,732,489 to MCSIG for workers’ compensation insurance. The District has appointed two members to the governing board of MCSIG.

See Notes 12 and 15 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, voters of the State approved Proposition 13 (“Proposition 13”), which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved

on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the California Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situation.” Any such allocation made to a local agency continues as part of its allocation in future years.

The tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Proposition 19. Proposition 19, which was approved by the voters of the State on November 3, 2020, among other things, allows an owner of a primary residence who is over 55 years of age, severely disabled, or a victim of a wildfire or natural disaster to transfer the taxable value (*i.e.*, the base year value plus inflation adjustments) of their primary residence to a replacement primary residence located anywhere in the State, regardless of the location or value of the replacement primary residence, that is purchased or newly constructed as that person’s principal residence within two years of the sale of the original primary residence. Proposition 19 limits a person who is over 55 years of age or severely disabled to three transfers under these provisions. Proposition 19 also excludes from the terms “purchase” and “change in ownership” for purposes of determining the “full cash value” of property the purchase or transfer of a family home or family farm of the transferor in the case of a transfer between parents and their children, or between

grandparents and their grandchildren if all the parents of those grandchildren are deceased. In the case of a transfer of a family home, Proposition 19 require that the property continue as the family home of the transferee. The District is unable to predict the effect such measure may have on tax assessments within the District.

Article XIII B of the California Constitution

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (“Article XIII C” and “Article XIII D,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, voters of the State approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the California Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the appropriations limit for K-14 districts and the K-14 districts appropriations limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, voters of the State approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the California Constitution to alter the spending limit and education funding

provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the “change in the cost of living” by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State’s spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the “excess” tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts’ minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts’ base expenditures for calculating their entitlement for State aid in the following year and would not increase the State’s appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain “qualified capital outlay projects” and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the appropriations limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the “first test”) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District.

Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by voters of the State on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by voters of the State in the November 2014 election.

State Rainy Day Fund. The Proposition 2 constitutional amendments related to the State Rainy Day Fund (i) require deposits into the State Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the State Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create the Proposition 98 Rainy Day Fund to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Proposition 98

Rainy Day Fund unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Proposition 98 Rainy Day Fund, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

SB 751. Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of A.D.A.

Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap when applicable. The District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District’s reserves, current projections with respect to such reserves, and related policies, see “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves*.”

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2025 Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 19, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time-to-time other initiative measures could be adopted, further affecting District revenues or the District’s ability to expend revenue.

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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Financial Statements
June 30, 2024

Merced Union High School District

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Independent Auditor's Report

To the Governing Board
Merced Union High School District
Merced, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Merced Union High School District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the

District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Fresno, California
December 4, 2024



Merced Union High School District
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Superintendent
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Deputy Superintendent
Ralph Calderon

Assistant Superintendents
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Board of Trustees
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024, with comparative information for the year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The Fund Financial Statements include statements for each of the two categories of activities: governmental and fiduciary.

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

The Fiduciary Funds are custodial funds. The custodial fund is prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Merced Union High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or custodian, for funds held on behalf of others, like our funds for deferred compensation and scholarship funds not controlled by District administration. The District's fiduciary activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fund Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's total net position was \$155,357,584 for the fiscal year ended June 30, 2024. Restricted net position, which totaled \$54,649,253, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 186,518,299	\$ 184,898,942
Capital assets	277,408,341	243,096,999
Total assets	463,926,640	427,995,941
Deferred Outflows of Resources	56,045,250	45,729,615
Liabilities		
Current liabilities	16,251,045	20,177,667
Long-term liabilities	332,810,563	316,115,805
Total liabilities	349,061,608	336,293,472
Deferred Inflows of Resources	15,570,159	21,826,681
Net Position		
Net investment in capital assets	152,179,368	120,614,036
Restricted	54,649,253	58,602,452
Unrestricted (deficit)	(51,488,498)	(63,611,085)
Total net position	<u>\$ 155,340,123</u>	<u>\$ 115,605,403</u>

The \$155,340,123 in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$12,122,587.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2024	2023
Revenues		
Program revenues		
Charges for services	\$ 647,553	\$ 823,450
Operating grants and contributions	63,495,721	73,465,670
General revenues		
Federal and State aid not restricted	151,099,302	143,357,294
Property taxes	33,386,329	34,487,856
Other general revenues	12,050,235	13,871,278
Total revenues	<u>260,679,140</u>	<u>266,005,548</u>
Expenses		
Instruction-related	139,886,287	132,641,755
Pupil services	34,102,080	29,376,350
Administration	11,473,810	9,523,232
Plant services	13,255,499	20,463,891
All other services	22,226,744	20,574,274
Total expenses	<u>220,944,420</u>	<u>212,579,502</u>
Change in net position	<u><u>\$ 39,734,720</u></u>	<u><u>\$ 53,426,046</u></u>

Governmental Activities

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$220,944,420 as compared to \$212,579,502 in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$33,386,329 because the cost was paid by those who benefited from the programs of \$647,553 or by other governments and organizations who subsidized certain programs with grants and contributions of \$63,495,721. We paid for the remaining "public benefit" portion of our governmental activities with \$151,099,302 in Federal and State funds and \$12,050,235 other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction-related	\$ 139,886,287	\$ 132,641,755	\$ (101,399,007)	\$ (78,878,029)
Pupil services	34,102,080	29,376,350	(18,150,140)	(15,217,227)
Administration	11,473,810	9,523,232	(10,506,158)	(8,644,640)
Plant services	13,255,499	20,463,891	(9,646,549)	(19,862,852)
All other services	22,226,744	20,574,274	(17,099,292)	(15,687,634)
Total	<u>\$ 220,944,420</u>	<u>\$ 212,579,502</u>	<u>\$ (156,801,146)</u>	<u>\$ (138,290,382)</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$170,165,620 while the prior year reported a balance of \$164,537,335, which is an increase in combined governmental funds of \$5,628,285 from last year. Revenue decreased and expenditures increased in the General Fund over the prior year and there was a decrease in the fund of \$4,680,304. The decrease was primarily due to a decrease in state grants received. Another major fund of the District is the Building Fund that showed a decrease in fund balance totaling \$8,570,435 due to the spending of proceeds received from the issuance of general obligation bonds in the previous year. The other major fund of the District, Special Reserve Fund for Capital Outlay Projects, showed an increase of \$206,124 from the prior year due to the transfers received from the General Fund for the completion of ongoing capital projects.

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2023	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2024
General	\$ 81,832,425	\$ 238,926,834	\$ 243,607,138	\$ 77,152,121
Student Activities	1,918,684	3,280,483	3,273,571	1,925,596
Adult Education	248,426	3,595,927	3,020,244	824,109
Child Development	54,353	617,619	622,436	49,536
Cafeteria	5,247,811	10,303,309	7,877,941	7,673,179
Deferred Maintenance	4,594,019	2,782,041	4,034,555	3,341,505
Building	13,408,928	708,222	9,278,657	4,838,493
Capital Facilities	9,168,069	1,838,875	1,243,182	9,763,762
County School Facilities	381,431	19,363	-	400,794
Special Reserve Fund for Capital Outlay Projects	37,163,672	29,050,224	10,377,324	55,836,572
Bond Interest and Redemption	10,519,517	5,682,543	7,842,107	8,359,953
Total	<u>\$ 164,537,335</u>	<u>\$ 296,805,440</u>	<u>\$ 291,177,155</u>	<u>\$ 170,165,620</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 13, 2024. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2024, the District had \$277,408,341 in a broad range of capital assets and right-to-use assets, including land, buildings, and furniture and equipment, while at June 30, 2023, the net capital assets totaled \$243,096,999. This amount represents a net increase (net of accumulated depreciation and amortization expense) of \$34,311,342.

Table 5

	Governmental Activities	
	2024	2023
Land and construction in progress	\$ 76,607,544	\$ 58,137,358
Buildings and improvements	181,877,515	170,836,442
Equipment	15,591,765	12,988,269
Right-to-use leased assets	1,029,828	1,134,930
Right-to-use subscription IT assets	2,301,689	-
Total	<u>\$ 277,408,341</u>	<u>\$ 243,096,999</u>

During the year, significant improvements were made across several schools in the district. At Golden Valley High School, these upgrades included HVAC installations, restroom renovations, kitchen work tables and sinks, a walk-in cooler, and additional portable classrooms. El Capitan High School saw the construction of a greenhouse, roof repairs, and the installation of a fence, gate, and roofing. Atwater High School added portable classrooms, replaced its hot water and heating system, retrofitted the scoreboard, and installed an agriculture walk-in refrigerator. Livingston High School installed a floral walk-in cooler, a new flagpole, exterior painting, and replaced the pool filter. Buhach High School upgraded its greenhouse and commissioned a mural. Merced High School focused on locker room repairs and gate replacement. Sequoia High School renovated its greenhouse, and East Campus Educational Center completed roofing, carpet, and gate installations. District-wide projects included the installation of security cameras, hydration stations, fertilization, and extensive routine maintenance.

We present more detailed information about our capital assets and right-to-use leased assets in the Notes to Financial Statements.

Long-Term Liabilities

At the end of this year, the District had \$332,810,563 in long-term liabilities outstanding versus \$316,115,805 from last year, an increase of \$16,694,758. The increase was primarily due to a large increase in the District's estimated aggregate net pension liability.

Table 6

	Governmental Activities	
	2024	2023
Long-Term Liabilities		
General obligation bonds	\$ 159,834,086	\$ 160,594,425
Unamortized premiums/(discounts)	2,381,957	2,710,375
Leases	1,097,407	1,185,048
Financed purchase agreement	5,039,820	6,494,437
Early retirement liabilities	5,397,714	1,304,503
Compensated absences	470,685	549,221
Net OPEB liability	20,333,318	17,793,733
Aggregate net pension liability	<u>138,255,576</u>	<u>125,484,063</u>
Total	<u>\$ 332,810,563</u>	<u>\$ 316,115,805</u>

The District's general obligation Moody's bond rating as of the most recent bond issuance was "Aa3".

At year-end, the District had other postemployment benefit (OPEB) liabilities of \$20,333,318, versus \$17,793,733 last year, an increase of \$2,539,585.

At year-end, the District had a net pension liability of \$138,255,576 versus \$125,484,063 last year, an increase of \$12,771,513.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2023-2024 General Fund Revenue Budget Assumptions

- 8.22% Local Control Funding Formula (LCFF) cost of living adjustment (COLA)
- 8.22% COLA on state and local share
- LCFF GAP funding is 100%
- Projected funded 2023-2024 average daily attendance (ADA) is 10,344.29
- Projected lottery revenue is \$211.24 per ADA for unrestricted lottery and \$101.98 per ADA for restricted instructional materials

2023-2024 General Fund Expenditure Budget Assumptions

- 1.5% step and column increase
- 8.22% salary schedule increase for certificated, classified and management
- No health and welfare cap increase for certificated, classified and management
- Transfer of \$400,000 to Fund 11 Adult for temporary cash loan; transferred to Fund 13 Cafeteria of \$1,415,299 for payroll expenditures; transferred to Fund 14 Deferred Maintenance for redevelopment agency dissolution and contribution to facility projects; transferred \$27,413,130 to the Special Reserve Fund for Capital Outlay Projects for future capital projects
- Health insurance cap of \$14,691 for classified and certificated and management \$12,277

Based upon the 2023-2024 budget, the District will be able to meet its financial obligations for 2023-2024, for subsequent fiscal years 2024-2025 and 2025-2026, and maintain a reserve for uncertainties equal to 10% of total expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Scott Weimer
Assistant Superintendent/CBO, Business Services
Merced Union High School District
3430 A Street, Castle Airport
Atwater, California 95301

Telephone number: (209) 325-2030

Merced Union High School District
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 174,469,988
Receivables	11,724,730
Stores inventories	221,947
Lease receivables	101,634
Capital assets not depreciated or amortized	76,607,544
Capital assets, net of accumulated depreciation and amortization	<u>200,800,797</u>
Total assets	<u>463,926,640</u>
Deferred Outflows of Resources	
Deferred charge on refunding	2,370,572
Deferred outflows of resources related to OPEB	5,201,160
Deferred outflows of resources related to pensions	<u>48,473,518</u>
Total deferred outflows of resources	<u>56,045,250</u>
Liabilities	
Accounts payable	14,033,003
Unearned revenue	2,218,042
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	9,729,122
OPEB liability due in one year	862,768
Long-term liabilities other than OPEB and pensions due in more than one year	164,492,547
Net other postemployment benefits liability (OPEB)	19,470,550
Aggregate net pension liabilities	<u>138,255,576</u>
Total liabilities	<u>349,061,608</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	9,089,402
Deferred inflows of resources related to pensions	6,379,123
Deferred inflows of resources related to leases	<u>101,634</u>
Total deferred inflows of resources	<u>15,570,159</u>
Net Position	
Net investment in capital assets	152,179,368
Restricted for	
Debt service	8,359,953
Capital projects	10,164,556
Educational programs	26,525,969
Child nutrition	7,673,179
Student activities	1,925,596
Unrestricted (deficit)	<u>(51,488,498)</u>
Total net position	<u>\$ 155,340,123</u>

Merced Union High School District

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 112,843,593	\$ 91,372	\$ 31,003,374	\$ (81,748,847)
Instruction-related activities				
Supervision of instruction	6,798,823	-	4,276,968	(2,521,855)
Instructional library, media, and technology	2,031,189	-	233,471	(1,797,718)
School site administration	18,212,682	12,579	2,869,516	(15,330,587)
Pupil services				
Home-to-school transportation	5,578,737	5,893	91,339	(5,481,505)
Food services	8,132,945	15,118	8,946,164	828,337
All other pupil services	20,390,398	185,782	6,707,644	(13,496,972)
Administration				
Data processing	2,640,532	-	-	(2,640,532)
All other administration	8,833,278	5,384	962,268	(7,865,626)
Plant services	13,255,499	141,018	3,467,932	(9,646,549)
Ancillary services	7,933,828	-	3,374,245	(4,559,583)
Enterprise services	214,377	-	-	(214,377)
Interest on long-term liabilities	7,383,675	-	-	(7,383,675)
Other outgo	6,694,864	190,407	1,562,800	(4,941,657)
Total governmental activities	<u>\$ 220,944,420</u>	<u>\$ 647,553</u>	<u>\$ 63,495,721</u>	<u>(156,801,146)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				28,082,122
Property taxes, levied for debt service				5,038,142
Taxes levied for other specific purposes				266,065
Federal and State aid not restricted to specific purposes				151,099,302
Interest, investment earnings, and fair value adjustments				7,481,666
Miscellaneous revenues				<u>4,568,569</u>
Subtotal, general revenues and subventions				<u>196,535,866</u>
Change in Net Position				39,734,720
Net Position - Beginning				<u>115,605,403</u>
Net Position - Ending				<u>\$ 155,340,123</u>

Merced Union High School District

Balance Sheet – Governmental Funds

June 30, 2024

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 110,938,521	\$ 5,386,217	\$ 29,919,389	\$ 28,225,861	\$ 174,469,988
Receivables	9,877,000	-	-	1,847,730	11,724,730
Due from other funds	685,504	-	27,413,130	4,016,296	32,114,930
Stores inventories	112,743	-	-	109,204	221,947
Lease receivables	101,634	-	-	-	101,634
Total assets	\$ 121,715,402	\$ 5,386,217	\$ 57,332,519	\$ 34,199,091	\$ 218,633,229
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 10,876,343	\$ 547,724	\$ 1,043,248	\$ 1,565,688	\$ 14,033,003
Due to other funds	31,429,426	-	452,699	232,805	32,114,930
Unearned revenue	2,155,878	-	-	62,164	2,218,042
Total liabilities	44,461,647	547,724	1,495,947	1,860,657	48,365,975
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	101,634	-	-	-	101,634
Fund Balances					
Nonspendable	132,743	-	-	110,324	243,067
Restricted	26,118,152	4,838,493	-	28,420,777	59,377,422
Committed	8,760,973	-	-	3,807,333	12,568,306
Assigned	18,462,032	-	55,836,572	-	74,298,604
Unassigned	23,678,221	-	-	-	23,678,221
Total fund balances	77,152,121	4,838,493	55,836,572	32,338,434	170,165,620
Total liabilities, deferred inflows of resources, and fund balances	\$ 121,715,402	\$ 5,386,217	\$ 57,332,519	\$ 34,199,091	\$ 218,633,229

Merced Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds		\$ 170,165,620
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 433,361,226	
Accumulated depreciation and amortization is	<u>(155,952,885)</u>	
Net capital assets		277,408,341
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	2,370,572	
Other postemployment benefits (OPEB)	5,201,160	
Net pension liability	<u>48,473,518</u>	
Total deferred outflows of resources		56,045,250
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(9,089,402)	
Net pension liability	<u>(6,379,123)</u>	
Total deferred inflows of resources		(15,468,525)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(138,255,576)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(20,333,318)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds (net of premiums and discounts)	(126,300,811)	
Leases	(1,097,407)	
Financed purchase agreement	(5,039,820)	
Compensated absences	(470,685)	
Special termination benefits payable	(5,397,714)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(35,915,232)</u>	
Total long-term liabilities		<u>(174,221,669)</u>
Total net position - governmental activities		<u>\$ 155,340,123</u>

Merced Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	\$ 173,058,519	\$ -	\$ -	\$ 374,034	\$ 173,432,553
Federal sources	24,282,850	-	-	6,307,131	30,589,981
Other State sources	29,397,502	-	-	5,162,256	34,559,758
Other local sources	8,755,507	708,222	1,637,094	11,661,282	22,762,105
Total revenues	235,494,378	708,222	1,637,094	23,504,703	261,344,397
Expenditures					
Current					
Instruction	105,989,960	-	-	2,104,705	108,094,665
Instruction-related activities					
Supervision of instruction	6,906,454	-	-	-	6,906,454
Instructional library, media, and technology	2,003,081	-	-	-	2,003,081
School site administration	17,327,592	-	-	1,030,308	18,357,900
Pupil services					
Home-to-school transportation	7,388,136	-	-	-	7,388,136
Food services	577,856	-	-	7,745,295	8,323,151
All other pupil services	20,553,290	-	-	158,902	20,712,192
Administration					
Data processing	2,587,448	-	-	-	2,587,448
All other administration	8,581,613	-	-	243,851	8,825,464
Plant services	18,183,991	3,191	18,788	438,858	18,644,828
Ancillary services	4,696,969	-	-	3,273,571	7,970,540
Enterprise services	214,377	-	-	-	214,377
Facility acquisition and construction	5,380,737	9,275,466	9,905,837	5,046,607	29,608,647
Debt service					
Principal	4,492,183	-	-	6,180,000	10,672,183
Interest and other	-	-	-	1,662,107	1,662,107
Total expenditures	204,883,687	9,278,657	9,924,625	27,884,204	251,971,173
Excess (Deficiency) of Revenues Over Expenditures	30,610,691	(8,570,435)	(8,287,531)	(4,379,501)	9,373,224
Other Financing Sources (Uses)					
Transfers in	482,531	-	27,413,130	4,615,457	32,511,118
Sources from leases	301,406	-	-	-	301,406
Sources from Subscription-based IT arrangements	2,648,519	-	-	-	2,648,519
Transfers out	(32,028,587)	-	(452,699)	(29,832)	(32,511,118)
Payment to County Office of Education	(6,694,864)	-	-	-	(6,694,864)
Net Financing Sources (Uses)	(35,290,995)	-	26,960,431	4,585,625	(3,744,939)
Net Change in Fund Balances	(4,680,304)	(8,570,435)	18,672,900	206,124	5,628,285
Fund Balance - Beginning	81,832,425	13,408,928	37,163,672	32,132,310	164,537,335
Fund Balance - Ending	\$ 77,152,121	\$ 4,838,493	\$ 55,836,572	\$ 32,338,434	\$ 170,165,620

Merced Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds \$ 5,628,285

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

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

This is the amount by which Capital outlay exceed depreciation and amortization expenses in the period.

Depreciation and amortization expense
Capital outlay

\$ (10,816,065)
45,127,407

Net expense adjustment 34,311,342

The District issued capital appreciation general obligations bonds.
The accretion of interest on the general obligation bonds during the
current fiscal year was

(5,419,661)

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

(301,406)

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

(2,648,519)

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

(4,014,675)

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

1,580,968

Merced Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2024

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(107,344)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		335,454
Discount amortization		(7,036)
Deferred amount on refunding amortization		(294,871)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		6,180,000
Financed purchase agreement		1,454,617
Leases		389,047
Subscription-based IT arrangements		2,648,519
		<hr/>
Change in net position of governmental activities		<u><u>\$ 39,734,720</u></u>

Merced Union High School District
Statement of Net Position – Fiduciary Funds
June 30, 2024

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 2,420,805</u>
Liabilities	
Due to employees, deferred compensation	<u>\$ 507,258</u>
Net Position	
Held for scholarships	<u>\$ 1,913,547</u>

Merced Union High School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2024

	<u>Custodial Funds</u>
Additions	
Trust income	\$ 717,108
Contributions	<u>1,833</u>
Total contributions	<u>718,941</u>
Interest	<u>17,297</u>
Total additions	<u>736,238</u>
Deductions	
Scholarships awarded	588,405
Miscellaneous	<u>13,904</u>
Total deductions	<u>602,309</u>
Net Increase in Fiduciary Net Position	133,929
Net Position - Beginning	<u>1,779,618</u>
Net Position - Ending	<u><u>\$ 1,913,547</u></u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Merced Union High School District (the District) was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston, and Merced. The City of Merced has four campuses. Merced High School, Golden Valley High School, and El Capitan High School have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School and Buhach Colony High School have classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$30,307,530.

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

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

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

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

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

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

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. The District's fiduciary funds are custodial type funds.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. One of the District's custodial funds are used to hold scholarships available to Merced Union High School District students that are awarded by persons and/or committees outside of the District's employees and administration. The District's other custodial fund are the deferred compensation accounts that do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation of capital assets and amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and

contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements

include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Investments

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

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 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, 2024.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term liabilities.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, 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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

The District recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset.

Fund Balances - Governmental Funds

As of June 30, 2024, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$54,649,253 of restricted net position.

Interfund Activity

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

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

Estimates

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

Property Tax

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 174,469,988
Fiduciary funds	<u>2,420,805</u>
Total deposits and investments	<u><u>\$ 176,890,793</u></u>

Deposits and investments as of June 30, 2024, consist of the following:

Cash on hand, in banks and with fiscal agent	\$ 3,530,599
Cash in revolving	21,120
Investments	<u>173,339,074</u>
Total deposits and investments	<u><u>\$ 176,890,793</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$172,522,872 in the Merced County Treasury Investment Pool that has an average weighted maturity of 611 days.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds*	\$ 507,258	\$ 507,258	\$ -	\$ -	\$ -
Certificates of Deposit*	308,944	308,944	-	-	-
County Pool	172,522,872	-	172,522,872	-	-
Total	<u>\$ 173,339,074</u>	<u>\$ 816,202</u>	<u>\$ 172,522,872</u>	<u>\$ -</u>	<u>\$ -</u>

* Mutual funds and Certificates of Deposit were donated to the District's Custodial Funds and were not directly invested by the District. The District plans on holding these investments and utilizing investment earnings for scholarships and student activities.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2024, \$1,347,519 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds and Certificates of Deposit of \$1,413,616, the District has a custodial credit risk exposure of \$507,258, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The Certificates of Deposit have FDIC coverage. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Receivables

Receivables at June 30, 2024, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 3,575,471	\$ 845,808	\$ 4,421,279
State Government			
LCFF apportionment	23,129	-	23,129
Other State	4,806,255	679,852	5,486,107
Local Sources	1,472,145	322,070	1,794,215
Total	<u>\$ 9,877,000</u>	<u>\$ 1,847,730</u>	<u>\$ 11,724,730</u>

Merced Union High School District

Notes to Financial Statements

June 30, 2024

Note 4 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, is as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 19,541,019	\$ -	\$ -	\$ 19,541,019
Construction in progress	38,596,339	32,997,349	(14,527,163)	57,066,525
Total capital assets not being depreciated or amortized	58,137,358	32,997,349	(14,527,163)	76,607,544
Capital assets being depreciated and amortized				
Land improvements	31,884,602	4,089,705	-	35,974,307
Buildings and improvements	260,333,225	14,468,977	-	274,802,202
Furniture and equipment	36,862,097	5,148,614	(329,594)	41,681,117
Right-to-use leased buildings and improvements	1,179,816	-	(108,793)	1,071,023
Right-to-use leased furniture and equipment	976,989	301,406	(701,881)	576,514
Right-to-use subscription IT assets	-	2,648,519	-	2,648,519
Total capital assets being depreciated and amortized	331,236,729	26,657,221	(1,140,268)	356,753,682
Total capital assets	389,374,087	59,654,570	(15,667,431)	433,361,226
Accumulated depreciation and amortization				
Land improvements	(19,013,396)	(1,135,589)	-	(20,148,985)
Buildings and improvements	(102,367,989)	(6,382,020)	-	(108,750,009)
Furniture and equipment	(23,873,828)	(2,545,118)	329,594	(26,089,352)
Right-to-use leased buildings and improvements	(307,653)	(281,299)	108,793	(480,159)
Right-to-use leased furniture and equipment	(714,222)	(125,209)	701,881	(137,550)
Right-to-use subscription IT assets	-	(346,830)	-	(346,830)
Total accumulated depreciation and amortization	(146,277,088)	(10,816,065)	1,140,268	(155,952,885)
Net depreciable and amortizable capital assets	184,959,641	15,841,156	-	200,800,797
Governmental activities capital assets, net	\$ 243,096,999	\$ 48,838,505	\$ (14,527,163)	\$ 277,408,341

Depreciation and amortization expense were charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 5,932,591
Instructional library, media, and technology	57,100
School site administration	94,697
Home-to-school transportation	800,617
Food services	65,505
All other pupil services	5,920
Data processing	64,666
All other administration	62,187
Plant services	3,732,782
	<u>3,732,782</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 10,816,065</u>

Note 5 - Lease Receivables

The District has entered into a lease agreement as a lessor. The lease receivable is summarized below:

<u>Lease Receivable</u>	<u>Outstanding July 1, 2023</u>	<u>Deletion</u>	<u>Outstanding June 30, 2024</u>
288 Business Parkway	<u>\$ 183,940</u>	<u>\$ (82,306)</u>	<u>\$ 101,634</u>

288 Business Parkway

The District renewed a three year agreement with CSR Company Inc., beginning September 1, 2022, to rent a parcel of property located at 288 Business Parkway. Under the terms of the lease, CSR Company Inc. agreed to make monthly payments of \$7,500 which included the use of a 10,000 square foot building, three large offices, two ADA compliant restrooms, a walk-in refrigerator, caged area, and an exterior in-ground loading dock. The annual interest rate charged on the lease is 5.25%. At June 30, 2024, the District has recognized a lease receivable and deferred inflow of resources of \$101,634.

Note 6 - Interfund Transactions**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2024, resulted from the time lag between the date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. Interfund receivable and payable balances at June 30, 2024, are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Funds		
General	\$ 685,504	\$ 31,429,426
Special Reserve Fund for Capital Outlay Projects	27,413,130	452,699
Non-Major Governmental Funds		
Adult Education	3,971	37,510
Child Development	395	-
Cafeteria	1,418,151	165,463
Deferred Maintenance	2,593,779	29,832
Total	<u>\$ 32,114,930</u>	<u>\$ 32,114,930</u>

All balances resulted from the time lag between the date (1) interfund goods and services are services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2024, consist of the following:

The General Fund transferred to the Child Development Non-Major Governmental Fund to make a contribution.	\$ 580,413
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for payroll expenditures.	1,415,299
The General Fund transferred to the Adult Education Non-Major Governmental Fund for a temporary cash flow loan.	400,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for the dissolution of the redevelopment agency.	266,065
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to make contribution for facility projects.	1,953,680
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlays.	27,413,130
The Deferred Maintenance Non-Major Governmental Fund transferred to the Special Reserve for Other than Capital Outlay Non-Major Governmental Fund to make a contribution for District needs.	29,832
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund to make a contribution for District needs.	452,699
Total	<u>\$ 32,511,118</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2024, consist of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 7,715,008	\$ 547,724	\$ 1,043,248	\$ 1,563,802	\$ 10,869,782
Salaries and benefits	3,161,335	-	-	1,886	3,163,221
Total	<u>\$ 10,876,343</u>	<u>\$ 547,724</u>	<u>\$ 1,043,248</u>	<u>\$ 1,565,688</u>	<u>\$ 14,033,003</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2024, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 77,540	\$ 62,164	\$ 139,704
State categorical aid	2,078,338	-	2,078,338
Total	<u>\$ 2,155,878</u>	<u>\$ 62,164</u>	<u>\$ 2,218,042</u>

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 160,594,425	\$ 5,419,661	\$ (6,180,000)	\$ 159,834,086	\$ 6,580,000
Unamortized debt premiums	2,907,387	-	(335,454)	2,571,933	-
Unamortized debt discounts	(197,012)	-	7,036	(189,976)	-
Public agency retirement system	1,304,503	4,738,586	(645,375)	5,397,714	1,277,281
Compensated absences	549,221	-	(78,536)	470,685	-
Financed purchase agreement	6,494,437	-	(1,454,617)	5,039,820	1,561,667
Leases	1,185,048	301,406	(389,047)	1,097,407	310,174
Subscription-based IT arrangements	-	2,648,519	(2,648,519)	-	-
Total	<u>\$ 172,838,009</u>	<u>\$ 13,108,172</u>	<u>\$ (11,724,512)</u>	<u>\$ 174,221,669</u>	<u>\$ 9,729,122</u>

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The premiums and discounts will be amortized over the life of the related debt. The Public Agency Retirement System obligations are paid for by the General Fund. The compensated absences liability is paid by the fund that the employee worked. The financed purchase agreement, leases, and SBITAs are paid by the fund benefitting from the purchased asset or using the right-to-use assets.

Merced Union High School District

Notes to Financial Statements

June 30, 2024

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2023	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2024
Capital Appreciation Bonds							
8/1/99	8/1/24	5.4-5.75	\$ 9,221,061	\$ 1,264,169	\$ -	\$ (643,125)	\$ 621,044
				3,649,795	141,036	(1,856,875)	1,933,956
4/17/09	8/1/34	5.4-5.75	1,439,944	1,489,944	-	-	1,489,944
				3,344,416	448,310	-	3,792,726
2/16/11	8/1/27	7.05-7.15	462,545	462,565	-	-	462,565
				1,436,423	228,702	-	1,665,125
11/9/11	8/1/37	3.80-6.72	30,489,821	13,739,936	-	(57,402)	13,682,534
				15,255,004	1,915,493	(47,598)	17,122,899
9/24/15	8/1/40	1.63-4.84	4,799,586	4,488,124	-	(103,093)	4,385,031
				1,868,691	285,433	(26,907)	2,127,217
1/29/19	8/1/44	4.01-4.22	186,397	186,397	-	-	186,397
				37,782	9,340	-	47,122
6/4/20	8/1/51	3.52-3.92	48,949,738	48,949,738	-	-	48,949,738
				6,172,264	2,107,911	-	8,280,175
2/24/21	8/1/45	1.00-2.61	11,126,601	11,126,601	-	-	11,126,601
				662,576	283,436	-	946,012
Current Interest Bonds							
2/16/11	8/1/25	5.379-6.716	25,000,000	6,400,000	-	(2,020,000)	4,380,000
9/24/15	8/1/45	2.00-5.00	13,000,000	12,945,000	-	-	12,945,000
12/6/17	8/1/29	5.0	16,380,000	13,150,000	-	(1,260,000)	11,890,000
1/29/19	8/1/45	1.52-5.00	5,605,000	5,095,000	-	(165,000)	4,930,000
2/24/21	8/1/47	2.00-4.00	8,870,000	8,870,000	-	-	8,870,000
Total				<u>\$ 160,594,425</u>	<u>\$ 5,419,661</u>	<u>\$ (6,180,000)</u>	<u>\$ 159,834,086</u>

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,631,061, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,999,994, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from *ad valorem* property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of \$462,565 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of \$30,489,821 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof. A bond discount in the amount of \$274,408 will be capitalized and amortized over the life of the bonds.

The Merced Union High School District 2015 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series C and pay the costs of issuance of the Bonds. The Bonds were issued as capital appreciation bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof. The 2015 General Obligation Refunding Bonds were refunded during the year with proceeds from the issuance of the District's General Obligation Refunding Bonds, Series 2020.

On September 24, 2015, the District issued Election of 2008, Series D General Obligation Bonds, in the amount of \$17,799,586 to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The Bonds, were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2016. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were issued at a premium in the amount of \$345,997 which will be amortized over the life of the bonds.

The Merced Union High School District 2017 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series A and pay the costs of issuance of the Bonds. The Bonds were issued as current interest bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2018. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof.

On January 9, 2019, the District issued Election of 2008, Series E General Obligation Bonds, in the amount of \$5,791,397 to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities and to pay the costs of issuing the Bonds. The Bonds were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The bonds were issued at a premium in the amount of \$405,763 which will be amortized over the life of the bonds.

The Merced Union High School District General Obligation Refunding Bonds, Series 2020 were issued to refund all of the outstanding 2015 General Obligation Refunding Bonds and pay the costs of issuance of the Bonds. The Bonds were issued as capital appreciation bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof.

On February 24, 2021, the District issued Election of 2008, Series F General Obligation Bonds, in the amount of \$19,996,601 to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities and to pay the costs of issuing the Bonds. The Bonds were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2021. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2021. The bonds were issued at a premium in the amount of \$237,078 which will be amortized over the life of the bonds.

Merced Union High School District

Notes to Financial Statements

June 30, 2024

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2025	\$ 790,223	\$ 2,024,777	\$ 2,815,000	\$ -	\$ 2,815,000
2026	179,219	98,693	277,912	12,088	290,000
2027	836,964	1,419,598	2,256,562	423,438	2,680,000
2028	897,091	1,334,101	2,231,192	608,808	2,840,000
2029	1,210,137	1,169,351	2,379,488	610,512	2,990,000
2030-2034	9,146,235	10,860,409	20,006,644	11,938,356	31,945,000
2035-2039	13,055,953	9,764,885	22,820,838	23,129,162	45,950,000
2040-2044	24,254,063	4,140,481	28,394,544	23,318,869	51,713,413
2045-2049	19,883,275	3,235,591	23,118,866	29,021,262	52,140,128
2050-2052	10,650,694	1,867,346	12,518,040	21,870,018	34,388,058
Total	<u>\$ 80,903,854</u>	<u>\$ 35,915,232</u>	<u>\$ 116,819,086</u>	<u>\$ 110,932,513</u>	<u>\$ 227,751,599</u>

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2025	\$ 3,765,000	\$ 1,864,099	\$ 5,629,099
2026	4,140,000	1,639,762	5,779,762
2027	2,100,000	1,397,088	3,497,088
2028	2,360,000	1,292,487	3,652,487
2029	2,650,000	1,173,487	3,823,487
2030-2034	2,995,000	4,641,956	7,636,956
2035-2039	90,000	4,490,039	4,580,039
2040-2044	8,670,000	4,105,800	12,775,800
2045-2048	16,245,000	1,031,700	17,276,700
Total	<u>\$ 43,015,000</u>	<u>\$ 21,636,418</u>	<u>\$ 64,651,418</u>

Early Retirement

The District has obligations to the Public Agency Retirement System totaling \$5,397,714 for early retirement incentives granted to terminated employees. Payments will be made as follows:

Year Ending June 30,	PARS Payment
2025	\$ 1,277,281
2026	1,277,281
2027	947,717
2028	947,717
2029	947,718
Total	<u>\$ 5,397,714</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2024, amounted to \$470,685.

Financed Purchase Agreement

The District has entered into an arrangement to finance a network equipment upgrade. The District's liability on the agreement is summarized below:

Year Ending June 30,	Network Equipment Upgrade Financing		
	Principal	Interest	Total
2025	\$ 1,561,667	\$ 373,376	\$ 1,935,043
2026	1,676,967	258,076	1,935,043
2027	1,801,186	133,859	1,935,045
Total	<u>\$ 5,039,820</u>	<u>\$ 765,311</u>	<u>\$ 5,805,131</u>

Merced Union High School District

Notes to Financial Statements

June 30, 2024

Leases

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

Leases	Leases Outstanding July 1, 2023	Addition	Payments	Leases Outstanding June 30, 2024
Enterprise fleet vehicles	\$ 74,826	\$ -	\$ (74,826)	\$ -
Williams Scotsman BCHS portables	15,427	-	(15,427)	-
Williams Scotsman AHS portables	110,039	-	(35,585)	74,454
Xerox equipment	196,367	-	(54,019)	142,348
Castle Commerce Center	209,100	-	(25,817)	183,283
Razzari	510,491	-	(102,462)	408,029
Williams Scotsman AHS 2023	68,798	-	(15,811)	52,987
Turf Tank	-	301,406	(65,100)	236,306
Total	<u>\$ 1,185,048</u>	<u>\$ 301,406</u>	<u>\$ (389,047)</u>	<u>\$ 1,097,407</u>

Enterprise Fleet Vehicles

The District entered into an agreement with Enterprise Fleet Management to lease 23 Ford Transit-150 vehicles for five years, beginning January 25, 2019. Under the terms of the lease, the District will make monthly payments of \$12,580, which amounts to total principal and interest costs of \$701,881. The annual interest rate charged on the lease is 3.0%. At June 30, 2024, the lease agreement expired. The final amortization for the lease was \$70,189.

Williams Scotsman BCHS Portables

The District entered an agreement with Williams Scotsman Inc. to lease three portable buildings for five years, beginning March 18, 2019 located at Buhach Colony High School. Under the terms of the lease, the District will make monthly payments of \$1,950, which amounts to total principal and interest costs of \$117,000. The annual interest rate charged on the lease is 3.0%. At June 30, 2024, the lease agreement expired. The final amortization for the lease was \$14,517.

Williams Scotsman AHS Portables

The District entered an agreement with Williams Scotsman Inc. to lease four portable buildings for five years, beginning July 19, 2021, located at Atwater High School. Under the terms of the lease, the District will make monthly payments of \$3,200, which amounts to total principal and interest costs of \$192,000. The annual interest rate charged on the lease is 3.0%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$178,553 and a lease liability of \$74,454 related to this agreement. During the fiscal year, the District recorded \$35,712 in amortization expense and \$2,815 in interest expense for the right-to-use the portable buildings.

Xerox Equipment

The District entered an agreement with Xerox to lease copiers for five years, beginning January 1, 2022, located at the sites throughout the District. Under the terms of the lease, the District will make monthly payments of \$4,931, which amounts to total principal and interest cost of \$295,860. The annual interest rate charged on the lease is 3.0%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$275,108 and a lease liability of \$142,348 related to this agreement. During the fiscal year, the District recorded \$55,020 in amortization expense and \$5,153 in interest expense for the right-to-use the copiers.

Castle Commerce Center

The District entered an agreement with the County of Merced to lease buildings #34 and #35 located at 3430 A Street, Atwater, CA which includes the use of an adjacent parking area for six years, beginning April 1, 2022. Under the terms of the lease, the District will make average monthly payments of \$3,570. After six years and by the "Expiration Date" of March 21, 2028, the District will have paid amounts in total principal and interest costs of \$257,040. The annual interest rate charged on the lease is 3.0%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$231,162 and a lease liability of \$183,283 related to this agreement. During the fiscal year, the District recorded \$38,544 in amortization expense and \$5,941 in interest expense for the right-to-use the properties.

Razzari Family Trust

The District entered an agreement with the Razzari Family Trust to lease 3500 G Street and 99 Donna Drive for five years, beginning November 2022. Under the terms of the lease, the District will make monthly payments ranging \$10,500 to \$11,500, which amounts to total principal and interest costs of \$660,000. The annual interest rate charged on the lease is 5.5%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$577,080 and a lease liability of \$408,029 related to this agreement. During the fiscal year, the District recorded \$115,416 in amortization expense and \$25,538 in interest expense for the right-to-use the portable buildings.

Williams Scotsman AHS Portables 2023

The District entered an agreement with Williams Scotsman Inc. to lease two portable buildings for five years, beginning July 1, 2022, located at Atwater High School. Under the terms of the lease, the District will make monthly payments of \$1,600, which amounts to total principal and interest costs of \$96,000. The annual interest rate charged on the lease is 5.5%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$84,148 and a lease liability of \$52,987 related to this agreement. During the fiscal year, the District recorded \$16,830 in amortization expense and \$3,389 in interest expense for the right-to-use the portable buildings.

Turf Tanks Equipment

The District entered an agreement with Turf Tank to lease turf tanks for five years, beginning October 1, 2023, there are seven turf tanks used District-wide. Under the terms of the lease, the District will make yearly payments of \$65,100, which amounts to total principal and interest cost of \$301,406. The annual interest rate charged on the lease is 4.0%. At June 30, 2024, the District has recognized a right-to-use leased asset of \$301,406 and a lease liability of \$236,306 related to this agreement. During the fiscal year, the District recorded \$60,281 in amortization expense and no interest expense for the right-to-use the turf tanks.

Merced Union High School District

Notes to Financial Statements

June 30, 2024

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 310,174	\$ 41,923	\$ 352,097
2026	334,126	28,450	362,576
2027	293,009	14,667	307,676
2028	160,098	3,679	163,777
Total	<u>\$ 1,097,407</u>	<u>\$ 88,719</u>	<u>\$ 1,186,126</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for general operations of the District. At June 30, 2024, the District recognized a right-to-use subscriptions IT asset of \$2,648,519 and no SBITA liability related to this agreement. During the fiscal year, the District recorded \$346,830 in amortization expense.

Note 10 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2024, the District reported a net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 19,818,837	\$ 5,201,160	\$ 9,089,402	\$ 1,124,692
Medicare Premium Payment (MPP) Program	<u>514,481</u>	<u>-</u>	<u>-</u>	<u>(29,723)</u>
Total	<u>\$ 20,333,318</u>	<u>\$ 5,201,160</u>	<u>\$ 9,089,402</u>	<u>\$ 1,094,969</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	65
Active employees	974
	<hr/>
Total	1,039
	<hr/>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Merced Union High School District Teachers Association (MUHSDTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MUHSDTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2023, the District paid \$1,060,847 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$19,818,837 was measured as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 measurement was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.65%
Healthcare cost trend rates	4.00% for 2024 and thereafter

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	\$ 17,249,529
Service cost	978,897
Interest	614,546
Differences between expected and actual experience	2,406,381
Changes of assumptions or other inputs	(369,669)
Benefit payments	(1,060,847)
Net change in total OPEB liability	2,569,308
Balance, June 30, 2023	\$ 19,818,837

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

Changes in Assumptions - The plan discount rate assumption was changed from 3.54% to 3.65% since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.65%)	\$ 21,355,424
Current discount rate (3.65%)	19,818,837
1% increase (4.65%)	18,377,004

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	\$ 17,597,658
Current healthcare cost trend rate (4%)	19,818,837
1% increase (5%)	22,448,427

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

At June 30, 2024, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 987,625	\$ -
Differences between expected and actual experience	2,613,086	6,033,479
Changes of assumptions	1,600,449	3,055,923
Total	<u>\$ 5,201,160</u>	<u>\$ 9,089,402</u>

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

The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2025	\$ 364,636
2026	364,636
2027	364,636
2028	364,636
2029	364,636
Thereafter	2,390,355
Total	<u>\$ 4,213,535</u>

Year Ended June 30,	Deferred Inflows of Resources
2025	\$ 833,387
2026	833,387
2027	833,387
2028	833,387
2029	833,387
Thereafter	4,922,467
Total	\$ 9,089,402

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2024, the District reported a liability of \$514,481 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.1696% and 0.1652%, resulting in a net increase in the proportionate share of 0.0044%.

For the year ended June 30, 2024, the District recognized OPEB expense of \$(29,723).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2022	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.65%	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2022, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population (138,780).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.65%)	\$ 559,135
Current discount rate (3.65%)	514,481
1% increase (4.65%)	475,654

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 473,374
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	514,481
1% increase (5.50% Part A and 6.40% Part B)	560,890

Merced Union High School District

Notes to Financial Statements

June 30, 2024

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ 1,120	\$ 21,120
Stores inventories	112,743	-	-	109,204	221,947
Total nonspendable	132,743	-	-	110,324	243,067
Restricted					
Legally restricted programs	26,118,152	-	-	407,817	26,525,969
Food service	-	-	-	7,562,855	7,562,855
Capital projects	-	4,838,493	-	10,164,556	15,003,049
Student activities	-	-	-	1,925,596	1,925,596
Debt services	-	-	-	8,359,953	8,359,953
Total restricted	26,118,152	4,838,493	-	28,420,777	59,377,422
Committed					
Adult education program	-	-	-	428,113	428,113
Deferred maintenance program	-	-	-	3,341,505	3,341,505
Outdoors program	450,040	-	-	-	450,040
Child development programs	-	-	-	37,715	37,715
Pupil transportation	4,718,357	-	-	-	4,718,357
Retiree health benefits	1,760,715	-	-	-	1,760,715
State lottery carryover	1,831,861	-	-	-	1,831,861
Total committed	8,760,973	-	-	3,807,333	12,568,306
Assigned					
OPEB - PARS	14,983,410	-	-	-	14,983,410
Supplemental and concentration costs	3,478,622	-	-	-	3,478,622
Capital projects	-	-	55,836,572	-	55,836,572
Total assigned	18,462,032	-	55,836,572	-	74,298,604
Unassigned					
Reserve for economic uncertainties	23,678,221	-	-	-	23,678,221
Total	\$ 77,152,121	\$ 4,838,493	\$ 55,836,572	\$ 32,338,434	\$ 170,165,620

Note 12 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2024, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

Employee Medical Benefits

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

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 87,302,702	\$ 31,402,463	\$ 4,788,775	\$ 13,710,762
CalPERS	50,952,874	17,071,055	1,590,348	7,753,504
Total	<u>\$ 138,255,576</u>	<u>\$ 48,473,518</u>	<u>\$ 6,379,123</u>	<u>\$ 21,464,266</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, 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% of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the District's total contributions were \$15,674,147.

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

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 87,302,702
State's proportionate share of the net pension liability	<u>41,829,180</u>
Total	<u><u>\$ 129,131,882</u></u>

The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively, was 0.1146% and 0.1101%, resulting in a net increase in the proportionate share of 0.0045%.

Merced Union High School District

Notes to Financial Statements

June 30, 2024

For the year ended June 30, 2024, the District recognized pension expense of \$13,710,762. In addition, the District recognized pension expense and revenue of \$5,689,924 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,674,147	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	7,988,556	117,637
Differences between projected and actual earnings on pension plan investments	373,691	-
Differences between expected and actual experience in the measurement of the total pension liability	6,860,554	4,671,138
Changes of assumptions	505,515	-
Total	<u>\$ 31,402,463</u>	<u>\$ 4,788,775</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (2,746,610)
2026	(4,304,420)
2027	7,073,670
2028	351,051
Total	<u>\$ 373,691</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 2,251,695
2026	1,662,271
2027	1,541,515
2028	1,569,264
2029	1,769,277
Thereafter	1,771,828
Total	<u>\$ 10,565,850</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 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. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 146,443,316
Current discount rate (7.10%)	87,302,702
1% increase (8.10%)	38,179,529

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, 2022 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2024, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the total District contributions were \$7,371,087.

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$50,952,874. The net pension liability was measured as of June 30, 2023. 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, 2023 and June 30, 2022, respectively, was 0.1408 and 0.1424%, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2024, the District recognized pension expense of \$7,753,504. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,371,087	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	50,679	807,786
Differences between projected and actual earnings on pension plan investments	5,442,495	-
Differences between expected and actual experience in the measurement of the total pension liability	1,859,415	782,562
Changes of assumptions	2,347,379	-
Total	<u>\$ 17,071,055</u>	<u>\$ 1,590,348</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 1,015,238
2026	601,453
2027	3,656,430
2028	169,374
	<u> </u>
Total	<u>\$ 5,442,495</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 1,161,098
2026	1,071,643
2027	434,384
2028	-
	<u> </u>
Total	<u>\$ 2,667,125</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.54%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, 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 expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 73,664,686
Current discount rate (6.90%)	50,952,874
1% increase (7.90%)	32,182,079

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,690,635 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2024.

Construction Commitments

As of June 30, 2024, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Merced High School culinary upgrades	\$ 90,354	December 2024
Golden Valley High School culinary upgrades	80,402	December 2024
El Capitan High School gym building roofing project	412,000	August 2024
Merced High School pool project	5,758,060	November 2024
Atwater High School pool project	5,618,155	November 2024
Livingston High School library HVAC replacement	132,000	August 2024
Golden Valley High School business wing roofing project	121,056	August 2024
Buhach Colony High School athletic stadium project	12,964,722	September 2025
El Capitan High School athletic stadium project	13,518,350	September 2025
Atwater High School boys locker room - gym	165,747	July 2024
Buhach Colony High School roofing project	318,990	August 2024
Golden Valley High School portable classrooms	395,000	September 2024
District-wide HVAC replacement	324,383	September 2024
Total	<u>\$ 39,899,219</u>	

Note 15 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2024, the District made payment of \$14,241,454 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2024, the District made payment of \$1,517,187 to SISC II for property and liability insurance.

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2024, the District made payment of \$1,732,489 to MCSIG for workers' compensation insurance.



Required Supplementary Information
June 30, 2024

Merced Union High School District

Merced Union High School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 172,199,784	\$ 172,683,839	\$ 173,058,519	\$ 374,680
Federal sources	9,969,702	25,450,412	24,282,850	(1,167,562)
Other State sources	17,943,454	28,031,529	29,397,502	1,365,973
Other local sources	1,536,471	3,882,208	8,755,507	4,873,299
Total revenues ¹	201,649,411	230,047,988	235,494,378	5,446,390
Expenditures				
Current				
Certificated salaries	83,908,635	84,550,899	83,370,877	1,180,022
Classified salaries	26,262,530	27,026,879	27,409,479	(382,600)
Employee benefits	47,886,112	48,498,199	48,929,935	(431,736)
Books and supplies	20,082,691	15,817,012	7,058,533	8,758,479
Services and operating expenditures	27,757,305	32,551,565	25,159,262	7,392,303
Other outgo	3,894,648	(172,618)	1,707,434	(1,880,052)
Capital outlay	6,475,816	8,000,378	6,755,984	1,244,394
Debt service				
Debt service - principal	-	-	4,492,183	(4,492,183)
Total expenditures ¹	216,267,737	216,272,314	204,883,687	11,388,627
Excess (Deficiency) of Revenues Over Expenditures	(14,618,326)	13,775,674	30,610,691	16,835,017
Other Financing Sources (Uses)				
Transfers in	645,375	645,375	482,531	(162,844)
Sources from leases	-	-	301,406	301,406
Sources from SBITA	-	-	2,648,519	2,648,519
Transfers out	(8,650,418)	(24,617,636)	(32,028,587)	(7,410,951)
Payment to County Office of Education	(4,099,795)	(4,530,194)	(6,694,864)	(2,164,670)
Net financing sources (uses)	(12,104,838)	(28,502,455)	(35,290,995)	(6,788,540)
Net Change in Fund Balances	(26,723,164)	(14,726,781)	(4,680,304)	10,046,477
Fund Balance - Beginning	81,832,425	81,832,425	81,832,425	-
Fund Balance - Ending	\$ 55,109,261	\$ 67,105,644	\$ 77,152,121	\$ 10,046,477

¹ Due to the consolidation of the Pupil Transportation Equipment Fund, the Special Reserve Fund for Other Than Capital Outlay Projects Fund, and the Special Reserve Fund for Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual revenues and expenditures, however are not included in the original and final General Fund budgets.

Merced Union High School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 978,897	\$ 1,210,131	\$ 1,620,300	\$ 1,237,171
Interest	614,546	402,009	463,098	626,061
Difference between expected and actual experience	2,406,381	403,453	(2,720,066)	-
Changes of assumptions	(369,669)	(1,994,957)	(812,459)	1,890,637
Benefit payments	(1,060,847)	(1,151,711)	(820,001)	(798,341)
Expected minus actual benefit payments	-	-	-	52,309
Net change in total OPEB liability	2,569,308	(1,131,075)	(2,269,128)	3,007,837
Total OPEB Liability - Beginning	17,249,529	18,380,604	20,649,732	17,641,895
Total OPEB Liability - Ending	<u>\$ 19,818,837</u>	<u>\$ 17,249,529</u>	<u>\$ 18,380,604</u>	<u>\$ 20,649,732</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Merced Union High School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,241,793	\$ 1,208,558	\$ 1,176,212
Interest	849,355	825,711	722,942
Difference between expected and actual experience	(6,081,620)	-	-
Changes of assumptions	346,441	(546,777)	-
Benefit payments	(1,104,339)	(874,575)	(840,938)
Expected minus actual benefit payments	215,113	-	-
Net change in total OPEB liability	(4,533,257)	612,917	1,058,216
Total OPEB Liability - Beginning	22,175,152	21,562,235	20,504,019
Total OPEB Liability - Ending	<u>\$ 17,641,895</u>	<u>\$ 22,175,152</u>	<u>\$ 21,562,235</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Merced Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.1696%	0.1652%	0.1589%	0.1780%
Proportionate share of the net OPEB liability	\$ 514,481	\$ 544,204	\$ 633,701	\$ 754,202
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Merced Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1817%	0.1790%	0.1708%
Proportionate share of the net OPEB liability	\$ 676,772	\$ 685,216	\$ 718,674
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Merced Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
CalSTRS					
Proportion of the net pension liability	0.1146%	0.1101%	0.1057%	0.1021%	0.1027%
Proportionate share of the net pension liability	\$ 87,302,702	\$ 76,489,045	\$ 48,099,591	\$ 98,979,268	\$ 92,783,354
State's proportionate share of the net pension liability	41,829,180	38,305,415	24,201,849	51,023,825	50,619,514
Total	<u>\$ 129,131,882</u>	<u>\$ 114,794,460</u>	<u>\$ 72,301,440</u>	<u>\$ 150,003,093</u>	<u>\$ 143,402,868</u>
Covered payroll	<u>\$ 74,178,089</u>	<u>\$ 62,623,712</u>	<u>\$ 63,063,486</u>	<u>\$ 59,814,731</u>	<u>\$ 58,268,249</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	117.69%	122.14%	76.27%	165.48%	159.23%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
	2019	2018	2017	2016	2015
CalSTRS					
Proportion of the net pension liability	0.0997%	0.0944%	0.0983%	0.0995%	0.0974%
Proportionate share of the net pension liability	\$ 91,664,305	\$ 87,260,594	\$ 79,480,214	\$ 67,020,319	\$ 56,914,202
State's proportionate share of the net pension liability	52,482,102	51,622,631	45,246,668	35,446,361	34,367,253
Total	<u>\$ 144,146,407</u>	<u>\$ 138,883,225</u>	<u>\$ 124,726,882</u>	<u>\$ 102,466,680</u>	<u>\$ 91,281,455</u>
Covered payroll	<u>\$ 53,355,800</u>	<u>\$ 52,277,591</u>	<u>\$ 50,087,838</u>	<u>\$ 45,747,275</u>	<u>\$ 43,806,339</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	171.80%	166.92%	158.68%	146.50%	129.92%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Merced Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
CalPERS					
Proportion of the net pension liability	0.1408%	0.1424%	0.1459%	0.1454%	0.1416%
Proportionate share of the net pension liability	\$ 50,952,874	\$ 48,995,018	\$ 29,675,814	\$ 44,614,323	\$ 41,269,104
Covered payroll	\$ 24,469,397	\$ 21,895,901	\$ 21,115,807	\$ 21,037,006	\$ 19,819,367
Proportionate share of the net pension liability as a percentage of its covered payroll	208.23%	223.76%	140.54%	212.08%	208.23%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
	2019	2018	2017	2016	2015
CalPERS					
Proportion of the net pension liability	0.1381%	0.1412%	0.1407%	0.1361%	0.1352%
Proportionate share of the net pension liability	\$ 36,827,435	\$ 33,704,050	\$ 27,786,182	\$ 20,064,360	\$ 15,344,640
Covered payroll	\$ 18,240,616	\$ 17,974,316	\$ 16,865,300	\$ 14,889,330	\$ 14,183,840
Proportionate share of the net pension liability as a percentage of its covered payroll	201.90%	187.51%	164.75%	134.76%	108.18%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Merced Union High School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalSTRS					
Contractually required contribution	\$ 15,674,147	\$ 14,168,015	\$ 10,595,932	\$ 10,184,753	\$ 10,228,319
Less contributions in relation to the contractually required contribution	<u>15,674,147</u>	<u>14,168,015</u>	<u>10,595,932</u>	<u>10,184,753</u>	<u>10,228,319</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 82,063,597</u>	<u>\$ 74,178,089</u>	<u>\$ 62,623,712</u>	<u>\$ 63,063,486</u>	<u>\$ 59,814,731</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Contractually required contribution	\$ 9,486,071	\$ 7,699,242	\$ 6,576,521	\$ 5,374,425	\$ 4,062,358
Less contributions in relation to the contractually required contribution	<u>9,486,071</u>	<u>7,699,242</u>	<u>6,576,521</u>	<u>5,374,425</u>	<u>4,062,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 58,268,249</u>	<u>\$ 53,355,800</u>	<u>\$ 52,277,591</u>	<u>\$ 50,087,838</u>	<u>\$ 45,747,275</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

Merced Union High School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalPERS					
Contractually required contribution	\$ 7,371,087	\$ 6,207,886	\$ 5,016,351	\$ 4,370,972	\$ 4,148,708
Less contributions in relation to the contractually required contribution	<u>7,371,087</u>	<u>6,207,886</u>	<u>5,016,351</u>	<u>4,370,972</u>	<u>4,148,708</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 27,627,762</u>	<u>\$ 24,469,397</u>	<u>\$ 21,895,901</u>	<u>\$ 21,115,807</u>	<u>\$ 21,037,006</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalPERS					
Contractually required contribution	\$ 3,579,774	\$ 2,832,950	\$ 2,496,273	\$ 1,998,032	\$ 1,752,623
Less contributions in relation to the contractually required contribution	<u>3,579,774</u>	<u>2,832,950</u>	<u>2,496,273</u>	<u>1,998,032</u>	<u>1,752,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 19,819,367</u>	<u>\$ 18,240,616</u>	<u>\$ 17,974,316</u>	<u>\$ 16,865,300</u>	<u>\$ 14,889,330</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* - The plan discount rate assumption was changed from 3.54% to 3.65%.

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.54% to 3.65% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

- *Changes of Assumptions* - There were no changes in economic assumptions for the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2024

Merced Union High School District

Merced Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Merced SELPA			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 2,130,987
Total Special Education Cluster (84.027)			<u>2,130,987</u>
Passed Through California Department of Education (CDE)			
Adult Education - Basic Grants to States	84.002A	14508	75,139
Adult Education - Basic Grants to States	84.002	13978	<u>95,436</u>
Subtotal (84.002)			<u>170,575</u>
Title I Grants to Local Educational Agencies	84.010	14329	5,824,450
Title I Grants to Local Educational Agencies	84.010	15438	<u>178,351</u>
Subtotal (84.010)			<u>6,002,801</u>
Supporting Effective Instruction State Grants -			
Teacher Quality	84.367	14341	659,904
English Language Acquisition State Grants - LEP	84.365	14346	192,275
Student Support and Academic Enrichment Program	84.424	15396	223,827
Twenty-First Century Community Learning Centers	84.287	14349	1,562,409
Education for Homeless Children and Youth	84.196	14332	69,149
Career and Technical Education - Basic Grants to States	84.048	14894	<u>615,147</u>
COVID-19, Elementary and Secondary School			
Emergency Relief (ESSER III) Fund	84.425U	15559	8,390,530
COVID-19, Elementary and Secondary School			
Emergency Relief (ESSER III) Fund: Learning Loss	84.425U	10155	3,770,623
COVID-19, Expanded Learning Opportunities (ELO) Grant			
(ESSER III) State Reserve, Learning Loss	84.425U	15621	53,383
COVID-19, Expanded Learning Opportunities (ELO) Grant			
(ESSER III) State Reserve, Afterschool Programs	84.425U	15651	478,424
COVID-19, American Rescue Plan - Homeless Children and			
Youth II (ARP HYC II)	84.425W	15566	<u>133,391</u>
Subtotal (84.425)			<u>12,826,351</u>
Total U.S. Department of Education			<u>24,453,425</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	<u>9,340</u>
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	<u>1,792,415</u>
Subtotal (10.553)			<u>1,792,415</u>
National School Lunch	10.555	13391	3,239,763
School Lunch - Section 11	10.555	13523	495,541
Supply Chain Assistance (SCA) Fund	10.555	15655	134,518
National School Lunch Program - Meal Supplements	10.555	13755	94,357
Local Food for Schools	10.555	15708	4,090
Food Distribution - Commodities	10.555	13391	<u>181,051</u>
Subtotal (10.555)			<u>4,149,320</u>
Subtotal Child Nutrition Cluster			<u>5,941,735</u>

Merced Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Social Services Child and Adult Care Food Program	10.558	13665	11,564
Total U.S. Department of Agriculture			5,962,639
Total Federal Financial Assistance			\$ 30,416,064

Merced Union High School District
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	10,261.20	10,175.20
Community Day School		
Ninth through twelfth	73.41	79.48
Total ADA	<u>10,334.61</u>	<u>10,254.68</u>

Merced Union High School District
Schedule of Instructional Time
Year Ended June 30, 2024

<u>Grade Level</u>	<u>1986-1987 Minutes Requirement</u>	<u>2023-2024 Actual Minutes</u>	<u>Number of Actual Days</u>	<u>Status</u>
Grades 9 - 12	64,800			
Grade 9		64,818	180	Complied
Grade 10		64,818	180	Complied
Grade 11		64,818	180	Complied
Grade 12		64,818	180	Complied

Merced Union High School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2024

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2024.

Merced Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2024

	(Budget) 2025 ¹	2024	2023 ¹	2022 ¹
General Fund ³				
Revenues	\$ 211,949,888	\$ 233,794,045	\$ 241,790,877	\$ 188,199,825
Other sources	1,277,281	645,375	10,069,761	4,686,068
Total Revenues and Other Sources	<u>213,227,169</u>	<u>234,439,420</u>	<u>251,860,638</u>	<u>192,885,893</u>
Expenditures	212,484,962	198,833,642	192,257,278	164,157,522
Other uses	7,621,293	37,948,564	33,180,701	36,896,881
Total Expenditures and Other Uses	<u>220,106,255</u>	<u>236,782,206</u>	<u>225,437,979</u>	<u>201,054,403</u>
Increase/(Decrease) in Fund Balance	<u>(6,879,086)</u>	<u>(2,342,786)</u>	<u>26,422,659</u>	<u>(8,168,510)</u>
Ending Fund Balance	<u>\$ 39,965,504</u>	<u>\$ 46,844,590</u>	<u>\$ 49,187,376</u>	<u>\$ 22,764,717</u>
Available Reserves ²	<u>\$ 18,160,015</u>	<u>\$ 23,678,221</u>	<u>\$ 22,543,796</u>	<u>\$ 14,550,122</u>
Available Reserves as a Percentage of Total Outgo	<u>8.25%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>7.13%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 332,810,563</u>	<u>\$ 316,115,805</u>	<u>\$ 264,135,923</u>
Average Daily Attendance at P-2	<u>10,303</u>	<u>10,335</u>	<u>10,316</u>	<u>10,152</u>

The General Fund balance has increased by \$24,079,873 over the past two years. The fiscal year 2024-2025 budget projects a decrease of \$6,879,086 (14.68%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in one of the past three years but anticipates incurring an operating deficit during the 2024-2025 fiscal year. Total long-term liabilities have increased by \$68,762,281 over the past two years.

Average daily attendance has increased by 183 over the past two years; however, a decline of 32 ADA is anticipated during fiscal year 2024-2025.

¹ Financial information for 2025, 2023, and 2022 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of unassigned fund balance contained within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund, the Special Reserve Fund for Other than Capital Outlay Projects and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

Merced Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2024

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 1,925,596	\$ 369,689	\$ 48,716	\$ 5,297,932	\$ 1,560,370	\$ 10,262,811	\$ 400,794	\$ 8,359,953	\$ 28,225,861
Receivables	75,089	589,000	1,951	1,168,200	-	13,490	-	-	1,847,730
Due from other funds	-	3,971	395	1,418,151	2,593,779	-	-	-	4,016,296
Stores inventories	-	-	-	109,204	-	-	-	-	109,204
Total assets	\$ 2,000,685	\$ 962,660	\$ 51,062	\$ 7,993,487	\$ 4,154,149	\$ 10,276,301	\$ 400,794	\$ 8,359,953	\$ 34,199,091
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 75,089	\$ 101,041	\$ 1,526	\$ 92,681	\$ 782,812	\$ 512,539	\$ -	\$ -	\$ 1,565,688
Due to other funds	-	37,510	-	165,463	29,832	-	-	-	232,805
Unearned revenue	-	-	-	62,164	-	-	-	-	62,164
Total liabilities	75,089	138,551	1,526	320,308	812,644	512,539	-	-	1,860,657
Fund Balances									
Nonspendable	-	-	-	110,324	-	-	-	-	110,324
Restricted	1,925,596	395,996	11,821	7,562,855	-	9,763,762	400,794	8,359,953	28,420,777
Committed	-	428,113	37,715	-	3,341,505	-	-	-	3,807,333
Total fund balances	1,925,596	824,109	49,536	7,673,179	3,341,505	9,763,762	400,794	8,359,953	32,338,434
Total liabilities and fund balances	\$ 2,000,685	\$ 962,660	\$ 51,062	\$ 7,993,487	\$ 4,154,149	\$ 10,276,301	\$ 400,794	\$ 8,359,953	\$ 34,199,091

Merced Union High School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2024

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ 374,034	\$ -	\$ -	\$ -	\$ 374,034
Federal sources	-	170,575	11,997	6,124,559	-	-	-	-	6,307,131
Other State sources	-	2,626,730	14,422	2,521,104	-	-	-	-	5,162,256
Other local sources	3,280,483	398,622	10,787	242,347	188,262	1,838,875	19,363	5,682,543	11,661,282
Total revenues	3,280,483	3,195,927	37,206	8,888,010	562,296	1,838,875	19,363	5,682,543	23,504,703
Expenditures									
Current									
Instruction	-	1,671,805	432,900	-	-	-	-	-	2,104,705
Instruction-related activities									
School site administration	-	1,030,308	-	-	-	-	-	-	1,030,308
Pupil services									
Food services	-	-	73,530	7,671,765	-	-	-	-	7,745,295
All other pupil services	-	43,556	115,346	-	-	-	-	-	158,902
Administration									
All other administration	-	78,124	-	161,352	-	4,375	-	-	243,851
Plant services	-	196,451	660	44,824	-	196,923	-	-	438,858
Ancillary services	3,273,571	-	-	-	-	-	-	-	3,273,571
Facility acquisition and construction	-	-	-	-	4,004,723	1,041,884	-	-	5,046,607
Debt service									
Principal	-	-	-	-	-	-	-	6,180,000	6,180,000
Interest and other	-	-	-	-	-	-	-	1,662,107	1,662,107
Total expenditures	3,273,571	3,020,244	622,436	7,877,941	4,004,723	1,243,182	-	7,842,107	27,884,204
Excess (Deficiency) of Revenues Over Expenditures	6,912	175,683	(585,230)	1,010,069	(3,442,427)	595,693	19,363	(2,159,564)	(4,379,501)
Other Financing Sources (Uses)									
Transfers in	-	400,000	580,413	1,415,299	2,219,745	-	-	-	4,615,457
Transfers out	-	-	-	-	(29,832)	-	-	-	(29,832)
Net Financing Sources (Uses)	-	400,000	580,413	1,415,299	2,189,913	-	-	-	4,585,625

Merced Union High School District

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

Year Ended June 30, 2024

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Net Change in Fund Balances	6,912	575,683	(4,817)	2,425,368	(1,252,514)	595,693	19,363	(2,159,564)	206,124
Fund Balance - Beginning	1,918,684	248,426	54,353	5,247,811	4,594,019	9,168,069	381,431	10,519,517	32,132,310
Fund Balance - Ending	<u>\$ 1,925,596</u>	<u>\$ 824,109</u>	<u>\$ 49,536</u>	<u>\$ 7,673,179</u>	<u>\$ 3,341,505</u>	<u>\$ 9,763,762</u>	<u>\$ 400,794</u>	<u>\$ 8,359,953</u>	<u>\$ 32,338,434</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Net Position
June 30, 2024

	<u>Scholarships</u>
Assets	
Deposits and investments	<u>\$ 1,913,547</u>
Net Position	
Reserved for scholarships	
Non-expendable	
Acker scholarship	\$ 22,233
Alvernaz scholarship	20,086
Beal scholarship	8,227
Callister scholarship	3,059
Cavaiani scholarship	9,312
Chamberlain scholarship	7,743
Cruikshank scholarship	14,120
Gore, Kimberly scholarship	31,053
Landram scholarship	26,290
Montano scholarship	1,902
Mudd scholarship	21,212
Neves, Harriet scholarship	82,559
Neves, Isabella and Harry scholarship	31,042
Okuda scholarship	10,049
Roberts scholarship	9,323
Roveto scholarship	54,970
Weimer scholarship	72,688
Expendable	
AARP scholarship	506
Barnes scholarship	15,156
Bennett scholarship	10,492
Bloss scholarship	1,101,644
Brewer, James scholarship	19,424
Brewer, Pamela scholarship	18,446
Broussard scholarship	845
Brown scholarship	445
Church scholarship	10,123
Crookham scholarship	143
Dallas scholarship	1,302
Dibblee, Al scholarship	27,235
Ed Dimsey scholarship	1,005
Fancher scholarship	154,953
Fite scholarship	388
The Fraternal Order of Eagles	10,001
Gear up scholarship	6
Granado scholarship	2,883
Honey, Dave scholarship	1,955
Jackson scholarship	1,652
Joyner scholarship	110
Kiwanis scholarship	283

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Net Position
June 30, 2024

Expendable	
Lau scholarship	3,229
Lockwood scholarship	9,849
Martinelli scholarship	-
Mccollum scholarship	3,172
Mcpherson-Hanson scholarship	134
Mitchell scholarship	674
Moberly scholarship	3,592
Newhall scholarship	8,650
Wyatt Pimentel scholarship	29,866
Prince scholarship	509
Race to End Stigma scholarship	1,055
Rohm scholarship	56
Sodexo scholarship	140
Souza scholarship	8,812
Stowell scholarship	7,167
Thompson scholarship	(242)
Weimer Bob Rotary	16,006
Woody Campini Rotary	16,006
Yagi scholarship	7
	<hr/>
Total net position restricted for scholarships	<u><u>\$ 1,913,547</u></u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Acker Scholarship	Alvernaz Scholarship	Beal Scholarship	Callister Scholarship	Cavaiani Scholarship	Chamberlain Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	<u>13</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>7</u>	<u>3</u>
Total additions	<u>13</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>7</u>	<u>3</u>
Deductions						
Scholarships awarded	<u>1,000</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>3,749</u>
Change in Net Position	(987)	9	(496)	1	7	(3,746)
Net Position - Beginning	<u>23,220</u>	<u>20,077</u>	<u>8,723</u>	<u>3,058</u>	<u>9,305</u>	<u>11,489</u>
Net Position - Ending	<u>\$ 22,233</u>	<u>\$ 20,086</u>	<u>\$ 8,227</u>	<u>\$ 3,059</u>	<u>\$ 9,312</u>	<u>\$ 7,743</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Cruikshank Scholarship	Gore, Kimberly Scholarship	Landram Scholarship	Montano Scholarship	Mudd Scholarship	Neves, Harriet Scholarship
Additions						
Trust income	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 52,000
Interest income	7	278	12	2	9	30
Total additions	7	20,278	12	2	9	52,030
Deductions						
Scholarships awarded	-	17,250	-	300	-	8,502
Change in Net Position	7	3,028	12	(298)	9	43,528
Net Position - Beginning	14,113	28,025	26,278	2,200	21,203	39,031
Net Position - Ending	\$ 14,120	\$ 31,053	\$ 26,290	\$ 1,902	\$ 21,212	\$ 82,559

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Neves, Isabella and Harry Scholarship	Okuda Scholarship	Roberts Scholarship	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
Additions						
Trust income	\$ 12,000	\$ -	\$ -	\$ -	\$ 7,254	\$ 91,254
Interest income	17	4	3	185	60	644
Total additions	12,017	4	3	185	7,314	91,898
Deductions						
Scholarships awarded	6,000	-	-	22,000	1,000	60,301
Change in Net Position	6,017	4	3	(21,815)	6,314	31,597
Net Position - Beginning	25,025	10,045	9,320	76,785	66,374	394,271
Net Position - Ending	<u>\$ 31,042</u>	<u>\$ 10,049</u>	<u>\$ 9,323</u>	<u>\$ 54,970</u>	<u>\$ 72,688</u>	<u>\$ 425,868</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	<u>AARP Scholarship</u>	<u>Barnes Scholarship</u>	<u>Bennett Scholarship</u>	<u>Bloss Scholarship</u>	<u>Brewer, James Scholarship</u>	<u>Brewer, Pamela Scholarship</u>
Additions						
Trust income	\$ -	\$ -	\$ -	\$ 447,488	\$ 989	\$ 988
Interest income	-	7	1	2,956	-	-
	<u>-</u>	<u>7</u>	<u>1</u>	<u>450,444</u>	<u>989</u>	<u>988</u>
Total additions						
	<u>-</u>	<u>7</u>	<u>1</u>	<u>450,444</u>	<u>989</u>	<u>988</u>
Deductions						
Scholarships awarded	-	1,500	3,000	393,574	500	500
	<u>-</u>	<u>1,500</u>	<u>3,000</u>	<u>393,574</u>	<u>500</u>	<u>500</u>
Change in Net Position	-	(1,493)	(2,999)	56,870	489	488
Net Position - Beginning	506	16,649	13,491	1,044,774	18,935	17,958
	<u>506</u>	<u>16,649</u>	<u>13,491</u>	<u>1,044,774</u>	<u>18,935</u>	<u>17,958</u>
Net Position - Ending	\$ 506	\$ 15,156	\$ 10,492	\$ 1,101,644	\$ 19,424	\$ 18,446
	<u>\$ 506</u>	<u>\$ 15,156</u>	<u>\$ 10,492</u>	<u>\$ 1,101,644</u>	<u>\$ 19,424</u>	<u>\$ 18,446</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Broussard Scholarship	Brown Scholarship	Church Scholarship	Crookham Scholarship	Dallas Scholarship	Dibblee, AI & IIABMMC Scholarship
Additions						
Trust income	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -
Interest income	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>19</u>
Total additions	<u>1</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>19</u>
Deductions						
Scholarships awarded	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>750</u>
Change in Net Position	(499)	-	(496)	-	1	(731)
Net Position - Beginning	<u>1,344</u>	<u>445</u>	<u>10,619</u>	<u>143</u>	<u>1,301</u>	<u>27,966</u>
Net Position - Ending	<u>\$ 845</u>	<u>\$ 445</u>	<u>\$ 10,123</u>	<u>\$ 143</u>	<u>\$ 1,302</u>	<u>\$ 27,235</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Ed Dimsey Scholarship	Fancher Scholarship	Fite Scholarship	Fraternal Order of Eagles Scholarship	Gear Up Scholarship	Granado Scholarship
Additions						
Trust income	\$ -	\$ 135,112	\$ -	\$ 10,001	\$ -	\$ 250
Interest income	-	81	-	-	-	1
Total additions	-	135,193	-	10,001	-	251
Deductions						
Scholarships awarded	-	121,500	-	-	-	(500)
Change in Net Position	-	13,693	-	10,001	-	751
Net Position - Beginning	1,005	141,260	388	-	6	2,132
Net Position - Ending	<u>\$ 1,005</u>	<u>\$ 154,953</u>	<u>\$ 388</u>	<u>\$ 10,001</u>	<u>\$ 6</u>	<u>\$ 2,883</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Honey, Dave Scholarship	Jackson Scholarship	Joyner Scholarship	Kiwanis Scholarship	Lau Scholarship	Lockwood Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>4</u>
Total additions	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>4</u>
Deductions						
Scholarships awarded	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	1	(99)	-	-	2	4
Net Position - Beginning	<u>1,954</u>	<u>1,751</u>	<u>110</u>	<u>283</u>	<u>3,227</u>	<u>9,845</u>
Net Position - Ending	<u>\$ 1,955</u>	<u>\$ 1,652</u>	<u>\$ 110</u>	<u>\$ 283</u>	<u>\$ 3,229</u>	<u>\$ 9,849</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	<u>Martinelli Scholarship</u>	<u>McCollum Scholarship</u>	<u>McPherson- Hanson Scholarship</u>	<u>Mitchell Scholarship</u>	<u>Moberly Scholarship</u>	<u>Newhall Scholarship</u>
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	1	-	1	1	4
Total additions	-	1	-	1	1	4
Deductions						
Scholarships awarded	1	-	-	-	200	1,500
Change in Net Position	(1)	1	-	1	(199)	(1,496)
Net Position - Beginning	1	3,171	134	673	3,791	10,146
Net Position - Ending	<u>\$ -</u>	<u>\$ 3,172</u>	<u>\$ 134</u>	<u>\$ 674</u>	<u>\$ 3,592</u>	<u>\$ 8,650</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Wyatt Pimentel Scholarship	Prince Scholarship	Race to End Stigma Scholarship	Rohm Scholarship	Sodexho Scholarship	Souza Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	22	-	1	-	-	3
Total additions	22	-	1	-	-	3
Deductions						
Scholarships awarded	2,000	1,000	-	-	-	500
Change in Net Position	(1,978)	(1,000)	1	-	-	(497)
Net Position - Beginning	31,844	1,509	1,054	56	140	9,309
Net Position - Ending	<u>\$ 29,866</u>	<u>\$ 509</u>	<u>\$ 1,055</u>	<u>\$ 56</u>	<u>\$ 140</u>	<u>\$ 8,812</u>

Merced Union High School District
Custodial Funds, Scholarships – Combining Statement of Changes in Net Position
Year Ended June 30, 2024

	Stowell Scholarship	Thompson Scholarship	Weimer Bob Rotary Scholarship	Woody Campini Rotary Scholarship	Yagi Scholarship	Total Expendable Scholarships	Total (Memorandum Only)
Additions							
Trust income	\$ 500	\$ -	\$ 16,000	\$ 16,000	\$ -	\$ 627,332	\$ 718,586
Interest income	5	-	6	6	-	3,125	3,769
Total additions	505	-	16,006	16,006	-	630,457	722,355
Deductions							
Scholarships awarded	1,000	-	-	-	-	528,125	588,426
Change in Net Position	(495)	-	16,006	16,006	-	102,332	133,929
Net Position - Beginning	7,662	(242)	-	-	7	1,385,347	1,779,618
Net Position - Ending	<u>\$ 7,167</u>	<u>\$ (242)</u>	<u>\$ 16,006</u>	<u>\$ 16,006</u>	<u>\$ 7</u>	<u>\$ 1,487,679</u>	<u>\$ 1,913,547</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Merced Union High School District (the District) under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Merced Union High School District, it is not intended to and does not present the net position, changes in net position or fund balances of Merced Union High School District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had a minimal amount of food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The total federal expenditures reported on the schedule differs from the total federal revenue recognized within the financial statements due to unspent funds received for the Supply Chain Assistance Grant and unspent funds for the Child and Adult Care Food Program.

	<u>Federal Financial Assistance Listing</u>	<u>Amount</u>
Description		
Total Federal Revenues reported on the financial statements		\$ 30,589,981
Unspent Supply Chain Assistance Grant	10.655	(173,484)
Unspent Child and Adult Care Food Program	13.665	(433)
Total federal financial assistance		<u>\$ 30,416,064</u>

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Custodial Funds, Scholarships - Combining Statement of Net Position and Combining Statement of Changes in Net Position

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

Jim Acker Memorial Scholarship

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

John L. Alvernaz, Jr. Scholarship

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria have been specified for determining eligibility for this scholarship.

Steven O. Beal Memorial Scholarship

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of \$500 from any amount over the \$10,000 principle. This scholarship is non-renewable.

Eldon J. Callister Memorial Scholarship

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

Ugo Cavaiani Scholarship

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

Chamberlain Scholarship

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

Herbert H. Cruikshank Scholarship

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.
- Student must have graduated from Golden Valley High School and have a 3.0 + GPA.

Kimberly Hawkins-Gore Scholarship

This scholarship has been set up per the request of Kimberly Hawkins-Gore to award scholarships to deserving Livingston High School students for their future education in an accredited college or university in the State of California. The awards will be given to applicants with a business or teaching major and a GPA of 3.0 or higher. The awards will be disbursed to the college of attendance in a one-time payment of \$1,000.

Hugh K. Landram Memorial Scholarship

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

John P. Montano Memorial Scholarship

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of \$600 from any amount over the \$3,255 principal. This scholarship is non-renewable.

Jay Leroy Mudd Scholarship

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

Harriet A. Neves Scholarship

This scholarship has been set up per the request of Harriet Andrea Neves to award scholarships to deserving Merced High School students for their future education in a UC or accredited college in the State of California. The awards will be given to women applicants only with a GPA of 3.0 or higher with preference going to those attending a UC. The awards will be disbursed to the college of attendance at \$1,000 per year for a total of four years.

Isabella and Harry Neves Scholarship

This scholarship has been set up per the request of Isabella & Harry Neves to award scholarships to deserving Atwater High School students for their future education in a UC or accredited college in the State of California. The awards will be given to women applicants only with a GPA of 3.0 or higher with preference going to those attending a UC. The awards will be disbursed to the college of attendance at \$1,000 per year for a total of four years.

Okuda Memorial Scholarship

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over \$10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

Donna Roberts Scholarship

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.

Rebecca Starr Roveto Scholarship

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of \$1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

Walter Weimer Family/Livingston Rotary International Scholarship

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be \$500 (non-renewable).

AARP Scholarship

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of \$9,000 to be distributed at the rate of \$1,000 per year for four scholarships, \$250 each, until the \$9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

Richard Barnes Memorial Scholarship

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving \$500 if attending a two-year college or \$1,000 if attending a four-year college.

Bennett Family Scholarship

This scholarship has been established in honor of the Bennett Family, per the request of the Bennett Family, to provide a scholarship to a High School senior who intends to attend a historically black four-year college. Applicant to meet the following criteria: AP class coursework, minimum GPA of 3.0. Bennett Family committee selects recipient. Award to be \$3,000 for a four-year college annually.

Christine Bloss Memorial Scholarship

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

James Brewer Memorial Scholarship

This scholarship has been established in honor of James W. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Pamela Brewer Scholarship

This scholarship has been established in honor of Pamela K. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Kiara Broussard Culinary Arts Scholarship

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, \$500 award (amount may change).

Brown Memorial Scholarship

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

Church Scholarship

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately \$10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

Sybil Nye Crookham Memorial Scholarship

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The \$250 scholarship will be awarded to one senior at each high school.

Dallas Athletic Scholarship (Heart Award)

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of \$12,500 each. The \$1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four-year college or vocational school.

Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The \$500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of \$500 will be awarded each year until the funds are depleted. When funds are reduced to less than \$500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

Edward Dimsey Memorial Scholarship

This Scholarship is established in honor of Edward Dimsey. It provides scholarships to eligible students of Merced Adult School who completed a minimum of 100 hours of community service in Merced County within the preceding two years and are planning to attend a two or four-year college or an accredited vocational school. A committee consisting of present and former Merced Adult School staff and members of the Veterans of Foreign Wars Chapter in Atwater shall have the exclusive right to select the recipients.

Fred B. Fancher Scholarship

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

Carter Fite Memorial Scholarship

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of \$500 each will be awarded to two Atwater High School seniors pursuing a two or four-year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

Fraternal Order of Eagles

The Fraternal Order of Eagles (FOE) is an international non-profit origination that was established almost 100 years ago and Merced has a small chapter that was established in 1945. Over the years our local chapter, Merced Aerie #2194, has been providing local support to organizations and agencies such as Merced Community College Scholarship Foundation, Merced College FFA Programs, Merced Community Rescue Mission, Merced County HAS, and Merced Boys and Girls Club, among many others.

Through recent membership discussions, the Merced Aerie #2194 has decided to expand its philanthropy by donating funds for scholarships to local high school students, specifically those students who may not choose to continue their education with Merced Community College. While FOE will continue to support the community college through scholarships, FOE is offering Merced Union High School District \$10,000 to be used for scholarships to local students who choose to continue their education.

FOE's proposed plan will be to have the \$10,000 distributed in \$500 increments to all six (6) high schools in the District. If approved, it can be distributed to the high schools as follows:

- Merced High School \$2,000
- Golden Valley High School \$1,500
- El Capitan High School \$1,500
- Atwater High School \$2,000
- Buhach Colony High School \$2,000
- Livingston High School \$1,000

Gear Up Scholarship

This scholarship has been established by the Gear Up Program. Awards of \$150, \$300, or \$500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

Mario Granado Memorial Scholarship

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be \$1,000 at each campus.

Betty B. Jackson Scholarship

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last five semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

Joyner Scholarship

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of \$500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

Livingston Kiwanis Club Scholarship

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

Karina Lau Memorial Scholarship

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four-year college with a music or theater related degree. The scholarship will be \$1,000 a year for up to four years as long as the student continues with a music or theater major.

Lester L. Lockwood Memorial Scholarship

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

Angelo Martinelli Memorial Scholarship

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of \$250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

Karen McCollum Memorial Scholarship

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The \$500 scholarship will be disbursed in two separate payments annually (August and December).

Lucy McPherson-Hanson Memorial Scholarship

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

Herbert Mitchell Memorial Scholarship

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a \$200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.

- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

Sanford Moberly Memorial Scholarship

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a \$200 award from this scholarship.

Henry Mayo Newhall Scholarship

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of \$8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

Wyatt Pimentel Scholarship

This scholarship is established in memory of Wyatt Pimentel who passed away in January of 2020 at the age of 21. From the trust, scholarships will be awarded in the amount of \$1,500 annually to a qualified senior who will be pursuing education after high school in the agriculture industry and/or trade school.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed from one year to the next.

Race to End Stigma Scholarship

This scholarship was established by the Carlos Vieira Foundation in the amount of \$5,000. From the trust, scholarships will be awarded in the amount of \$500 to qualified students who will be attending college or vocational school. The selections will be made by the Foundation annually and limited by the funds available and the number of qualified students.

Ryan M. Rohm Memorial Scholarship

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of \$1,000 (\$500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

Sodexho Scholarship

Sodexho School Services has established this scholarship which will total two \$500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

Crystal Souza Memorial Scholarship

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total \$250 a year for two students. Each \$250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

Don Stowell Memorial Scholarship

The scholarship was established in honor of Don Stowell to provide a scholarship to students who attended Rivera Middle School their entire 7th and 8th grade year. Participated in clubs, sports, volunteer work at school or community and no suspensions. The students will be selected by a five-member staff committee at Rivera Middle School. The one-time \$500 scholarship will be disbursed directly to the college each Fall and Spring. Recipients must:

- Graduate from high school with a 2.5 or better GPA
- Participate in extracurricular activity in high school and
- Participate in community service in high school

Bob Thompson Rotary Scholarship

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be \$500 per year and the recipient will be selected by the Livingston High School Site Committee.

Bob Weimer Rotary

This scholarship was established to provide scholarships to Livingston High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year until all funds are exhausted.

Woody Campani Rotary

This scholarship was established to provide scholarships to Livingston High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year until all funds are exhausted.

George Yagi Memorial Scholarship

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four-year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be \$1,000 for a four-year college or \$500 for a two-year college.



Other Information
June 30, 2024

Merced Union High School District

ORGANIZATION

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Erin Hamm	President	2026
Amalee Jayasinghe	Vice President	2024
Tiffany Pickle	Clerk	2026
Kurt Kollmann	Member	2024
Julio Valadez	Member	2024

ADMINISTRATION

Alan Peterson	Superintendent
Scott Weimer	Assistant Superintendent/CBO
Sonia Garcia	Director of Fiscal Services



Independent Auditor's Reports
June 30, 2024

Merced Union High School District



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

To the Governing Board
Merced Union High School District
Merced, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2024.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Fresno, California
December 4, 2024



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

To the Governing Board
Merced Union High School District
Merced, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Merced Union High School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

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

Fresno, California
December 4, 2024



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

To the Governing Board
Merced Union High School District
Merced, California

Report on Compliance

Opinion on State Compliance

We have audited Merced Union High School District's (the District) compliance with the requirements specified in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2024.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>2023-2024 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California
December 4, 2024



Schedule of Findings and Questioned Costs
June 30, 2024

Merced Union High School District

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
COVID-19, Elementary and Secondary School Emergency Relief (ESSER III) Fund	84.425U
COVID-19, Elementary and Secondary School Emergency Relief (ESSER III) Fund: Learning Loss	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant (ESSER III) State Reserve, Learning Loss	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant (ESSER III) State Reserve, Afterschool Programs	84.425U
COVID-19, American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425W
Title I Grants to Local Educational Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs	\$ 912,482
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

APPENDIX C

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the New Money Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the New Money Bonds in substantially the following form:

[Date of Delivery]

Merced Union High School District
Atwater, California

Merced Union High School District
(Merced County, California)
Election of 2008 General Obligation Bonds, Series G
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Merced Union High School District (the “District”), which is located in the County of Merced, California (the “County”), in connection with the issuance by the District of \$_____ aggregate initial principal amount of bonds designated as “Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series G” (the “New Money Bonds”), representing part of an issue in the aggregate principal amount of \$149,450,000 authorized at an election held in the District on November 4, 2008. The New Money Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on June 3, 2025 (the “New Money Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the New Money Resolution.

In such connection, we have reviewed the New Money Resolution, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the New Money Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the New Money Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the New Money Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of each such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the New Money

Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the New Money Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the New Money Bonds, the New Money Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the District or the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the New Money Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the New Money Bonds. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _____, 2025, or other offering material relating to the New Money Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The New Money Bonds constitute valid and binding obligations of the District.
2. The New Money Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the New Money Bonds and the interest thereon.
4. Interest on the New Money Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the New Money Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the New Money Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the New Money Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Upon issuance and delivery of the Refunding Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

[Date of Delivery]

Merced Union High School District
Atwater, California

Merced Union High School District
(Merced County, California)
General Obligation Refunding Bonds, Series 2025
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Merced Union High School District (the “District”), which is located in the County of Merced, California (the “County”), in connection with the issuance by the District of \$ _____ aggregate initial principal amount of Merced Union High School District (Merced County, California) General Obligation Refunding Bonds, Series 2025 (the “Refunding Bonds”), pursuant to a resolution of the Board of Education of the District adopted on June 3, 2025 (the “Refunding Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Refunding Resolution.

In such connection, we have reviewed the Refunding Resolution, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Refunding Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Refunding Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Refunding Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Refunding Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Refunding Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Refunding Bonds, the Refunding Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the

application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the District or the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Refunding Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Refunding Bonds. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _____, 2025, or other offering material relating to the Refunding Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Refunding Bonds constitute the valid and binding obligations of the District.
2. The Refunding Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Refunding Bonds and the interest thereon.
4. Interest on the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Refunding Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Refunding Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Merced Union High School District (the “District”) in connection with the issuance of \$_____ aggregate principal amount of Merced Union High School District (Merced County, California) Election of 2008 General Obligation Bonds, Series G (the “Series G Bonds”). The Series G Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on June 3, 2025 (the “Resolution”). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Series G Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series G Bonds (including persons holding Series G Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Isom Advisors, A Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Series G Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated _____, 2025 (including all exhibits or appendices thereto), relating to the offer and sale of Series G Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Series G Bonds required to comply with the Rule in connection with offering of the Series G Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which due date shall be April 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2024-25 Fiscal Year (which is due not later than April 1, 2026), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series G Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

- (i) State funding received by the District for the last completed fiscal year.
- (ii) Average daily attendance of the District for the last completed fiscal year.
- (iii) Outstanding District indebtedness.
- (iv) Assessed valuation of taxable property within the District as shown on the recent equalized assessment role.
- (v) Property tax collection delinquencies for the District, for the most recently completed fiscal year, if the District is no longer a participant in the Teeter Plan of the County of Merced (the “County”).
- (vi) Top 20 property owners in the jurisdiction of the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective secured assessed valuation, and their percentage of the District’s total secured assessed valuation.
- (vii) The adopted budget of the District for the then current fiscal year.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB’s website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series G Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers or their failure to perform;
- (v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes;
- (ix) bankruptcy, insolvency, receivership or similar event of the District; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series G Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series G Bonds or other material events affecting the tax status of the Series G Bonds;

(ii) modifications to rights of Series G Bond Holders;

(iii) Series G Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Series G Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Series G Bond Holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such

occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series G Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of “Financial Obligation” in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series G Bonds. If such termination occurs prior to the final maturity of the Series G Bonds, the District shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, A Division of Urban Futures, Inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Series G Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series G Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series G Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being

presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series G Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series G Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series G Bonds, and shall create no rights in any other person or entity.

Section 14. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that, if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: _____, 2025

**MERCED UNION HIGH SCHOOL
DISTRICT**

By: _____

ACCEPTED AND AGREED TO:

**ISOM ADVISORS, A DIVISION OF URBAN
FUTURES, INC., as Dissemination Agent**

By: _____

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: MERCED UNION HIGH SCHOOL DISTRICT

Name of Issue: Merced Union High School District (Merced County, California)
 Election of 2008 General Obligation Bonds, Series G

Date of Issuance: _____, 2025

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Series G Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated _____, 2025. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

MERCED UNION HIGH SCHOOL DISTRICT

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Merced Union High School District (the “District”) in connection with the issuance of \$ _____ aggregate principal amount of Merced Union High School District (Merced County, California) General Obligation Refunding Bonds, Series 2025 (the “Refunding Bonds”). The Refunding Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on June 3, 2025 (the “Resolution”). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Refunding Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Isom Advisors, A Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Refunding Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated _____, 2025 (including all exhibits or appendices thereto), relating to the offer and sale of Refunding Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Refunding Bonds required to comply with the Rule in connection with offering of the Refunding Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which due date shall be April 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2024-25 Fiscal Year (which is due not later than April 1, 2026), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Refunding Bonds by name and CUSIP number.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) State funding received by the District for the last completed fiscal year.

(ii) Average daily attendance of the District for the last completed fiscal year.

(iii) Outstanding District indebtedness.

(iv) Assessed valuation of taxable property within the District as shown on the recent equalized assessment role.

(v) Property tax collection delinquencies for the District, for the most recently completed fiscal year, if the District is no longer a participant in the Teeter Plan of the County of Merced (the “County”).

(vi) Top 20 property owners in the jurisdiction of the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective secured assessed valuation, and their percentage of the District’s total secured assessed valuation.

(vii) The adopted budget of the District for the then current fiscal year.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Refunding Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers or their failure to perform;
- (v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes;
- (ix) bankruptcy, insolvency, receivership or similar event of the District; or
- (x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Refunding Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Refunding Bonds or other material events affecting the tax status of the Refunding Bonds;

(ii) modifications to rights of Refunding Bond Holders;

(iii) Refunding Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Refunding Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Refunding Bond Holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Refunding Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of “Financial Obligation” in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds. If such termination occurs prior to the final maturity of the Refunding Bonds, the District shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Refunding Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Refunding Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Refunding Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Refunding Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Refunding Bonds, and shall create no rights in any other person or entity.

Section 14. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that, if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: _____, 2025

**MERCED UNION HIGH SCHOOL
DISTRICT**

By: _____

ACCEPTED AND AGREED TO:

**ISOM ADVISORS, A DIVISION OF URBAN
FUTURES, INC., as Dissemination Agent**

By: _____

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: MERCED UNION HIGH SCHOOL DISTRICT

Name of Issue: Merced Union High School District (Merced County, California)
General Obligation Refunding Bonds, Series 2025

Date of Issuance: _____, 2025

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Refunding Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated _____, 2025. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

MERCED UNION HIGH SCHOOL DISTRICT

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APPENDIX E

MERCED COUNTY TREASURY INVESTMENT POLICY STATEMENT AND TREASURY INVESTMENT REPORT

In accordance with California Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer-Tax Collector of the County of Merced (the "County Treasurer"). The County Treasurer manages the investment pool (the "Investment Pool") of the County of Merced (the "County") in which certain funds of the County and certain funds of other participating entities are invested pending disbursement. The Merced County Treasury Investment Report describes the composition, carrying amount, market value and other information relating to the Investment Pool. Funds held in the Investment Pool are invested by the County Treasurer in accordance with the laws of the State of California and the Merced County Treasury Investment Policy Statement (the "Investment Policy"). The Investment Policy describes the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer. Both the Merced County Treasury Investment Report and the Investment Policy are included as a part of this Appendix E as attachments. Further information regarding the Investment Pool and the Investment Policy may be obtained directly from the County Treasurer, 2222 M Street, Merced, CA 95340.

The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current Investment Policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

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MERCED COUNTY TREASURY



INVESTMENT POLICY STATEMENT 2025

**Karen D. Adams, CPA
Treasurer**

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PREFACE

Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, these restatements are integral to the purpose and flow of this policy.

The following statements are intended to insure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors, or losses will not arise in the course of administering the investment of funds.

Unforeseen factors may affect the achievement of the goals and objectives of the portfolio. A list of factors include, but are not limited to, the following: national or international events or crisis, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, and errors in data or advice used to make decisions, as well as any other unforeseen aberration or event that may impact local, national or international financial markets, economies or politics which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

SCOPE

The following investment policy pertains to the pooled operating funds of Merced County and depository agencies. Depository agencies consist of school districts, Merced College, special districts and other local agencies. The County retirement system is an independent CA 1937 Act system and the Treasurer is a trustee on the board. The independent retirement system only deposits short-term liquidity monies in the treasury for retiree payroll. This policy is concerned with the deposit, safekeeping and investment of all funds under the control of the Treasurer, as well as all related transactions and investment activities.

PURPOSE

The purpose of the investment policy is to facilitate accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, to improve communications at all levels between those interested in the process of investing and administering the idle funds of the Treasury, and to ensure compliance with legal requirements and policies adopted by the Oversight Committee and Board of Supervisors.

LEGAL COMPLIANCE

All investing and investment decisions shall be made with full compliance to California Government Code § 27000 et seq. and 53600 et seq., as well as any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds. In addition, the Treasurer may provide further restrictions and guidelines for the investment of idle funds through this Statement of Investment Policy and the Investment Guidelines and Procedures Manual.

GOALS AND OBJECTIVES

PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are in order of priority:

1. Safety

Safety of Principal shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud or error. To achieve preservation of principal the portfolio structure will be diversified to mitigate credit risk and market risk.

Credit Risk: The inherit risk of an issuer(s) ability and willingness to repay interest and principal, which shall be mitigated by diversifying the fund so that the failure of any one issuer would not unduly harm the Fund's cash flow.

Market Risk: The inherit risk of market value fluctuations due to changes in the general level of interest rates. Because longer maturity fixed-income securities have greater market risk than shorter maturity securities, market risk will be mitigated by establishing a limit for the weighted average maturity. It is recognized in an active portfolio occasional losses on individual securities are inevitable and must be considered within the context of the overall investment return.

2. Liquidity

Liquidity Maintenance shall mean to always have the ability to convert sufficient securities in the portfolio to cash, with little or no loss in value, to cover cash flow needs of the county and its investing agencies, to meet contingency needs.

3. Yield

Yield refers to earning a reasonable rate of return and shall take into consideration current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity Maintenance.

PRUDENCE

The administration of idle funds of the Merced County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code § 27000.3 and 53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity need of the county and other depositors."

MAINTENANCE OF PUBLIC TRUST

As the Treasurer has been entrusted with the safekeeping of Public Monies received from Public Sources, the Treasurer in managing Investment Portfolios shall exercise a high degree of professionalism to insure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

ETHICS AND CONFLICT OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with the County of Merced and shall disclose any material financial investment positions which could be related in a conflicting manner to

the performance of the County of Merced investment portfolio.

POLICY SUMMATION OF BASIC STRATEGY

The basic investment strategy will be to safeguard the principal of all investments, maintain sufficient liquidity to meet the regular cashflow needs of the Treasury while reserving contingent liquidity to meet unanticipated cashflow demands, and utilize various investment approaches to take advantage of current market yield opportunities. A maximum rate of return will be sought in a manner consistent with the safeguarding of principal and meeting liquidity needs.

AUTHORITY

DELEGATION

Investment authority is delegated to the Treasurer by the Board of Supervisors, in accordance with California Government Code § 53607, by Merced County Ordinance No.1720, as codified at Chapter 5.40.

Pursuant to California Government Code § 27000.1, subject to § 53607, the Board of Supervisors may, by ordinance, delegate to the County Treasurer the authority to invest or reinvest the funds of the County and the funds of the other depositors in the County Treasury, pursuant to Chapter 4 (commencing with Government Code § 53600) of Part 1 of Division 2 of Title 5 of the Government Code. The County Treasurer shall assume full responsibility for those transactions until the Board of Supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation.

Annual approval of this Investment Policy by the Board of Supervisors constitutes renewal of the annual delegation of investment authority to the Treasurer, effective January 1st of each year.

RETENTION

The Treasurer shall retain the authority to add to, delete or amend the Investment Policies and the Investment Guidelines as is necessary to facilitate accurate and efficient transactions pertaining to the investment of idle funds, for the best interest of the County.

TREASURY OVERSIGHT COMMITTEE

Pursuant to the addition of Article 6, to Chapter 5 of Division 2 of Title 3 of the California Government Code, the County Treasurer shall create a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury. The duties of the County Treasury Oversight Committee will be delineated in the Investment Guidelines. In compliance with California Government Code § 27131 and to maintain equity of all depositors, the membership of the County Treasury Oversight Committee shall consist of the following:

MEMBERS

The members of the Treasury Oversight Committee (TOC) shall consist of:

- The County Auditor – or alternate
- A Board of Supervisors - designee or alternate
- The Superintendent of Schools - or alternate
- A College District - designee or alternate
- A Special District - designee or alternate
- Two Members of the Public with expertise, or academic background, in public finance.

Government Code § 27133 (d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission. TOC Members are prohibited from raising money for the County Treasurer or a Board of Supervisor (with the exception of raising money for their own position) while serving as a member on the committee.

DUTIES OF THE TREASURY OVERSIGHT COMMITTEE (TOC)

The Treasury Oversight Committee (TOC) is required annually to review and monitor the investment policy prepared by the County Treasurer, pursuant to Government Code § 27133, and to cause an annual compliance audit, pursuant to Government Code § 27134.

The Treasurer will annually submit the Statement of Investment Policy to the Board of Supervisors to be reviewed and accepted at a public meeting as required by Government Code § 53646. This section also requires that any change in the policy be reviewed and accepted by the Board of Supervisors at a public meeting.

ANNUAL AUDIT

As of the end of each fiscal year, the TOC shall cause an annual audit to be conducted to determine compliance with the Statement of Investment Policy and an audit of the interest apportionment. Additionally, the audit may address questions of portfolio structure and risk. The audit findings will be an agenda item at the TOC meeting following the release of the audit. The cost of the audit will be charged against the Treasurer's budget and will be included in the investment expenses which are deducted from earnings prior to interest

apportionment. A copy of the annual audit will be distributed pursuant to Government Code § 53686.

MEETINGS

The TOC meets on a quarterly basis. These meetings are held within 30 days after the end of each quarter. Meeting dates and times are established at the beginning of each calendar year.

ADMINISTRATION

SAFEKEEPING

Investments are held in a third-party safekeeping custodial account designated by the Treasurer to provide the public with the highest degree of protection with regard to investments held in the portfolio. The delivery-versus-payment (DVP) purchase procedure will be used. Third-party safekeeping refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. The DVP refers to the practice of using an escrow procedure to process a transaction through the third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

COLLATERALIZATION

Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code § 53601.7(e). In order to anticipate market changes and provide a level of security the collateralization level will be a minimum of 102% of market value of the principal and accrued interest and shall be marked-to-market no less frequently than weekly. A Master Repurchase Agreement is required for the authorized bank and broker/dealer accounts for all daily cash surplus (see Investment Terminology).

PERFORMANCE BENCHMARK

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risk controls and cash flow requirements, thus preserving capital, meeting liquidity, and providing yield. The Treasurer's investment strategy is to manage the portfolio with less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. As a result the portfolio is benchmarked against both the BofA Merrill Lynch 1-3 Year US Treasury Index and the California Local Agency Investment Fund (LAIF).

INTERNAL CONTROLS & PROCEDURES

The Treasurer has established a system of written internal controls, which is reviewed annually by the County's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions of employees of the Treasurer's Office. The Treasurer shall evaluate any audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code § 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Treasurer's Compliance Division. Compliance will be determined on a fair market value basis. All agreements, statements, and trade confirmations will be subject to review annually by auditors in conjunction with their audit.

The Treasurer has procedures for the investment process that are consistent with this policy and are statutorily compliant. Procedures include safekeeping, master repurchase agreements, wire transfer agreements, collateral and depository agreements, banking service contracts and other investment and banking related activities. Such procedures include explicit delegation of authority to personnel responsible for investment transactions.

The Treasurer shall designate the Assistant Treasurer-Tax Collector as a liaison/deputy in the event circumstances require timely action and the County Treasurer is not present. No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of Treasury personnel.

The Treasurer will maintain a system of internal controls. Whenever possible those controls will be maintained through the use of computer automation and generally accepted means for subdivision of duties. Internal controls are designed with the intended purpose of preventing or minimizing loss of public money.

A system of internal controls is maintained to address the following issues but is not limited to these issues:

- 1) Separation of transaction authority from accounting and record keeping.
- 2) Third- Party custodial safekeeping.
- 3) Clear delegations of authority.
- 4) Written confirmations from appropriate parties.
- 5) Guidelines for attempting to prevent losses, and appropriate remedial action in the event of loss.
- 6) Provisions for legal compliance monitoring.
- 7) Provisions for ongoing monitoring and auditing of internal controls.

COMPETITIVE BIDDING

All transactions will be made through the use of competitive bids whenever possible. At least two (2) competitive bids will be solicited for each transaction. If the solicitation of two bids is not feasible or practical, the reason will be stated in the transaction documentation. Exceptions to the use of competitive bids may include, but are not limited to the following:

1. Market circumstances where time constraints would make the bid process impractical.
2. Investments possessing distinctive characteristics.
3. Overnight deposits where time constraints may not accommodate the bid process.
4. Transactions in which investments are actively traded and priced by market information services such as Telerate and Bloomberg, where current market price can be readily determined.

REPORTING

California Government Code § 53646 require the following regarding reporting:

The Treasurer shall annually render a Statement of Investment Policy to the Oversight Committee and to the Board of Supervisors. The Treasurer shall render quarterly an Investment Report to the County Executive Officer, the County Auditor, Board of Supervisors and Oversight Committee within 30 days following the end of the quarter covered by the report.

As required by Government Code § 53646, the quarterly report will include:

1. A ledger of daily transactions for the quarter;
2. A list of holdings as of the last day of the quarter which notes:
 - a. Type of Investment
 - b. Issuer
 - c. Date of Maturity
 - d. Par Amount
 - e. Book Value
 - f. Market Value at Quarter-end (and Source of Value);
3. A statement of compliance with the Statement of Investment Policy or an explanation of any variance.
4. A statement of the pool's ability to meet the expenditure requirements for the next six months or an explanation of why the pool cannot meet the expenditure requirements.

A monthly transaction report will be made available to the legislative body per Government Code § 53607.

As deemed appropriate, the Treasurer or the TOC may issue additional statistical or narrative reports.

MARKED-TO-MARKET

Marked-to-Market is the requirement of the AICPA's pronouncement GASB 31 which dictates that portfolios disclose the Fair Market Value of investments on a given date. Fair Market Value can be determined by an independent agency. The cost of an independent agency is significant, and we have determined that the portfolio valuation will be marked-to-market using our custodian's fair market valuation rather than incurring an additional vendor cost. Our Custodian utilizes several market pricing services, including Merrill Lynch, Bloomberg, and others.

INTEREST APPORTIONMENT

Historically, Interest Apportionment was calculated using the cash basis method of accounting. Effective July 1, 1999, the Interest Apportionment changed from the cash basis to the modified accrual basis method of accounting. All interest earnings, amortization earnings, and coupon payments are deposited into Trust Fund # 2070 Treasurer's Interest. A modified journal entry is processed to recognize the accrued interest and amortization for the quarter. Departmental treasury costs are recovered quarterly based on actual treasury expenditures. After all expenditures are netted against earnings, the net revenues are distributed to the Pool Participants through the following Interest Apportionment process.

At end of month, the Auditor-Controller's department requests Central Square report Average Daily Cash Balances and Central Square report Interest Apportionment Control Report.

The Central Square Average Daily Cash Balances shows each fund's cumulative balance, number of days the fund had a balance, and average balance for each fund. The cumulative balance is computed by adding the daily balances of the fund. The average balance is the cumulative balance divided by the number of days the fund had a balance.

The Central Square Interest Apportionment Control Report shows the Apportionment Total which was posted to each fund. The Apportionment Total is calculated as follows:

- (1) First, the system determines the fund's percent of the pool by using the following figures calculated on Central Square report Average Daily Cash Balance:
Cumulative balance for the fund divided by the total cumulative balance of all funds.
- (2) Next, the fund's percent of the pool is multiplied times the Net Revenues. The result is the fund's Interest Apportionment for the quarter.

VOLUNTARY DEPOSITORS

A voluntary depositor is any local agency who has applied for and been granted participation in the county investment pool. The local agency's treasurer or other official responsible for their funds has determined that they have excess funds which are not required for immediate use. Once the excess funds are identified, the local agency's legislative or governing body must adopt a resolution that authorizes the investment of the funds pursuant to Government Code § 53684, and with the consent of the County Treasurer, deposit the excess funds in the county treasury for the purpose of investment by the County Treasurer pursuant to Government Code § 53601 or 53635. The resolution shall specify that the local agency acknowledges and is willing to be bound by the withdrawal provisions of Government Code § 27136, and that administrative charges will be deducted by the Treasurer as permitted by Government Code § 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing.

ALLOWABLE VOLUNTARY DEPOSITORS TERMS AND CONDITIONS

Deposits by voluntary depositors who have the right to withdraw funds increase the cashflow volatility of the Treasury. This increase in cashflow volatility makes accurate cashflow forecasting more difficult. Thus, deposits by voluntary depositors increase the risk to the remaining depositors prompting the Treasurer to sell investments prior to maturity to meet the unanticipated withdrawal demands of voluntary depositors. The increase in risk associated with the deposits of voluntary depositors is recognized by rating agencies, auditors and other financial overseers and is a consideration in the credit evaluations and oversight comments provided to all depositors.

By approval of the Treasurer, the deposit of funds from voluntary depositors may be accepted under the following criteria:

1. The legislative or governing body of the voluntary depositor shall pass a resolution authorizing the investment of funds into the Merced County Treasury.
2. The legislative or governing body of the voluntary depositor shall include in its resolution all terms and conditions as determined by the County Treasurer, Involuntary depositors (depositors required to deposit into the Treasury) who are required to deposit operating and other funds in the Treasury may from time to time have a limited amount of funds which are discretionary as to deposit requirements (such as proceeds from the issuance of debt), which are not required to be deposited into the County Treasury.

The discretionary funds (funds not required to be deposited into the Treasury) of involuntary depositors will be accepted for deposit into the Treasury. Joint power authorities may also place deposits in the Treasury. When a majority of the JPA's membership is comprised of depositors domiciled in the County, the funds of the JPA may be invested in the Treasury.

WITHDRAWAL OF FUNDS

Withdrawals for claims and accounts payable are to be made by auditor's warrant. Various forms of electronic transfer can be used to make withdrawals for the purpose of payroll, bond and note related transactions and to transfer investment funds.

The Treasurer's Investment Policy establishes guidelines for unusual or unexpected withdrawal of cash and provides for adequate liquidity to cover day-to-day operations of pool depositors. On occasion, depositors have a need of withdrawals that exceed those normally associated with operations. It is essential that all agencies inform the Treasurer of anticipated withdrawals in excess of \$2,000,000 as far in advance as possible. To accommodate such withdrawals, the Treasurer-Tax Collector's Office has established written notification requirements as set forth below to allow for adjustments to the liquidity position of the Portfolio.

The notification required is as follows:

Withdrawals of up to \$2,000,000 - 24 hours

Withdrawals of \$2,000,001 and more - 72 hours

Failure to adhere to these requirements may result in payment being delayed by the Treasurer-Tax Collector's office.

Pursuant to CA Government Code § 27136, prior written notice is required for withdrawals from the county treasury pool for the purpose of investing or depositing funds outside of the county treasury. The written notice may be submitted via email or fax, with original request to follow. The Treasurer will evaluate each proposal to ensure that the request will not adversely affect the interest of the other depositors in the Treasury. Should the Treasurer determine that a withdrawal for the purpose of investing or depositing funds (including reinvestment of note proceeds) outside of the county treasury would adversely affect the interest of other depositors in the pool, the Treasurer may utilize either: the provisions of Government Code § 53684 to require 30 days written notice prior to any withdrawals or honor the withdrawal at the current market value of the portfolio. Approval of the withdrawal does not constitute approval or endorsement of the investment.

BUSINESS CONTINUITY PLAN

Merced County is located in a severe flood plain as determined by the California Office of Emergency Services. Due to the concern that mission critical functions cannot be performed, the Merced County Treasury has established a Continuity of Operations Plan (COOP) for conducting Treasury business. In the event the primary place of business is inaccessible, please refer to the Merced County COOP Plan.

Located within the Treasury department is one (1) separate and secure workstation used for the sole purpose of accessing Wells Fargo CEO web portal for wire transfers. All other information is located on the County server.

In the event we are unable to conduct normal business operations, authorized personnel shall activate the Merced County Treasury's Continuity of Operations Plan (COOP) using three (3) secure laptops at remote locations. These secure laptops are programmed to access the Wells Fargo CEO web portal and a secure cloud portal using Microsoft OneDrive for Business only, to perform the mission critical functions.

Ongoing testing of the Merced County Treasury's COOP is performed to ensure preparedness should an emergency occur.

The Plan provides for continuity of mission critical functions of the Treasury to be initiated within 0-12 hours of an event.

Mission critical functions for the Treasury have been identified as follows:

1. Project daily cash flow and ensure sufficient liquidity to meet the needs of the pool participants.
2. Reconcile daily cash with bank.
3. Reconcile daily cash to Central Square General Ledger.
4. Reconcile daily checkbook.
5. Prepare bank deposit.
6. Evaluate Positive Pay and make decision to honor or reject.
7. Initiate wires and transfer funds as required.
8. Review and approve initiated funds wires.
9. Monitor investment portfolio and make changes as required.

In all cases, the safety of Treasury personnel is paramount. In no event will the alternate locations or processes be employed if doing so will endanger any person at any time.

AUTHORIZED INVESTMENTS & DIVERSIFICATION

Pursuant to CA Government Code § 27000 - Prudence definition,
 § 53600 - Local agency definition, § 53601 - Authorized investments
 (See Appendix 1 for complete investment listing)

The Treasurer has established the following self-imposed restrictions which are stricter than the statutory requirement to ensure diversification is maintained in the portfolio. The diversification is critical to reduce risks associated with investment concentration, quality and duration. The portfolio's approved Weighted Average Maturity (WAM) is not to exceed 730 days with no more than 10% held in one issuer's name. Cashflow projections, fed fund targets and other opportunities are continuously evaluated to define the strategy for the portfolio.

Government Code § 53601 INVESTMENT TYPES & RESTRICTIONS*			TREASURER IMPOSED
TYPE	MAXIMUM TERM	MAXIMUM %	RESTRICTIONS
(a) Local Agency Bonds	5 years	No limit	30%
(b) USTN, Bonds, Bills,...	5 years	No limit	50%
(c) Reg'd State Wts, TN Bonds	5 years	No limit	30%
(e) Local Agency Bonds, Notes,...	5 years	No limit	75%
(f) Agency Obligations...Federal Agency/ GSE	5 years	No limit	75%
(g) Bankers Acceptances	180 days	40%; limited to 30% in one specific bank	25%; limited to 10% in one specific bank
(h) Commercial Paper	270 days	40%; limited to 10% in one single corp.issuer	30%; limited to 10% in one single corp.issuer
(i) Certificates of Deposits	5 years	30%	30%
(j) Repurchase Agreements *	1 years	20%	20%
(k) Corp. Notes (MTNs) *	5 years	30%	30%
(q) Supranationals –Int'l Bk for Recons & Devel (IBRD), Int'l Fin Corp (IFC) or Inter- American Dev Bk (IADB)	5 years	30%	30%
LAIF **	not specified	75MM	75MM or 25%
Managed Pool Accounts (CAMP)	not specified	No limit	25%

Due to fluctuations in the portfolio's balance, compliance testing is applicable on the day of purchase.

* THE COUNTY TREASURER WILL NOT PURCHASE reverse repurchase agreements, strips or zero interest accrual investments; with the exception of any exposure in money markets purchased for the portfolio.

** The County has authority over two LAIF accounts; a general pool and a Merced County Office of Education account.

AUTHORIZED BROKERS/DEALERS & DEPOSITORIES

Brokers, Dealers and Banks approved for transacting business with the Merced County Treasurer's office must complete a detailed questionnaire and provide audited financial statement, references and requested financial institution information. A review and approval is required before any investment services can be considered. On-going evaluations are completed on all approved broker/dealer/depositories relationships on a regular basis as deemed necessary. A current list is maintained in the Treasury and available upon request.

1. Institutions designated as primary dealers by the Federal Reserve Bank of New York, or
2. Banks identified as one of the top 100 banks in the world, or
3. Banks, brokers or dealers whose transactions are guaranteed by one of the top 100 banks in the world, or
4. Banks, brokers or dealers whose parent company is one of the top 100 banks in the world.
6. Prohibited from making Political Contributions to County officials.
6. All authorized brokers of the County certify that they have reviewed the California Government Code § 53600 et seq. and the County's Investment Policy and that all securities offered to the Merced County Treasury will comply with the provisions of the Code and Investment Policy.
7. The Treasurer has posted the "Independent Registered Municipal Advisor Exemption Notice" on the webpage at www.mercedtaxcollector.org under the Treasury tab.

REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

Whenever possible, investment vehicles shall be selected according to specific needs and portfolio guidelines, as well as economic and market conditions. Due to the complexity of the various investment instruments available and uncertainty of market conditions, the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections.

The portfolio is managed in accordance with Statement No. 40 of the Government Accounting Standards Board for Deposit and Investment Risk Disclosure. The investments shall be diversified by limiting investments to avoid concentration in specific issuer or business sector; limiting investment in securities that have higher credit or liquidity risks; investing in varying maturities; and continuously investing in overnight repurchase agreements, money markets, and the California Local Agency Investment Fund (LAIF).

PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of Public Record. Any member of the public may receive a copy of the portfolio or Investment Policy by requesting a copy at the Treasurer's Office. The Treasurer may charge a fee for the copy, as prescribed in our fee ordinance No.1968.

MERCED COUNTY TREASURER

LISTING OF INVESTMENT TERMINOLOGY

ACCRUED INTEREST: The amount of interest that is earned, but unpaid since the last interest payment date.

AGENCY: Securities issued by government-sponsored corporations such as Federal Home Loan Banks (FHLB) or Federal Land Banks (FLB.) Agency securities are exempt from Securities and Exchange Commission (SEC) registration requirements.

AMERICAN CALL: Bonds may be called at any time following the first call or lockout period.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. It is a common practice to amortize any premium over par value paid in the purchase of bond investments or any discount under par value recognized in the purchase of bond investments.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report for the County. It includes five combined statements for each individual fund necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

BANKER'S ACCEPTANCE (BA): Time draft drawn on and accepted by a bank [for up to 6 months], the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing used extensively in international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a MONEY MARKET instrument. The liability assumed by the bank is called its acceptance liability.

BANKER NOTE (BN): Similar to Commercial Paper (debt instrument issued by the Bank's holding company), but the Bank Note is issued directly by the Bank and not the holding company. BNs represent the highest senior debt issued by the bank, second only to Certificate of Deposit holders; highly negotiable and liquid; an allowable and accepted institutional investment form.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Example: 0.25% is twenty-five basis points. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BERMUDA CALL: Bonds may only be called on a pre-determined schedule of call dates. Monthly, Quarterly, Annually etc.

BID PRICE: The price at which a buyer offers to buy a security.

BOND: A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investor's position is that of lender.

BOND RATING: A rating selected from a scale which indicates the relative likelihood of default.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALL OPTION: A contract which allows the holder to buy a specified quantity of an asset at a specified price on or within a specified date.

CALLABLE BONDS: Bonds which may be redeemed by the issuing company prior to the maturity date.

CANARY CALL: Bonds may be called during an open call period, if not called on the last date, then they become non callable to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement or securities pledged by a financial institution to secure deposits of public moneys. Repurchase agreements are required and must be executed with approved broker-dealers, collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy with a market value of 102%.

COMMERCIAL PAPER (CP): Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest-bearing. Investors (actually lenders, since commercial paper is a form of debt) like the flexibility and safety of an instrument that is issued only by top-rated concerns and is nearly always backed by bank lines of credit. Both Moody and Standard & Poor assign ratings to commercial paper.

COUPON OR COUPON RATE: The rate at which a bond pays interest. Stated as a percentage of par and computed out to a dollar amount. Example: A note with a coupon of 6% pays \$30,000 interest per million dollars of par every six months, or \$60,000 annually.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and is determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for the full face value of the investment.

DIVERSIFICATION: An investment strategy designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the “average maturity” of an investment portfolio using each investment’s maturity weighted by size of that investment.

EUROPEAN CALL: Bonds may only be called on one pre-determined date.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FED FUNDS: The settlement is to be consummated with funds on deposit at the Federal Reserve Bank; and thus available the same day. All government securities are traded on Fed Funds; also referred to as “same day funds”.

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder owned corporation.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FIXED-INCOME SECURITIES: Securities which return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, ect.).

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):

Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, saving and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

GOVERNMENT-SPONSORED ENTERPRISES (GSE): Government sponsored obligations, participation, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a charter city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARKET: Refers to the place, physical or electronic, that investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York. The Chicago Board of Trade (CBT) is a recognized exchange (commodities market) with a physical location in Chicago. The “over-the-counter” market is an electronic and phone system used to trade investments which are not traded on recognized exchanges. Bond and money market investments (fixed income securities) are traded on the “over-the-counter” market.

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A required written contract covering all future transactions between the parties to repurchase agreements that establish each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower (see Collateral).

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTE (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term “medium-term notes” refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called “bank notes.”

MONEY MARKET: The market in which short term debt instruments (Treasury bills, discount notes, commercial paper, bankers’ acceptances, etc..) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invests in a variety of short-term money market instruments. The Net Asset Value (NAV) of these funds should remain at \$1.00; however, it is not guaranteed.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES: Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor’s Corporation; Moody’s Investor Services, Inc.; Fitch Investors Service; Duff & Phelps Investment Service; Thompson Bank Watch and International Bank Credit Analyst.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD): Large-dollar-amount, short-term certificate of deposit. Such certificates are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being NEGOTIABLE, they enjoy an active SECONDARY MARKET, where they trade in round lots of \$5 million.

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON CALLABLE: Bond that is exempt from any kind of redemption for a stated time period. Also known as a Bullet Bond.

OFFER PRICE: The price asked by a seller of securities.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy.

PAR VALUE: The amount of principal which must be paid at maturity; also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to “book entry” delivery).

PLAIN VANILLA: Non-derivative investments which are not leveraged and whose interest rates do not change.

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE: The percentage of par at which a security is bought and sold. Corporate debt is traded in denominations of 100th of a percent. Government debt is traded in denominations of 32nds of a percent.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

PRIME RATE: The interest rate banks charge the biggest borrowers with the best credit ratings.

PRINCIPAL: The face value or par value of an investment.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PSA MASTER REPURCHASE AGREEMENT: A required written contract covering all future transactions between the authorized bank and the Treasurer to repurchase agreements that establish each party's rights in the transactions (see Collateral & Repurchase Agreement).

QUALIFIED INSTITUTIONAL BUYER: A qualified institutional buyer (QIB) is a class of investor that can safely be assumed to be a sophisticated investor and hence does not require the regulatory protection that the Securities Act's registration provisions give to investors. In broad terms, QIBs are institutional investors that own or manage on a discretionary basis at least \$100 million worth of securities. The SEC allows only QIBs to trade Rule 144A securities, which are certain securities deemed to be restricted or control securities, such as private placement securities for example. On Aug. 26, 2020, the SEC adopted amendments to the QIB and accredited investor definitions that broadened the list of entities eligible adding, governmental agencies.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a

value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENT (RP OR REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

REVENUE ANTICIPATION NOTES OR RANs: Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Used by agencies having cashflow gaps between revenues and expenses that requires short-term interim financing. Also see Tax Anticipation Notes (TANs) and Tax and Revenue Anticipation Notes (TRANs).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: The holding of securities in a segregated account by a custody agent or trustee. Transactions are escrowed through these accounts by the custody agent or trustee. Safekeeping services are typically provided by banks and other financial institutions.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. Key features are Triple-A rated, 0% risk weighting with Basle II and III, Financial strength based on diversified, sovereign shareholders, conservative risk management, quality loan portfolio (preferred creditor status), substantial liquidity and consistent profitability strong capitalization.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc..) and Corporations that have imbedded options (e.g., call features, step-up coupons) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TAX ANTICIPATION NOTES OR TANS: Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes which are collected in December and April. Also see Revenue Anticipation Notes (RANs) and Tax and Revenue Anticipation Notes (TRANs).

TAX AND REVENUE ANTICIPATION NOTES OR TRANs: Notes issued for thirteen months or less. They are a combination of Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs). Also see Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs).

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

TREASURIES: Securities issued by the U.S. Treasury and backed by the FULL FAITH & CREDIT of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal taxes.

TREASURY BILLS: Non-interest bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

TREASURY NOTES (USTN): Interest-bearing obligations issued by the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

TREASURY BONDS: Interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

YANKEE BANK: A foreign bank with operations in the U.S. Bonds issued by these banks are called Yankee bonds.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed in %.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cashflows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. “Zero” or “strips” mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

AUTHORIZED INVESTMENT – APPENDIX 1

CALIFORNIA GOVERNMENT CODE - GOV

TITLE 5. LOCAL AGENCIES [50001 - 57607]

(Title 5 added by Stats. 1949, Ch. 81.)

DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821]

(Division 2 added by Stats. 1949, Ch. 81.)

PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7]

(Part 1 added by Stats. 1949, Ch. 81.)

CHAPTER 4. Financial Affairs [53600 - 53997]

(Chapter 4 added by Stats. 1949, Ch. 81.)

ARTICLE 1. Investment of Surplus [53600 - 53610]

(Article 1 added by Stats. 1949, Ch. 81.)

53601.

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. For purposes of compliance with this section, an investment's term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment. Where this section does not specify

a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal

custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse

repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) (1) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

(2) For securities eligible for investment under this subdivision (b) or (f), the following limitations apply:

(A) The security shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

(B) Purchase of securities authorized by this paragraph shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

(q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(r) Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

This section shall become operative on January 1, 2026.

(Amended (as amended by Stats. 2022, Ch. 427, Sec.9) by Stats. 2023, Ch. 187, Sec. 6. (SB 882) Effective January 1, 2024. Section operative January 1, 2026, by its own provisions.)



MERCED COUNTY TREASURY INVESTMENT REPORT

For the
Quarter Ending March 31, 2025

The background image is a composite of financial-related elements. It features a magnifying glass with a black handle and frame, positioned over a line graph. The graph has a yellow background and shows a fluctuating line with an arrow pointing to a specific point labeled '5.7%'. To the left of the graph, there are vertical bars representing percentages: '0%', '15%', '10%', and '5.7%'. In the upper left corner, a portion of a white calculator is visible, showing keys like 'M+', 'M-', 'M+', and 'M-'. The overall image has a warm, golden-brown color palette.

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Report of Quarter Ending March 31, 2025

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PORTFOLIO REVIEW FOR THE QUARTER ENDING March 31, 2025

Portfolio Composition:

Book Value of Assets Held	\$2,233,072,574
Market Value of Assets Held	\$2,224,279,770
Assets Maturing Within 90 Days	\$714,749,864
Percentage of Market to Book Value	99.61%
Weighted Average Maturity	580 days

Return on Assets:

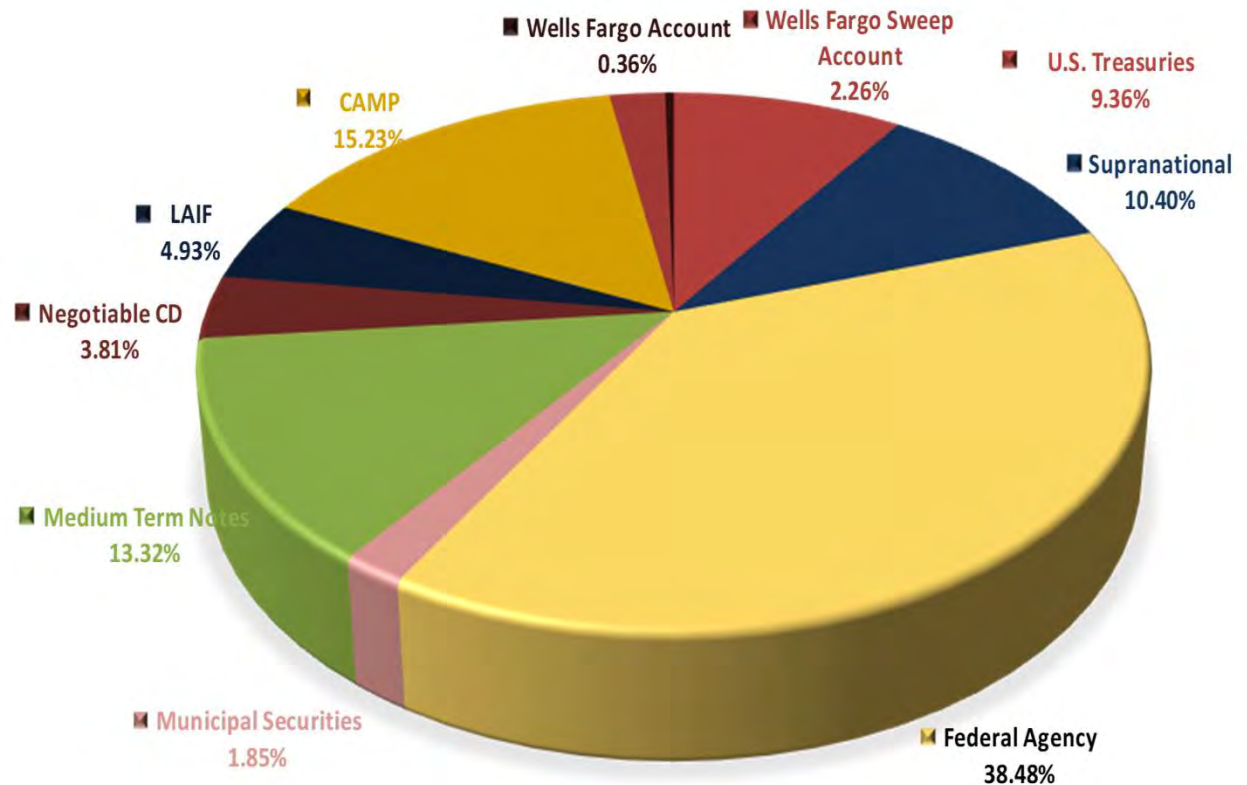
Total Earning Quarter Ended	\$19,595,167
Total Earning Fiscal YTD	\$57,516,244
Rate of Return March	3.62%
Rate of Return QTR	3.72%
Rate of Return YTD	3.72%



INVESTMENT POOL

Allocation by Security Type Percentage March 31, 2025

INVESTMENTS	12/31/2024	3/31/2025	% Change
U.S. Treasuries	10.49%	9.36%	(1.13%)
Supranational	10.19%	10.40%	0.21%
Federal Agency	40.52%	38.48%	(2.04%)
Municipal Securities	1.89%	1.85%	(0.04%)
Commercial Paper	0.00%	0.00%	0.00%
Medium Term Notes	13.19%	13.32%	0.13%
Negotiable CD	5.04%	3.81%	(1.23%)
LAIF	5.04%	4.93%	(0.11%)
CAMP	13.34%	15.23%	1.89%
Wells Fargo Sweep	0.20%	2.26%	2.06%
Wells Fargo Account	0.10%	0.36%	0.26%
Total	100.00%	100.00%	

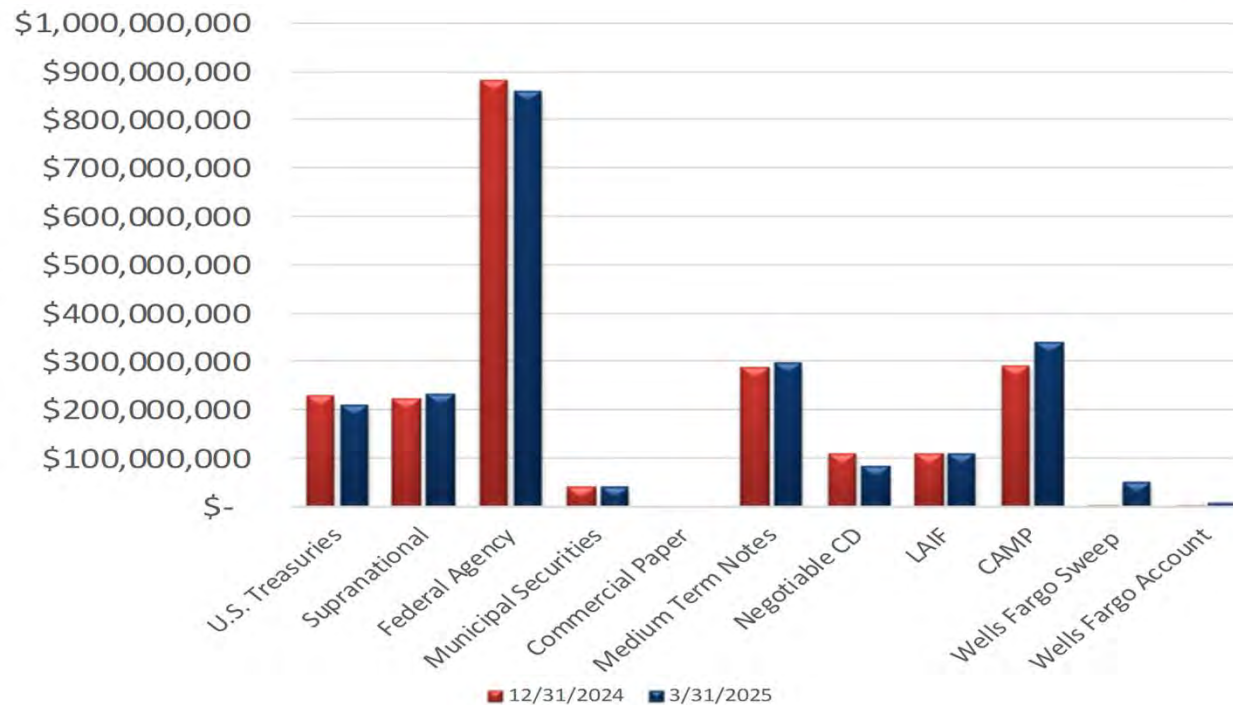


INVESTMENT POOL

Allocation by Security Type Book Value

March 31, 2025

INVESTMENTS	12/31/2024	3/31/2025	CHANGE
U.S. Treasuries	\$ 228,753,210	\$ 208,965,995	\$ (19,787,215)
Supranational	222,194,899	232,326,203	10,131,304
Federal Agency	884,036,136	859,357,026	(24,679,110)
Municipal Securities	41,273,981	41,264,948	(9,033)
Commercial Paper	-	-	-
Medium Term Notes	287,822,646	297,548,538	9,725,892
Negotiable CD	110,000,000	85,000,000	(25,000,000)
LAIF	110,000,000	110,000,000	-
CAMP	291,088,436	340,102,232	49,013,796
Wells Fargo Sweep	4,075,330	50,319,920	46,244,590
Wells Fargo Account	2,248,382	8,187,712	5,939,330
Total Book Value	\$ 2,181,493,020	\$2,233,072,574	\$ 51,579,554

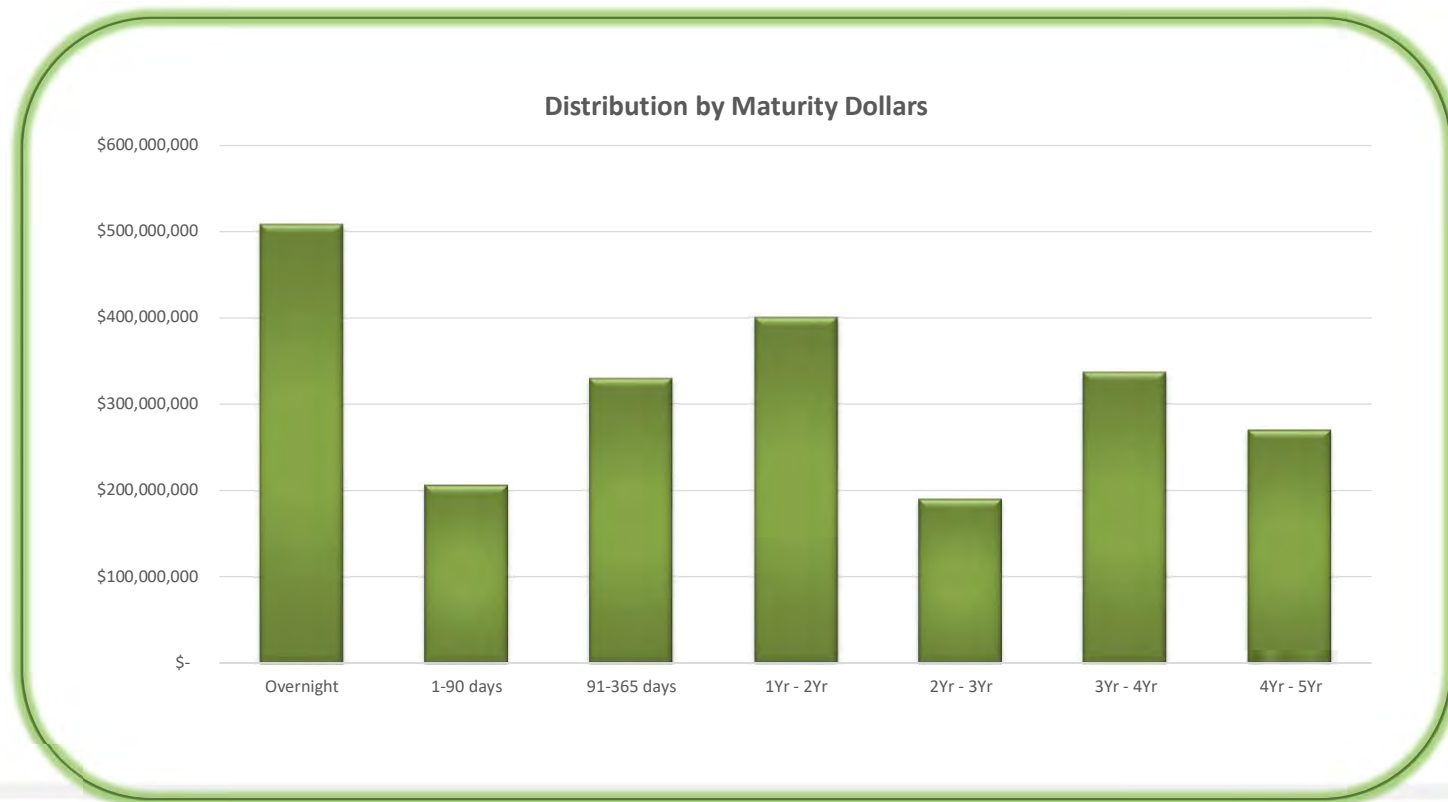


INVESTMENT POOL

Distribution by Maturity Par Value

March 31, 2025

Maturity	Par Amount	Par %
Overnight	\$ 508,609,864	22%
1-90 days	206,140,000	10%
91-365 days	329,398,000	14%
1Yr - 2Yr	400,292,000	18%
2Yr - 3Yr	189,890,000	8%
3Yr - 4Yr	336,895,000	15%
4Yr - 5Yr	270,000,000	13%
Total Par Value	\$ 2,241,224,864	100.00%

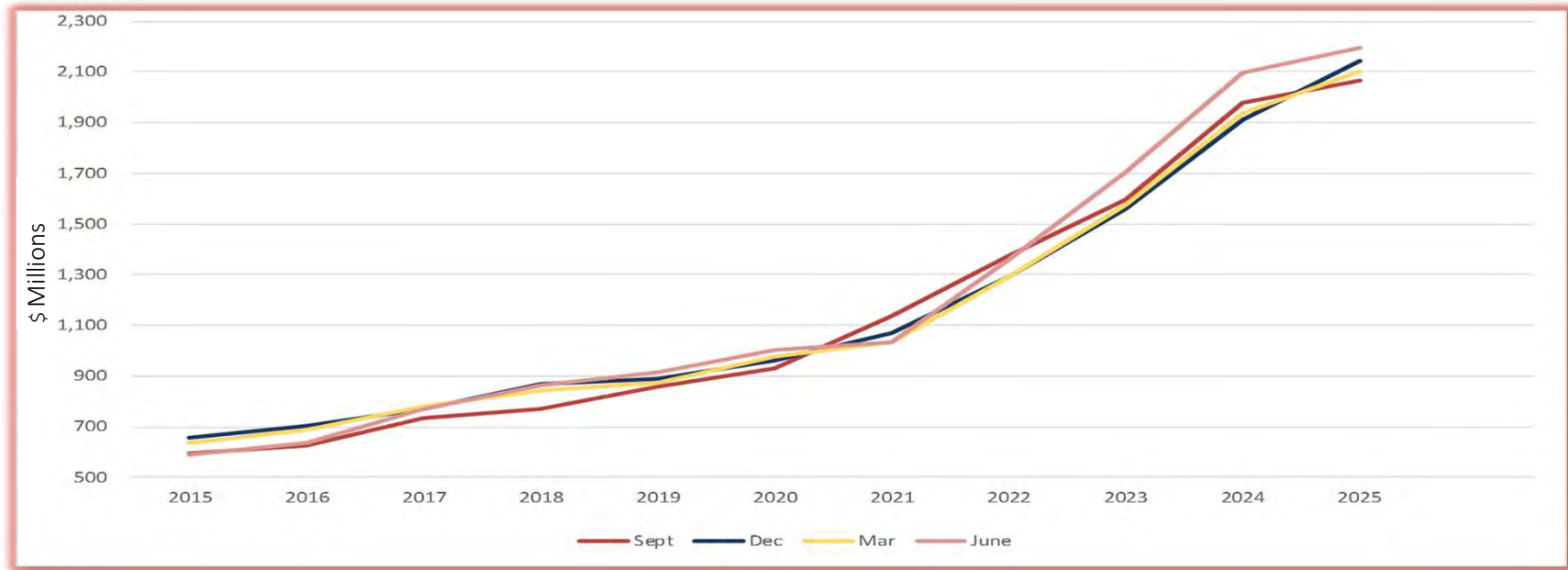


MERCED COUNTY TREASURY
Summary by Type
March 31, 2025

Investments	Number of Investments	Par Value	Book Value	Percent of Portfolio	Treasury Imposed Compliance % Allowed *	Government Code § 53601 Restrictions	In Compliance
Treasury Coupon Securities	17	\$210,000,000	\$208,965,995	9.36%	50.00%	No Limit	YES
Supranational - IBRD, IFC, IADB	16	235,000,000	232,326,203	10.40%	30.00%	30.00%	YES
Federal Agency /GSE	62	861,285,000	859,357,026	38.48%	75.00%	No Limit	YES
Municipal Bonds	6	41,550,000	41,264,948	1.85%	75.00%	No Limit	YES
Medium Term Notes	30	299,780,000	297,548,538	13.32%	30.00%	30.00%	YES
Commercial Paper	0	—	—	0.00%	40.00%	40.00%	YES
Negotiable CD	4	85,000,000	85,000,000	3.81%	30.00%	30.00%	YES
LAIF	2	110,000,000	110,000,000	4.93%	25.00%	75MM	YES
CAMP	1	340,102,232	340,102,232	15.23%	25.00%	No Limit	YES
Wells Fargo Sweep	1	50,319,920	50,319,920	2.26%	25.00%	No Limit	YES
Wells Fargo Bank	1	8,187,712	8,187,712	0.36%	—	No Limit	YES
	140	\$ 2,241,224,864	\$ 2,233,072,574	100.00%			

Investment Pool

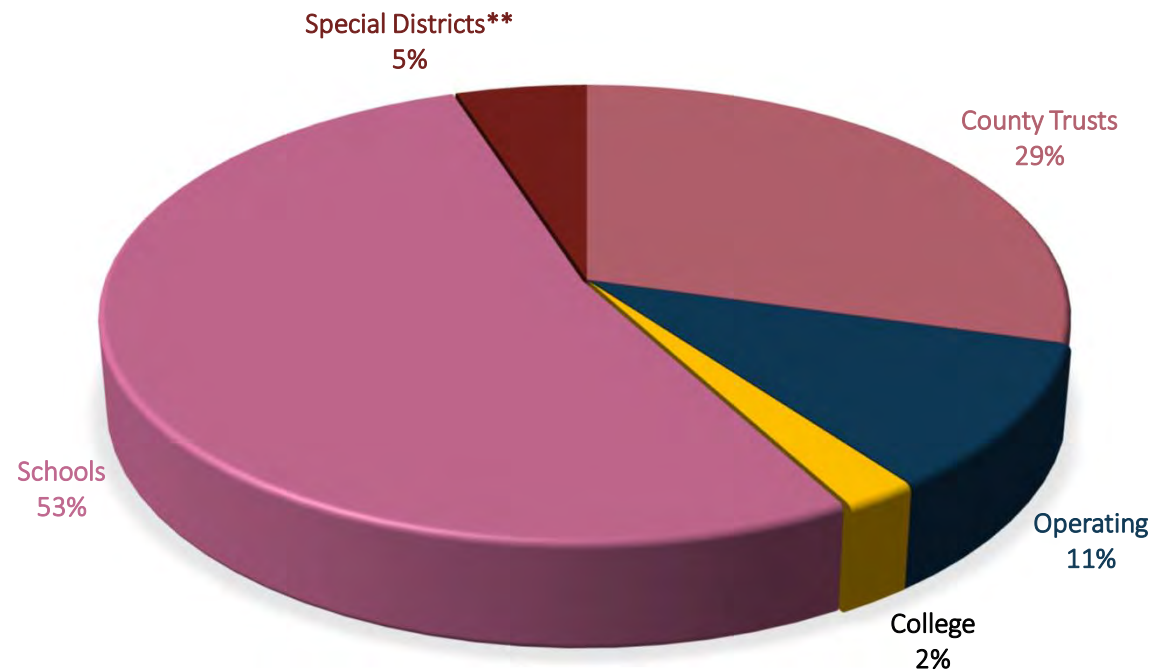
Historic Quarter End Book Values FY 2015 to 2025



Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Sept	594	625	734	769	859	932	1,138	1,373	1,598	1,980	2,064
Dec	701	770	866	889	961	1,069	1,291	1,560	1,910	2,144	2,181
Mar	687	780	844	876	976	1,036	1,289	1,574	1,934	2,099	2,233
June	634	771	862	915	1,004	1,036	1,360	1,706	2,098	2,195	

Merced County Treasury Pool Participants March 31, 2025

Fund	\$	%
County Trusts	\$622,800,285	29%
Operating	222,090,216	11%
College	46,170,583	2%
Schools	1,121,317,290	53%
Special Districts**	106,655,630	5%
*Total Pool	\$2,119,034,004	100%





MERCED COUNTY TREASURY
Portfolio Management
Portfolio Summary
March 31, 2025

Merced County

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Treasury Coupon Securities	210,000,000.00	205,815,100.00	208,965,994.90	9.36	1,630	436	1.603	1.625
Supranational - IBRD, IFC, IADB	235,000,000.00	232,365,050.00	232,326,202.62	10.40	1,448	876	3.937	3.991
Federal Agency Coupon Securities	861,285,000.00	857,419,648.60	859,357,025.66	38.48	1,546	898	3.706	3.757
Municipal Bonds	41,550,000.00	41,345,842.00	41,264,947.53	1.85	1,711	812	2.949	2.990
Medium Term Notes	299,780,000.00	293,803,226.96	297,548,538.41	13.32	1,292	589	3.704	3.756
Negotiable CDs	85,000,000.00	84,921,038.20	85,000,000.00	3.81	356	226	4.770	4.836
Managed Pool Accounts	500,422,151.32	500,422,151.32	500,422,151.32	22.41	1	1	4.349	4.410
Passbook/Checking Accounts	8,187,713.00	8,187,713.00	8,187,713.00	0.37	1	1	1.381	1.400
	2,241,224,864.32	2,224,279,770.08	2,233,072,573.44	100.00%	1,116	580	3.695	3.746
Investments								
Cash and Accrued Interest								
Accrued Interest at Purchase		261,979.17	261,979.17					
Subtotal		261,979.17	261,979.17					
Total Cash and Investments	2,241,224,864.32	2,224,541,749.25	2,233,334,552.61		1,116	580	3.695	3.746

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	6,551,804.95	57,516,243.63
Average Daily Balance	2,130,929,878.64	2,061,532,675.90
Effective Rate of Return	3.62%	3.72%

I hereby certify that this report includes all investments in the investment pool and is in accordance with the investment policy. I further certify that the investments meet the County's cash flow needs for the next six months.

5/1/2025

KAREN D. ADAMS, CPA, TREASURER

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
March 31, 2025

Page 1

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Treasury Coupon Securities											
91282CAB7	2446	US Treasury Notes	01/12/2021	10,000,000.00	9,865,600.00	9,993,853.48	0.250	AAA	0.437	121	07/31/2025
912828ZW3	2447	US Treasury Notes	01/12/2021	10,000,000.00	9,900,300.00	9,995,729.49	0.250	AAA	0.425	90	06/30/2025
91282CAB7	2450	US Treasury Notes	02/18/2021	10,000,000.00	9,865,600.00	9,993,276.87	0.250	AAA	0.455	121	07/31/2025
91282CBH3	2451	US Treasury Notes	02/18/2021	10,000,000.00	9,695,600.00	9,985,568.70	0.375	AAA	0.550	305	01/31/2026
91282CBQ3	2453	US Treasury Notes	03/31/2021	10,000,000.00	9,678,500.00	9,965,795.61	0.500	AAA	0.884	333	02/28/2026
91282CBT7	2454	US Treasury Notes	03/31/2021	10,000,000.00	9,678,600.00	9,984,893.55	0.750	AAA	0.905	364	03/31/2026
91282ZT0	2464	US Treasury Notes	05/11/2021	10,000,000.00	9,933,100.00	9,994,935.85	0.250	AAA	0.562	60	05/31/2025
91282CCJ8	2472	US Treasury Notes	06/30/2021	10,000,000.00	9,621,100.00	9,998,831.98	0.875	AAA	0.884	455	06/30/2026
91282CCP4	2490	US Treasury Notes	09/03/2021	20,000,000.00	19,131,200.00	19,964,404.30	0.625	AAA	0.761	486	07/31/2026
912828ZW3	2491	US Treasury Notes	09/03/2021	20,000,000.00	19,800,600.00	19,984,285.46	0.250	AAA	0.573	90	06/30/2025
91282CAB7	2502	US Treasury Notes	11/17/2021	10,000,000.00	9,865,600.00	9,973,640.32	0.250	AAA	1.063	121	07/31/2025
91282CCJ8	2515	US Treasury Notes	01/05/2022	10,000,000.00	9,621,100.00	9,945,279.09	0.875	AAA	1.329	455	06/30/2026
91282CCP4	2519	US Treasury Notes	01/05/2022	10,000,000.00	9,565,600.00	9,907,126.80	0.625	AAA	1.346	486	07/31/2026
91282CAB7	2521	US Treasury Notes	01/06/2022	10,000,000.00	9,865,600.00	9,969,905.37	0.250	AAA	1.179	121	07/31/2025
9128286F2	2576	US Treasury Notes	11/29/2022	10,000,000.00	9,856,600.00	9,860,497.51	2.500	AAA	4.420	333	02/28/2026
91282CHE4	2629	US Treasury Notes	08/14/2023	20,000,000.00	19,820,400.00	19,621,635.99	3.625	AAA	4.292	1,156	05/31/2028
91282CHK0	2630	US Treasury Notes	08/14/2023	20,000,000.00	20,050,000.00	19,826,334.53	4.000	AAA	4.298	1,186	06/30/2028
Subtotal				210,000,000.00	205,815,100.00	208,965,994.90			1.625	436	
Supranational - IBRD, IFC, IADB											
4581X0EB0	2526	Inter-American Development Bk	01/13/2022	10,000,000.00	9,568,200.00	9,985,127.00	1.500	AAA	1.755	652	01/13/2027
4581X0EH7	2589	Inter-American Development Bk	01/12/2023	20,000,000.00	19,999,200.00	19,955,177.44	4.000	AAA	4.090	1,016	01/12/2028
45818WEN2	2605	Inter-American Development Bk	04/13/2023	20,000,000.00	20,181,600.00	20,279,103.20	4.500	AAA	3.720	708	03/10/2027
45818WEK8	2619	Inter-American Development Bk	06/07/2023	10,000,000.00	9,978,400.00	10,000,000.00	4.375	AAA	4.374	1,059	02/24/2028
4581X0EK0	2622	Inter-American Development Bk	07/06/2023	10,000,000.00	10,042,200.00	10,003,140.91	4.500	AAA	4.472	409	05/15/2026
4581X0DJ4	2651	Inter-American Development Bk	03/13/2024	20,000,000.00	19,475,200.00	19,393,840.94	2.000	AAA	4.460	478	07/23/2026
4581X0DN5	2657	Inter-American Development Bk	04/12/2024	20,000,000.00	19,781,800.00	19,749,894.92	0.625	AAA	5.150	105	07/15/2025
4581X0DX3	2675	Inter-American Development Bk	10/09/2024	10,000,000.00	9,115,300.00	9,142,102.87	1.125	AAA	3.946	1,206	07/20/2028
4581X0ES3	2693	Inter-American Development Bk	03/28/2025	20,000,000.00	20,356,200.00	20,300,486.06	4.500	AAA	4.154	1,781	02/15/2030
45906M2L4	2523	Intl Bnk for Recons & Dev	01/07/2022	10,000,000.00	9,674,800.00	9,933,749.16	0.650	AAA	1.413	329	02/24/2026
459058JT1	2601	Intl Bnk for Recons & Dev	04/12/2023	10,000,000.00	9,411,800.00	9,465,042.74	0.850	AAA	3.982	680	02/10/2027
45906M4E8	2639	Intl Bnk for Recons & Dev	10/18/2023	20,000,000.00	20,012,000.00	19,682,523.70	4.500	AAA	5.055	1,182	06/26/2028
459058KT9	2687	Intl Bnk for Recons & Dev	01/14/2025	20,000,000.00	19,688,400.00	19,353,735.77	3.500	AAA	4.577	1,198	07/12/2028
45950VPJ9	2448	Intl Fin Corp	01/15/2021	10,000,000.00	9,705,700.00	10,000,000.00	0.580	AAA	0.580	289	01/15/2026
45950KDD9	2623	Intl Fin Corp	07/13/2023	15,000,000.00	15,224,550.00	14,989,066.50	4.500	AAA	4.525	1,199	07/13/2028
45950KDD9	2625	Intl Fin Corp	07/25/2023	10,000,000.00	10,149,700.00	10,093,211.41	4.500	AAA	4.182	1,199	07/13/2028

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Subtotal				235,000,000.00	232,365,050.00	232,326,202.62			3.991	876	
Federal Agency Coupon Securities											
3133EL3H5	2407	Federal Farm Credit Bank	08/18/2020	10,000,000.00	9,866,700.00	9,999,452.34	0.570	AA	0.585	133	08/12/2025
3133EL7K4	2420	Federal Farm Credit Bank	09/29/2020	10,000,000.00	9,831,700.00	9,999,815.33	0.550	AA	0.550	168	09/16/2025
3133EMBJ0	2423	Federal Farm Credit Bank	09/29/2020	10,000,000.00	9,817,500.00	9,999,505.56	0.530	AA	0.540	181	09/29/2025
3133EMFC1	2433	Federal Farm Credit Bank	10/30/2020	10,000,000.00	9,876,700.00	9,999,654.77	0.530	AA	0.541	119	07/29/2025
3133EMFC1	2434	Federal Farm Credit Bank	11/05/2020	10,000,000.00	9,876,700.00	9,999,653.76	0.530	AA	0.541	119	07/29/2025
3133EMZC9	2465	Federal Farm Credit Bank	05/13/2021	10,000,000.00	9,652,700.00	10,000,000.00	0.875	AA	0.875	407	05/13/2026
3133ENV4	2542	Federal Farm Credit Bank	05/05/2022	7,390,000.00	7,291,047.90	7,384,204.73	3.490	AA	3.531	762	05/03/2027
3133EPJP1	2615	Federal Farm Credit Bank	05/12/2023	10,000,000.00	9,930,400.00	9,977,592.78	3.625	AA	3.740	771	05/12/2027
3133EPME2	2620	Federal Farm Credit Bank	06/08/2023	10,000,000.00	9,962,800.00	9,989,957.38	3.875	AAA	3.910	1,164	06/08/2028
3133EPNF8	2621	Federal Farm Credit Bank	06/23/2023	10,000,000.00	9,999,200.00	9,991,814.81	4.820	AA	4.892	448	06/23/2026
3133EPQC2	2624	Federal Farm Credit Bank	07/21/2023	10,000,000.00	10,071,500.00	10,010,437.36	4.625	AA	4.538	472	07/17/2026
3133EPRN7	2628	Federal Farm Credit Bank	08/10/2023	20,000,000.00	19,976,800.00	19,986,610.74	5.050	AA	5.073	1,214	07/28/2028
3133EPUC7	2631	Federal Farm Credit Bank	08/23/2023	10,000,000.00	10,146,300.00	10,010,391.89	4.625	AAA	4.577	874	08/23/2027
3133EPSK2	2633	Federal Farm Credit Bank	08/18/2023	20,000,000.00	20,147,200.00	19,854,120.51	4.250	AAA	4.495	1,224	08/07/2028
3133EPUC7	2635	Federal Farm Credit Bank	08/23/2023	20,000,000.00	20,292,600.00	19,993,415.28	4.625	AAA	4.640	874	08/23/2027
3133EL4D3	2640	Federal Farm Credit Bank	10/20/2023	5,000,000.00	4,644,000.00	4,543,623.64	0.900	AA	5.170	870	08/19/2027
3133ERFL0	2660	Federal Farm Credit Bank	06/04/2024	20,000,000.00	20,003,200.00	19,991,654.60	5.520	AA	5.531	1,519	05/29/2029
3133ERFL0	2661	Federal Farm Credit Bank	06/06/2024	20,000,000.00	20,003,200.00	20,000,000.00	5.520	AA	5.519	1,519	05/29/2029
3133ERG62	2680	Federal Farm Credit Bank	12/02/2024	20,000,000.00	20,007,800.00	20,000,000.00	4.450	AAA	4.450	610	12/02/2026
3130ALZM9	2460	Federal Home Loan Bank	04/29/2021	10,000,000.00	9,671,300.00	10,000,000.00	1.030	AA	1.030	393	04/29/2026
3130APTT2	2499	Federal Home Loan Bank	11/30/2021	10,000,000.00	9,946,400.00	10,000,000.00	1.000	AAA	1.000	57	05/28/2025
3130APVB8	2501	Federal Home Loan Bank	11/22/2021	10,000,000.00	9,951,900.00	10,000,000.00	1.000	AAA	1.000	51	05/22/2025
3130AN4T4	2506	Federal Home Loan Bank	12/02/2021	10,000,000.00	9,633,500.00	9,964,541.66	0.875	AAA	1.180	437	06/12/2026
3130AQCT8	2511	Federal Home Loan Bank	12/17/2021	5,000,000.00	4,821,650.00	5,000,000.00	1.330	AAA	1.330	472	07/17/2026
3130AQKA0	2525	Federal Home Loan Bank	01/26/2022	15,000,000.00	14,516,700.00	15,000,000.00	1.450	AA	1.450	451	06/26/2026
3130ANMH0	2548	Federal Home Loan Bank	06/03/2022	10,000,000.00	9,600,300.00	9,738,625.31	1.100	AA	3.127	506	08/20/2026
3130ASN54	2554	Federal Home Loan Bank	07/28/2022	10,000,000.00	9,985,700.00	10,000,000.00	4.000	AA	4.000	118	07/28/2025
3130AUHG2	2591	Federal Home Loan Bank	01/06/2023	20,000,000.00	20,028,600.00	20,000,000.00	4.010	AA	4.011	797	06/07/2027
3130AUH72	2592	Federal Home Loan Bank	01/13/2023	15,000,000.00	15,013,350.00	15,000,000.00	4.125	AA	4.125	468	07/13/2026
3130AUHC1	2593	Federal Home Loan Bank	01/13/2023	15,000,000.00	15,023,400.00	15,000,000.00	4.010	AA	4.010	833	07/13/2027
3130AVRJ3	2606	Federal Home Loan Bank	04/20/2023	15,000,000.00	14,977,200.00	15,000,000.00	3.950	AA	3.955	414	05/20/2026
3130APDL6	2613	Federal Home Loan Bank	05/03/2023	10,000,000.00	9,913,500.00	9,923,256.11	0.800	AA	4.074	90	06/30/2025
3130AWLZ1	2627	Federal Home Loan Bank	08/10/2023	20,000,000.00	20,161,000.00	20,046,642.47	4.750	AA	4.540	437	06/12/2026
3130AWMN7	2632	Federal Home Loan Bank	08/18/2023	20,000,000.00	20,251,800.00	19,920,415.94	4.375	AA	4.515	1,165	06/09/2028
3130AN2Y5	2643	Federal Home Loan Bank	12/06/2023	20,000,000.00	19,883,400.00	19,874,921.43	0.700	AA	4.840	57	05/28/2025

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Federal Agency Coupon Securities											
3130AYF43	2645	Federal Home Loan Bank	01/09/2024	20,000,000.00	20,020,000.00	20,000,000.00	4.480	AAA	4.480	1,379	01/09/2029
3130AYR81	2647	Federal Home Loan Bank	01/30/2024	15,000,000.00	14,993,550.00	15,000,000.00	4.660	AA	4.660	1,214	07/28/2028
3130B04S5	2649	Federal Home Loan Bank	02/22/2024	13,945,000.00	13,986,277.20	13,945,000.00	5.000	AA	5.000	1,422	02/21/2029
3130B0AM1	2650	Federal Home Loan Bank	02/27/2024	15,000,000.00	15,044,850.00	15,000,000.00	4.900	AA	4.900	1,428	02/27/2029
3130B0VL0	2655	Federal Home Loan Bank	04/12/2024	20,000,000.00	20,006,400.00	20,000,000.00	5.300	AAA	5.302	1,197	07/11/2028
3130B1TZ0	2666	Federal Home Loan Bank	06/26/2024	20,000,000.00	20,081,600.00	20,000,000.00	4.850	AAA	4.850	1,547	06/26/2029
3130B2LA1	2670	Federal Home Loan Bank	09/04/2024	15,000,000.00	14,863,650.00	15,000,000.00	4.100	AAA	4.101	1,550	06/29/2029
3130B2YT6	2673	Federal Home Loan Bank	10/02/2024	10,000,000.00	9,870,900.00	10,000,000.00	4.000	AAA	4.001	1,553	07/02/2029
3130B3AC7	2676	Federal Home Loan Bank	10/11/2024	15,000,000.00	14,956,650.00	15,000,000.00	4.280	AAA	4.281	1,550	06/29/2029
3130B3AA1	2677	Federal Home Loan Bank	10/10/2024	20,000,000.00	19,909,600.00	20,000,000.00	4.260	AAA	4.261	1,561	07/10/2029
3130B4L41	2684	Federal Home Loan Bank	01/10/2025	20,000,000.00	20,141,400.00	20,000,000.00	4.590	AAA	4.590	1,745	01/10/2030
3134GWPB6	2404	Federal Home Loan Mtg Corp	08/13/2020	10,000,000.00	9,864,900.00	10,000,000.00	0.650	AA	0.650	134	08/13/2025
3134GWXE1	2418	Federal Home Loan Mtg Corp	09/30/2020	10,000,000.00	9,905,800.00	10,000,000.00	0.500	AA	0.500	90	06/30/2025
3134GWXM3	2419	Federal Home Loan Mtg Corp	09/30/2020	10,000,000.00	9,875,100.00	10,000,000.00	0.510	AA	0.510	120	07/30/2025
3134GW3X2	2426	Federal Home Loan Mtg Corp	10/27/2020	10,000,000.00	9,794,100.00	10,000,000.00	0.625	AA	0.625	209	10/27/2025
3134GY63	2626	Federal Home Loan Mtg Corp	08/02/2023	9,950,000.00	9,945,323.50	9,890,349.92	5.050	AA	5.257	1,212	07/26/2028
3134HAK77	2682	Federal Home Loan Mtg Corp	12/05/2024	20,000,000.00	19,828,888.89	19,832,888.89	4.150	AAA	4.372	1,526	06/05/2029
3134H1E58	2656	Federal Home Loan Mtg Corp	04/15/2024	20,000,000.00	20,002,000.00	20,000,000.00	5.250	AA	5.250	470	07/15/2026
3134H14H3	2667	Federal Home Loan Mtg Corp	06/27/2024	20,000,000.00	19,997,800.00	19,897,232.38	5.000	AAA	5.139	1,548	06/27/2029
3134HARY1	2678	Federal Home Loan Mtg Corp	10/10/2024	10,000,000.00	9,899,100.00	9,932,500.00	4.125	AA	4.303	1,561	07/10/2029
3135G04Z3	2474	Federal National Mortgage Assn	06/30/2021	10,000,000.00	9,918,100.00	9,996,463.63	0.500	AA	0.670	77	06/17/2025
3135G04Z3	2517	Federal National Mortgage Assn	01/05/2022	10,000,000.00	9,918,100.00	9,987,378.62	0.500	AA	1.111	77	06/17/2025
3137EAEU9	2529	Federal National Mortgage Assn	03/16/2022	10,000,000.00	9,881,900.00	9,951,627.39	0.375	AA	2.020	111	07/21/2025
3135GAUJ8	2669	Federal National Mortgage Assn	08/30/2024	10,000,000.00	9,860,400.00	9,917,348.90	4.050	AA	4.260	1,610	08/28/2029
3136GA6B0	2685	Federal National Mortgage Assn	01/15/2025	20,000,000.00	20,093,800.00	20,000,000.00	4.530	AAA	4.531	1,171	06/15/2028
3136GA6F1	2686	Federal National Mortgage Assn	01/16/2025	20,000,000.00	19,999,400.00	19,905,077.86	4.625	AA	4.762	1,424	02/23/2029
3136GAD71	2691	Federal National Mortgage Assn	03/18/2025	20,000,000.00	19,982,600.00	19,900,849.67	4.250	AAA	4.381	1,539	06/18/2029
Subtotal				861,285,000.00	857,419,648.60	859,357,025.66		3.757		898	
Municipal Bonds											
91412HFG3	2674	University of California	10/09/2024	10,000,000.00	9,692,000.00	9,731,665.69	3.349	AA	4.048	1,552	07/01/2029
13077DQD7	2479	State of California	07/29/2021	1,000,000.00	980,670.00	1,000,000.00	0.862	AA	0.862	214	11/01/2025
13063D7D4	2636	State of California	10/11/2023	10,000,000.00	10,421,500.00	10,109,810.06	5.500	AA	5.140	1,279	10/01/2028
231237N95	2438	Cupertino Union School Distric	11/18/2020	10,550,000.00	10,476,572.00	10,601,043.80	2.100	AA	0.625	122	08/01/2025
798153NE8	2413	San Jose Fin Auth Lease Reven	09/24/2020	5,000,000.00	4,970,850.00	5,000,000.00	0.994	AA	0.994	61	06/01/2025
977100GZ3	2604	State of Wisconsin	04/13/2023	5,000,000.00	4,804,250.00	4,822,427.98	2.196	AA	4.062	760	05/01/2027

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Subtotal				41,550,000.00	41,345,842.00	41,264,947.53			2.990	812	
Medium Term Notes											
037833CJ7	2565	Apple Inc	10/03/2022	5,000,000.00	4,932,950.00	4,907,239.28	3.350	AA	4.460	679	02/09/2027
037833BG4	2581	Apple Inc	12/07/2022	10,000,000.00	9,984,200.00	9,986,690.41	3.200	AA	4.415	42	05/13/2025
037833CR9	2585	Apple Inc	12/19/2022	10,000,000.00	9,822,200.00	9,840,361.57	3.200	AA	4.032	770	05/11/2027
037833EC0	2597	Apple Inc	03/02/2023	9,000,000.00	8,293,860.00	8,209,869.22	1.200	AA	4.682	1,043	02/08/2028
037833EB2	2664	Apple Inc	06/10/2024	17,848,000.00	17,315,058.72	17,222,274.49	0.700	AA	5.036	313	02/08/2026
02079KAH0	2424	Google Inc	10/01/2020	10,000,000.00	9,859,400.00	9,998,235.23	0.450	AA	0.498	136	08/15/2025
CUSIP	2671	Hilmar USD Note 1A	06/19/2024	3,000,000.00	3,000,000.00	3,000,000.00	4.000		4.000	1,123	04/28/2028
24422EWA3	2524	John Deere Cap Corp	01/10/2022	10,000,000.00	9,569,900.00	10,006,289.84	1.700	A	1.663	650	01/11/2027
478160CN2	2449	Johnson & Johnson	01/28/2021	10,000,000.00	9,847,000.00	10,001,533.58	0.550	AAA	0.512	153	09/01/2025
46632FRW7	2463	JP Morgan Chase	04/23/2021	10,000,000.00	9,208,300.00	10,000,000.00	0.820	A	0.820	83	06/23/2025
46632FSF3	2488	JP Morgan Chase	08/27/2021	20,000,000.00	17,586,600.00	20,000,000.00	1.100	AA	1.100	511	08/25/2026
46632FSL0	2507	JP Morgan Chase	12/03/2021	10,000,000.00	9,923,100.00	10,000,000.00	1.150	A	1.150	69	06/09/2025
48130CEW1	2644	JP Morgan Chase	12/08/2023	20,000,000.00	20,122,600.00	20,000,000.00	5.200	A	5.200	616	12/08/2026
48135NTC0	2689	JP Morgan Chase	02/14/2025	20,000,000.00	19,798,000.00	20,000,000.00	4.650	A	4.715	682	02/12/2027
57629WDL1	2595	Massmutual Global Funding	01/23/2023	15,000,000.00	15,262,200.00	15,256,507.70	5.050	AA	4.335	980	12/07/2027
58989V2E3	2603	Met Tower Global Funding	04/12/2023	10,000,000.00	9,983,200.00	9,979,930.35	3.700	AA	4.766	73	06/13/2025
594918BY9	2586	Microsoft Corp	12/19/2022	10,000,000.00	9,868,100.00	9,878,403.83	3.300	AAA	4.020	676	02/06/2027
594918CQ5	2668	Microsoft Corp	07/02/2024	10,000,000.00	9,865,300.00	9,711,157.29	3.400	AAA	4.820	805	06/15/2027
MOSQ. NOTE 1A	2679	Mosquito Abatement Depot Note	11/04/2024	2,000,000.00	2,000,000.00	2,000,000.00	5.000		5.000	1,232	08/15/2028
MOSQ. NOTE 1B	2690	Mosquito Abatement Depot Note	02/26/2025	3,000,000.00	3,000,000.00	3,000,000.00	5.000		5.000	1,232	08/15/2028
64952WDQ3	2530	New York Life	03/17/2022	3,152,000.00	3,125,491.68	3,141,077.48	0.950	AA	2.525	84	06/24/2025
64952WEQ2	2587	New York Life	12/19/2022	5,000,000.00	4,891,800.00	4,900,808.14	3.250	AA	4.338	736	04/07/2027
64952WEQ2	2590	New York Life	12/19/2022	5,000,000.00	4,891,800.00	4,898,932.17	3.250	AA	4.359	736	04/07/2027
64952WEQ2	2672	New York Life	09/30/2024	5,000,000.00	4,891,800.00	4,940,006.95	3.250	AA	3.880	736	04/07/2027
716973AB8	2617	Pfizer	05/22/2023	7,000,000.00	7,008,820.00	6,994,908.52	4.450	A	4.520	413	05/19/2026
742718FZ7	2616	Procter & Gamble	05/22/2023	8,500,000.00	8,499,235.00	8,498,463.03	3.950	AA	3.959	1,030	01/26/2028
89236TKT1	2618	Toyota Mtr Credit	05/22/2023	10,000,000.00	10,005,300.00	9,981,995.17	4.450	A	4.622	412	05/18/2026
89236TKT1	2663	Toyota Mtr Credit	06/10/2024	8,292,000.00	8,296,394.76	8,232,771.00	4.450	A	5.120	412	05/18/2026
89236TKC8	2665	Toyota Mtr Credit	06/21/2024	12,988,000.00	12,969,816.80	12,945,803.78	3.950	A	5.316	90	06/30/2025
89236TMK8	2683	Toyota Mtr Credit	12/06/2024	20,000,000.00	19,980,800.00	20,015,279.38	4.550	A	4.529	1,591	08/09/2029
Subtotal				299,780,000.00	293,803,226.96	297,548,538.41		3.756		589	
Negotiable CDs											
13606K4H6	2662	Canadian Imperial Bank NY	06/10/2024	25,000,000.00	25,043,287.00	25,000,000.00	5.450	A-1	5.526	70	06/10/2025
13606DCS9	2681	Canadian Imperial Bank NY	12/02/2024	20,000,000.00	20,026,537.40	20,000,000.00	4.580	A	4.644	239	11/26/2025

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
March 31, 2025

Page 5

CUSIP	Investment #	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Negotiable CDs											
22536H4N6	2688	Credit Agricole	02/05/2025	20,000,000.00	19,934,866.60	20,000,000.00	4.500	A-1	4.563	310	02/05/2026
22536JDS1	2692	Credit Agricole	03/20/2025	20,000,000.00	19,916,347.20	20,000,000.00	4.380	A-1	4.441	322	02/17/2026
Subtotal				85,000,000.00	84,921,038.20	85,000,000.00			4.836	226	
Managed Pool Accounts											
CAMP	1001C	California Asset Mgt Program		340,102,231.61	340,102,231.61	340,102,231.61	4.470	AAA	4.470	1	
LAIF	1001A	Local Agency Investment Fund		55,000,000.00	55,000,000.00	55,000,000.00	4.480		4.480	1	
LAIF	1001B	Local Agency Investment Fund		55,000,000.00	55,000,000.00	55,000,000.00	4.480		4.480	1	
WF SWEEP	WF SWEEP	Wells Fargo Fund Sweep		50,319,919.71	50,319,919.71	50,319,919.71	3.850	AAA	3.850	1	
Subtotal				500,422,151.32	500,422,151.32	500,422,151.32			4.410	1	
Passbook/Checking Accounts											
WF FUND	1001W	Wells Fargo		8,187,713.00	8,187,713.00	8,187,713.00	1.400		1.400	1	
Subtotal				8,187,713.00	8,187,713.00	8,187,713.00			1.400	1	
Total				2,241,224,864.32	2,224,279,770.08	2,233,072,573.44			3.746	580	

MERCED COUNTY TREASURY
Purchases Report
Sorted by Fund - Fund
January 1, 2025 - March 31, 2025

CUSIP	Investment #	Sec. Type	Issuer	Original Par Value	Purchase Date	Principal Purchased	Rate at Purchase	Maturity Date	YTM	Ending Book Value
Interest Apportionment Fund										
3130B4L41	2684	FAC	FHLB	20,000,000.00	01/10/2025	20,000,000.00	4.590	01/10/2030	4.590	20,000,000.00
459058KT9	2687	MC1	IBRD	20,000,000.00	01/14/2025	19,311,600.00	3.500	07/12/2028	4.577	19,353,735.77
3136GA6B0	2685	FAC	FNMA	20,000,000.00	01/15/2025	20,000,000.00	4.530	06/15/2028	4.531	20,000,000.00
3136GA6F1	2686	FAC	FNMA	20,000,000.00	01/16/2025	19,900,000.00	4.625	02/23/2029	4.762	19,905,077.86
22536H4N6	2688	NCB	CR AGR	20,000,000.00	02/05/2025	20,000,000.00	4.500	02/05/2026	4.500	20,000,000.00
48135NTC0	2689	MTN	JP MOR	20,000,000.00	02/14/2025	20,000,000.00	4.650	02/12/2027	4.650	20,000,000.00
MOSQ. NOTE 1B	2690	MTN	MOSQUI	3,000,000.00	02/26/2025	3,000,000.00	5.000	08/15/2028	5.000	3,000,000.00
3136GAD71	2691	FAC	FNMA	20,000,000.00	03/18/2025	19,900,000.00	4.250	06/18/2029	4.381	19,900,849.67
22536JDS1	2692	NCB	CR AGR	20,000,000.00	03/20/2025	20,000,000.00	4.380	02/17/2026	4.380	20,000,000.00
4581X0ES3	2693	MC1	IADB	20,000,000.00	03/28/2025	20,301,000.00	4.500	02/15/2030	4.154	20,300,486.06
Subtotal				183,000,000.00		182,412,600.00				182,460,149.36
Total Purchases				183,000,000.00		182,412,600.00				182,460,149.36

MERCED COUNTY TREASURY
Maturity Report
Sorted by Maturity Date
Amounts due during January 1, 2025 - March 31, 2025

CUSIP	Investment#	Issuer	Par Value	Maturity Date	Purchase Date	YTM	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
4581X0CM8	2535	IADB	10,000,000.00	01/15/2025	04/07/2022	2.125	10,000,000.00	106,250.00	10,106,250.00	106,250.00
53947BW55	2659	LLOYDS	20,000,000.00	01/24/2025	04/30/2024	5.550	20,000,000.00	829,416.66	20,829,416.66	829,416.66
89115DNJ1	2658	TORON	20,000,000.00	01/27/2025	04/26/2024	5.520	20,000,000.00	846,400.00	20,846,400.00	846,400.00
3130APKM6	2614	FHLB	10,000,000.00	01/28/2025	05/04/2023	0.780	10,000,000.00	19,500.00	10,019,500.00	19,500.00
912828Z52	2544	USTN	10,000,000.00	01/31/2025	05/05/2022	1.375	10,000,000.00	68,750.00	10,068,750.00	68,750.00
3130AUT95	2602	FHLB	10,000,000.00	02/03/2025	04/11/2023	4.300	10,000,000.00	215,000.00	10,215,000.00	215,000.00
3130AUT95	2654	FHLB	20,000,000.00	02/03/2025	03/19/2024	4.300	20,000,000.00	430,000.00	20,430,000.00	430,000.00
3137EAEPO	2386	FHLMC	10,000,000.00	02/12/2025	02/26/2020	1.500	10,000,000.00	75,000.00	10,075,000.00	75,000.00
594918BB9	2559	MIC	7,000,000.00	02/12/2025	09/09/2022	2.700	7,000,000.00	94,500.00	7,094,500.00	94,500.00
89236TGT6	2513	TOYOTA	6,743,000.00	02/13/2025	12/30/2021	1.800	6,743,000.00	60,687.00	6,803,687.00	60,687.00
912828J27	2522	USTN	10,000,000.00	02/15/2025	01/06/2022	2.000	10,000,000.00	100,000.00	10,100,000.00	100,000.00
87019WUC7	2648	SWEDBK	25,000,000.00	02/24/2025	02/23/2024	5.280	25,000,000.00	1,345,666.68	26,345,666.68	1,345,666.68
3130B06G9	2652	FHLB	20,000,000.00	02/26/2025	03/12/2024	5.000	20,000,000.00	500,000.00	20,500,000.00	500,000.00
3134GX5Q3	2569	FMAC	15,000,000.00	02/28/2025	10/28/2022	4.910	15,000,000.00	61,375.00	15,061,375.00	61,375.00
3133EPCW3	2598	FFCB	10,000,000.00	03/10/2025	03/10/2023	5.000	10,000,000.00	250,000.00	10,250,000.00	250,000.00
3134GWX35	2421	FHLMC	10,000,000.00	03/28/2025	09/29/2020	0.450	10,000,000.00	22,500.00	10,022,500.00	22,500.00
Total Maturities			213,743,000.00			213,743,000.00		5,025,045.34	218,768,045.34	5,025,045.34

MERCED COUNTY TREASURY
Sales/Call Report
Sorted by Issuer - Maturity Date
January 1, 2025 - March 31, 2025

CUSIP	Investment #	Issuer Sec. Type	Purchase Date	Redem. Date Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
Inter-American Development Bk											
45906M5C1	2653	IADB MC1	03/18/2024	03/18/2025 06/18/2026	20,000,000.00	4.900	20,000,000.00	20,000,000.00	490,000.00	20,490,000.00 Call	490,000.00
Subtotal					20,000,000.00		20,000,000.00	20,000,000.00	490,000.00	20,490,000.00	490,000.00
Total Sales					20,000,000.00		20,000,000.00	20,000,000.00	490,000.00	20,490,000.00	490,000.00

Investment Pool Portfolio Review of Five Quarters

Quarter Ending	<u>Mar. 31, 2025</u>	<u>Dec. 31, 2024</u>	<u>Sep. 30, 2024</u>	<u>Jun. 30, 2024</u>	<u>Mar. 31, 2024</u>
Portfolio Composition:					
Book Value of Assets Held	\$2,233,072,574	\$2,181,493,020	\$2,064,941,811	\$2,195,540,341	\$2,099,983,581
Market Value of Assets Held	\$2,224,279,770	\$2,162,402,318	\$2,056,802,152	\$2,160,157,150	\$2,061,184,580
Assets Maturing Within 90 Days	\$714,749,864	\$621,155,148	\$408,256,897	\$556,960,269	\$482,291,291
Percentage of Market to Book Value	99.61%	99.12%	99.61%	98.39%	98.15%
Weighted Average Maturity	580 days	571 days	603 days	612 days	614 days

Return on Assets:

Total Earning Quarter Ended	\$19,595,167	\$18,759,146	\$19,003,627	\$18,983,392	\$16,511,237
Total Earning Fiscal YTD	\$57,516,244	\$37,798,642	\$19,003,627	\$66,074,954	\$46,805,597
Rate of Return QTR	3.72%	3.68%	3.78%	3.53%	3.22%
Rate of Return YTD	3.72%	3.70%	3.71%	3.23%	3.11%

Rate of Return QTR

CAMP	4.47%	4.73%	5.29%	5.43%	5.48%
LAIF	4.48%	4.62%	4.71%	4.55%	4.30%



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Merced County Treasury



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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2025 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2025 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company (“DTC”) will act as securities depository for the Series 2025 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, which is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

