

Metropolitan Education District

County of Santa Clara

San Jose, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021



Metropolitan Education District

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Metropolitan Education District

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Metropolitan Education District
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District (the District) as of and for the year ended June 30, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinions

In our opinion, the 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 District as of June 30, 2021, 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.

Effect of Adopting New Accounting Standards

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedules, and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other 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 accompanying supplementary information on pages 67 to 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT

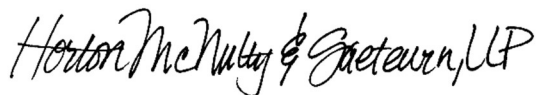
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Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 68 to 70 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The local educational agency organization structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, 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 and 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 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.



January 31, 2022
Chico, California

FINANCIAL SECTION

Required Supplementary Information

Metropolitan Education District

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

An overview of the Metropolitan Education District's (the District) financial activities for the fiscal year ended June 30, 2021, is provided in this discussion and analysis of the District's financial performance. This management's discussion and analysis should be read in conjunction with the District's financial statements (including notes and supplementary information).

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2020, has not been restated to reflect student activity revenue and expense accounting as required by the GASB Statement No. 84, as amended by GASB Statement No. 92. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2019-20 and 2020-21 due to information for the two years not being comparable.

USING THIS ANNUAL REPORT

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. Combined, these three parts provide a comprehensive overview of the District. The basic financial statements include two kinds of financial statements that present different views of the District:

- The first two financial statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining financial statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The District maintains governmental funds as follows:
 - *Governmental Funds*: Financial statements provide information on how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Metropolitan Education District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL HIGHLIGHTS

Overall revenues as reported on the statement of activities were \$17,775,902. Overall expenses exceeded revenues by \$400,099.

Total net position as reported on the statement of net position was \$31,612,367, a decrease of 1.2% from the previous year. The General Fund reported a total fund balance of \$15,156,449.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two financial statements report the District's net position and how it has changed.

Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of net position and the statement of activities divide the District into two kinds of activities:

Governmental Activities: Represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-Type Activities: Represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Metropolitan Education District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The District has two types of funds:

Governmental Funds

All of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year end that are available for spending.

A detailed short-term view is provided by the governmental fund financial statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided at the bottom of the governmental fund financial statements that explains the differences (or relationships) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As shown in the table on the following page, the District's net position as of June 30, 2021, was \$31,612,367. Of this amount, \$269,007 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board of Trustees' ability to use the net position for day-to-day operations. All District net position is the result of governmental activities.

Metropolitan Education District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CHANGES IN NET POSITION

The following table summarizes the change in net position for the District.

June 30	Governmental Activities		Percentage Change 2020-21
	2020	2021	
ASSETS			
Cash and investments	\$ 18,223,053 *	\$ 20,336,488	11.6%
Receivables	198,616	203,382	2.4%
Due from other governments	443,181	111,485	-74.8%
Prepaid expenses	25,312	34,448	36.1%
Restricted cash and investments	997,035	-	-100.0%
Capital assets not depreciated	10,572,004	10,643,107	0.7%
Capital assets - net of accumulated depreciation	19,358,682	17,762,586	-8.2%
TOTAL ASSETS	49,817,883 *	49,091,496	-1.5%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for OPEB	355,250	738,454	107.9%
Deferred outflows of resources for pensions	3,144,840	2,812,669	-10.6%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,500,090	3,551,123	1.5%
LIABILITIES			
Accounts payable and other current liabilities	507,341	772,330	52.2%
Advances from grantors	274,180	513,587	87.3%
Long-term obligations:			
Due within one year	1,000,000	-	-100.0%
Due beyond one year	16,876,939	16,859,348	-0.1%
TOTAL LIABILITIES	18,658,460	18,145,265	-2.8%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for OPEB	245,675	682,647	177.9%
Deferred inflows of resources for pensions	2,401,372	2,202,340	-8.3%
TOTAL DEFERRED INFLOWS OF RESOURCES	2,647,047	2,884,987	9.0%
NET POSITION			
Net investment in capital assets	28,930,686	28,405,693	-1.8%
Restricted for capital projects	1,718,995	1,897,263	10.4%
Restricted for educational programs	930,854 *	1,040,404	11.8%
Unrestricted	431,931	269,007	37.7%
TOTAL NET POSITION	\$ 32,012,466 *	\$ 31,612,367	-1.2%

* As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

Metropolitan Education District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Total revenues were \$17,775,902. Interagency revenue accounted for most of the District's revenue, representing approximately 65.3% of all revenue. Another 30.5% came from operating grants and contributions, and the remaining 4.2% came from interest and investment earnings, and other revenue.

The total cost of all programs and services increased 1.0% to \$18,176,001. Expenses exceeded the District's revenues for the year by \$400,099. The District's expenses are primarily related to educating and caring for students (77.2%). Maintenance and operations account for 14.9% of the total costs. The remaining 7.9% is for interest and other expenses.

Years Ended June 30	Governmental Activities		Percentage
	2020	2021	Change 2020-21
REVENUES			
Program Revenues			
Operating grants and contributions	\$ 5,064,940	\$ 5,425,355	7.1%
General Revenues			
Interest and investment earnings	484,244	234,822	-51.5%
Interagency revenues	12,411,716	11,612,119	-6.4%
Miscellaneous	1,145,586	503,606	-56.0%
TOTAL REVENUES	19,106,486	17,775,902	-7.0%
EXPENSES			
Instruction	8,074,153	7,551,325	-6.5%
Instruction-related services	5,096,083	5,770,965	13.2%
Pupil services	1,138,350	706,529	-37.9%
General administration	1,389,780	1,408,428	1.3%
Plant services	2,274,268	2,715,264	19.4%
Community services	-	4,013	N/A
Interest on long-term debt	19,500	19,477	-0.1%
Other	1,750	-	-100.0%
TOTAL EXPENSES	17,993,884	18,176,001	1.0%
Change in Net Position	\$ 1,112,602	\$ (400,099)	-136.0%

Metropolitan Education District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District's total expenses were \$18,176,001; however, the net cost for these activities was \$12,750,646 after costs were paid by those who benefited from the programs and amounts paid by other governments and organizations who subsidized certain programs with grants and contributions.

Years Ended June 30	Total Cost of Services		Percentage Change 2020-21
	2020	2021	
Instruction	\$ 8,074,153	\$ 7,551,325	-6.5%
Instruction-related services	5,096,083	5,770,965	13.2%
Pupil services	1,138,350	706,529	-37.9%
General administration	1,389,780	1,408,428	1.3%
Plant services	2,274,268	2,715,264	19.4%
Community services	-	4,013	N/A
Interest on long-term debt	19,500	19,477	-0.1%
Other outgo	1,750	-	-100.0%
Totals	\$ 17,993,884	\$ 18,176,001	1.0%

Years Ended June 30	Net Cost of Services		Percentage Change 2020-21
	2020	2021	
Instruction	\$ 5,506,574	\$ 5,789,679	-5.1%
Instruction-related services	3,181,069	3,009,217	-5.4%
Pupil services	976,500	374,661	-61.6%
General administration	1,142,840	1,088,882	-4.7%
Plant services	2,100,711	2,470,458	17.6%
Community service	-	(1,728)	N/A
Interest on long-term debt	19,500	19,477	-0.1%
Other outgo	1,750	-	-100.0%
Totals	\$ 12,928,944	\$ 12,750,646	-1.4%

Metropolitan Education District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$19,399,886, an increase of \$294,210 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2020	2021	
General	\$ 13,882,398 *	\$ 15,156,449	\$ 1,274,051
Adult Education	2,029,623 *	2,007,742	(21,881)
Deferred Maintenance	70,179	166,250	96,071
Building	1,718,995	1,666,533	(52,462)
Special Reserve Capital Projects	1,026,828	21,404	(1,005,424)
County School Facilities	377,653	381,508	3,855
Totals	\$ 19,105,676 *	\$ 19,399,886	\$ 294,210

** As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.*

The increase in the General Fund is due primarily to an increase in revenues in excess of the increase in expenses.

The decrease in the Special Reserve Capital Projects Fund is due the schedule payment of principle and interest on the QZAB bond in the amount of \$1,019,477.

General Fund Budgetary Highlights

During the course of the year, the District revises its budget as information is available which results in changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in our annual report as required supplementary information.

The District's June 2020 adopted budget projected that General Fund revenues would exceed expenditures by \$1,174,797. However, upon closing the books for 2020/21 actual revenues exceeded expenditures by \$1,274,051 yielding an increase in ending fund balance of \$99,254. This significant increase was due primarily to:

- An increase in revenue of approximately \$363,212
- An increase in expenditure of approximately \$263,958

Metropolitan Education District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District invested \$57,658,695 in capital assets including buildings, site improvements, and equipment during 2020-21.

June 30	Governmental Activities		Percentage Change 2020-21
	2020	2021	
Land	\$ 9,683,028	\$ 9,683,028	0.0%
Buildings	38,923,381	38,947,811	0.1%
Site improvements	2,218,811	2,218,811	0.0%
Equipment	5,730,047	5,848,966	2.1%
Construction in progress	888,976	960,079	8.0%
Total Capital Assets	\$ 57,444,243	\$ 57,658,695	0.4%

Long-Term Debt

At year end, the District had \$16,859,348 in outstanding long-term debt. Outstanding long-term debt decreased by 5.7% primarily due to the District's payment of the Qualified Zone Academy Bonds as scheduled.

June 30	Governmental Activities		Percentage Change 2020-21
	2020	2021	
Compensated absences	\$ 173,975	\$ 162,399	-6.7%
Qualified Zone Academy Bonds	1,000,000	-	-100.0%
Net OPEB liability	3,622,312	3,647,375	0.7%
Net pension liability	13,080,652	13,049,574	-0.2%
Total Long-Term Debt	\$ 17,876,939	\$ 16,859,348	-5.7%

Metropolitan Education District
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

FACTORS BEARING ON THE DISTRICT’S FUTURE

At the time these financial statements were being prepared and audited, the District was not aware of any significant circumstances which could significantly affect its financial health in the near-term with the exception of JPA member districts reducing enrollment. However, in January 2022, the District received confirmation that, collectively, the six member districts would be reducing enrollment by 60 students in the 2022/23 fiscal year as compared to 2021/22. The District experienced a decrease of 63 students in 2021/22 as compared to 2020/21. There are two primary reasons for this recent reduction in enrollment:

1. Overall declining enrollment in the Silicon Valley
2. Financial pressure related to state LCFF funding

Due to the implementation of the Local Control Funding Formula (LCFF), funding is dependent upon JPA member districts’ agreement to pass-through funds to the District to sustain programs and operations. During the spring of 2019, the District negotiated a revised/updated funding agreement with the JPA member Districts which resulted in more stabilized and predictable enrollment and funding per student.

General fund student enrollment for 2020/21 was 1,262; funding per student was \$6,621. General fund student enrollment for funding purposes is expected to trend downward somewhat in the near-term as shown in the following projection:

Year	Enrollment	Funding
2019/20	1,372	\$6,260
2020/21	1,262	\$6,621
2021/22	1,199	\$6,221
2022/23	1,139	TBD

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Dorothy Reconose
Chief Business Official
Metropolitan Education District
760 Hillsdale Ave.
San Jose, CA 95136

Basic Financial Statements

Metropolitan Education District

STATEMENT OF NET POSITION

June 30, 2021	Governmental Activities
ASSETS	
Cash and investments	\$ 20,336,488
Accounts receivable	203,382
Due from other governments	111,485
Prepaid expenses	34,448
Nondepreciated capital assets	10,643,107
Depreciated capital assets	47,015,588
Accumulated depreciation	(29,253,002)
TOTAL ASSETS	49,091,496
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for OPEB	738,454
Deferred outflows of resources for pensions	2,812,669
DEFERRED OUTFLOWS OF RESOURCES	3,551,123
LIABILITIES	
Accounts payable and other current liabilities	772,330
Advances from grantors	513,587
Long-term obligations due beyond one year	16,859,348
TOTAL LIABILITIES	18,145,265
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for OPEB	682,647
Deferred inflows of resources for pensions	2,202,340
TOTAL DEFERRED INFLOWS OF RESOURCES	2,884,987
NET POSITION	
Net investment in capital assets	28,405,693
Restricted for capital projects	1,897,263
Restricted for educational programs	1,040,404
Unrestricted	269,007
TOTAL NET POSITION	\$ 31,612,367

The accompanying notes are an integral part of these financial statements.

Metropolitan Education District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021	Expenses	Program Revenues - Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position - Governmental Activities
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental activities:			
Instruction	\$ 7,551,325	\$ 1,761,646	\$ (5,789,679)
Instruction-related services	5,770,965	2,761,748	(3,009,217)
Pupil services	706,529	331,868	(374,661)
General administration	1,408,428	319,546	(1,088,882)
Plant services	2,715,264	244,806	(2,470,458)
Community services	4,013	5,741	1,728
Interest on long-term debt	19,477	-	(19,477)
Total Governmental Activities	\$ 18,176,001	\$ 5,425,355	(12,750,646)
GENERAL REVENUES			
Unrestricted investment earnings			234,822
Interagency revenues			11,612,119
Miscellaneous			503,606
TOTAL GENERAL REVENUES			12,350,547
Change in Net Position			(400,099)
Net Position - as Previously Reported			31,638,341
Cumulative effect of change in accounting principles			374,125
Net Position - as Restated			32,012,466
Net Position - End of Year			\$ 31,612,367

The accompanying notes are an integral part of these financial statements.

Metropolitan Education District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 16,279,777	\$ 1,656,056	\$ 1,823,743	\$ 576,912	\$ 20,336,488
Accounts receivable	53,868	145,267	3,303	944	203,382
Due from other governments	-	111,485	-	-	111,485
Due from other funds	18,712	133,312	-	-	152,024
Prepaid expenditures	5,000	29,448	-	-	34,448
TOTAL ASSETS	\$ 16,357,357	\$ 2,075,568	\$ 1,827,046	\$ 577,856	\$ 20,837,827
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other current liabilities	\$ 556,881	\$ 46,242	\$ 160,513	\$ 8,694	\$ 772,330
Due to other funds	133,312	18,712	-	-	152,024
Advances from grantors	510,715	2,872	-	-	513,587
Total Liabilities	1,200,908	67,826	160,513	8,694	1,437,941
Fund Balances					
Nonspendable	25,000	29,448	-	-	54,448
Restricted	306,571	1,041,646	1,666,533	230,730	3,245,480
Committed	-	733,833	-	166,250	900,083
Assigned	12,062,299	202,815	-	172,182	12,437,296
Unassigned	2,762,579	-	-	-	2,762,579
Total Fund Balances	15,156,449	2,007,742	1,666,533	569,162	19,399,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,357,357	\$ 2,075,568	\$ 1,827,046	\$ 577,856	\$ 20,837,827

The accompanying notes are an integral part of these financial statements.

Metropolitan Education District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2021

Total Fund Balances - Governmental Funds	\$ 19,399,886
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 57,658,695
Accumulated depreciation	(29,253,002)

Total Capital Assets - Net	28,405,693
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	13,049,574
Total OPEB liability	3,647,375
Compensated absences	162,399

Total Long-Term Liabilities	(16,859,348)
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Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions	2,812,669
Deferred inflows of resources relating to pensions	(2,202,340)

Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported:

Deferred outflows of resources relating to OPEB	738,454
Deferred inflows of resources relating to OPEB	(682,647)

Total Net Position - Governmental Activities	\$ 31,612,367
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The accompanying notes are an integral part of these financial statements.

Metropolitan Education District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2021	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Other state revenue	\$ 1,146,922	\$ 2,944,613	\$ -	\$ -	\$ 4,091,535
Federal revenue	-	290,554	-	-	290,554
Other local revenue	12,346,427	799,252	377,664	27,398	13,550,741
Total Revenues	13,493,349	4,034,419	377,664	27,398	17,932,830
Expenditures					
Current:					
Instruction	4,843,381	1,288,392	-	-	6,131,773
Instruction-related services	3,492,686	2,245,940	-	-	5,738,626
Pupil services	587,972	138,604	-	-	726,576
Community services	3,200	813	-	-	4,013
General administration	1,169,203	177,663	-	-	1,346,866
Plant services	2,122,856	204,888	239,595	4,725	2,572,064
Debt service:					
Principal	-	-	-	1,000,000	1,000,000
Interest and other charges	-	-	-	19,477	19,477
Capital outlay	-	-	90,531	8,694	99,225
Total Expenditures	12,219,298	4,056,300	330,126	1,032,896	17,638,620
Excess (Deficiency) of Revenues Over Expenditures	1,274,051	(21,881)	47,538	(1,005,498)	294,210
Other Financing Sources (Uses)					
Interfund transfers in	-	-	-	100,000	100,000
Interfund transfers out	-	-	(100,000)	-	(100,000)
Total Other Financing Sources (Uses)	-	-	(100,000)	100,000	-
Net Change in Fund Balances	1,274,051	(21,881)	(52,462)	(905,498)	294,210
Fund Balances - as Previously Reported	13,675,544	1,862,352	1,718,995	1,474,660	18,731,551
Cumulative effect of change in accounting principles	206,854	167,271	-	-	374,125
Fund Balances - as Restated	13,882,398	2,029,623	1,718,995	1,474,660	19,105,676
Fund Balances - End of Year	\$ 15,156,449	\$ 2,007,742	\$ 1,666,533	\$ 569,162	\$ 19,399,886

The accompanying notes are an integral part of these financial statements.

Metropolitan Education District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 294,210
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 214,452
Depreciation expense	(1,739,445)

Net Capital Outlay	(1,524,993)
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Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,000,000

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

11,576

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:

(102,061)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(78,831)

Change in Net Position of Governmental Activities	\$ (400,099)
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The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected six-member board. The District operates one high school program and one adult education program in San Jose, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's, *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Implementation of New Accounting Standards

Governmental Accounting Standards Board Statements No. 84 and 92 The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement has been applied retroactively to all periods presented. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement as follows:

- The Student Body Fund and the Scholarship Fund, reported previously as fiduciary funds, do not meet the new fiduciary criteria and have been reclassified to the General Fund and the Adult Education Fund, which are governmental funds. Fund balances of the governmental funds and net position of the governmental activities, as of July 1, 2020, have been restated by \$374,125.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Financial Reporting Entity

The District was organized under a Joint Powers Authority by six other local school districts to provide vocational and adult education programs for the high school students and adults in their geographic areas. The six districts are Campbell Union High School District, East Side Union High School District, Los Gatos-Saratoga Joint Union High School District, Milpitas Unified School District, San Jose Unified School District, and Santa Clara Unified School District.

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 the District, this includes general operations, adult education, and student-related activities of the District.

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) 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, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Fund Financial Statements Fund financial statements are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The funds of the District are described below.

Governmental Funds

General Fund The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Adult Education Fund is used to account separately for federal, state, and local revenues, and the expenditure of those funds, that are restricted or committed for adult education programs (*California Education Code*, Sections 52616[b] and 52501.5[a]).
2. Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes. Expenditures in this fund are used for major repairs or replacements of plumbing, heating, air-conditioning, electrical, roofing, and floor systems; and exterior and interior painting of school buildings.

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. County Schools Facilities Fund is used to receive apportionments from the State School Facilities Fund 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 (*California Education Code*, Section 17070.10).
3. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:

- General Fund
- Adult Education Fund
- Building Fund

Nonmajor Governmental Funds:

- Deferred Maintenance Fund
- County School Facilities Fund
- Special Reserve Capital Projects Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures legally cannot exceed appropriations by major object account.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2021, the fair value of the County pool was 100.41% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the fair value of investments was insignificant during the year ended June 30, 2021. The unrealized gain on investments held at June 30, 2021, was \$101,903.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2021. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2021. At June 30, 2021, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Prepaid Expenses

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

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to the implementation of GASB Statement No. 34.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

Buildings and portable classrooms	20-30
Site improvements	5-30
Equipment	5-15

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advances from grantors are recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations, fiduciary fund operations, or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. All long-term debt to be repaid from fiduciary resources is reported as liabilities in the fiduciary fund statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of 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 Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

Committed Fund Balance: Consists of amounts that can be used only for specific purposes determined by a formal action of the District’s Board of Trustees. The District’s Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District’s Board of Trustees.

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District’s Board of Trustees or a designee of the District’s Board of Trustees.

Unassigned Fund Balance: Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to at least two months of General Fund operating expenditures, or 17% of General Fund expenditures and other financing uses.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental funds – by character:
 - Current (further classified by function)
 - Debt service
 - Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Pensions

Deferred outflows of resources/deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Teachers’ Retirement Plan (STRP) and California Public Employees’ Retirement System (CalPERS), and additions to/deductions from STRP’s and CalPERS’s fiduciary net position have been determined on the same basis as they are reported by California State Teachers’ Retirement System (CalSTRS) and CalPERS for purposes of measuring the net pension liability. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2021	Maturities	Fair Value
Deposits (1)	\$	37,234
Investments That Are Not Securities (2)		
County treasurer’s investment pool	20.18 months average	20,299,254
Total Cash and Investments Per Government-Wide Statement of Net Position		\$ 20,336,488

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That Are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the County investment pool is unrated.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2021:

- County treasurer's investment pool of \$20,299,254 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper and no more than 10% may be invested in the outstanding commercial paper of any single issuer.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 10% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises and where otherwise noted; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 40% may be invested in bankers' acceptances and no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; no more than 30% may be invested in medium-term notes; no more than 20% may be invested in mortgage passthrough and related securities; and no more than 30% may be invested in certain unsecured, unsubordinated obligations.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2021	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds
Interest	\$ 29,443	\$ 3,066	\$ 3,303	\$ 944
Other	24,425	142,201	-	-
Total	\$ 53,868	\$ 145,267	\$ 3,303	\$ 944

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

June 30, 2021	Adult Education Fund
Due From Federal government	\$ 111,485

5. INTERFUND TRANSFERS AND BALANCES DUE TO/FROM OTHER FUNDS

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds	
General	Adult Education	\$ 18,712
Adult Education	General	133,312
Total		\$ 152,024

The specific purposes of the balances due/to from other funds are as follows:

General Fund interfund receivable from the Adult Education Fund to reimburse the General Fund for indirect costs of the program; and

Adult Education Fund interfund receivable from the General Fund to reimburse the Adult Education Fund for overpayment of revenue share to the General Fund.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

Interfund Transfer Out	Interfund Transfer In	
Building	Deferred Maintenance	\$ 100,000

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purposes of the interfund transfers that do not occur on a routine basis are as follows:

Transfer out of the Building Fund to the Deferred Maintenance Fund to support capital projects paid from the Deferred Maintenance Fund.

No transfers are inconsistent with the activities of the funds making the transfer.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2021	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 9,683,028	\$ -	\$ -	\$ 9,683,028
Construction in progress	888,976	95,533	24,430	960,079
Total Nondepreciated Capital Assets	10,572,004	95,533	24,430	10,643,107
Depreciated Capital Assets				
Buildings	38,923,381	24,430	-	38,947,811
Site improvements	2,218,811	-	-	2,218,811
Equipment	5,730,047	118,919	-	5,848,966
Total Depreciated Capital Assets	46,872,239	143,349	-	47,015,588
Totals at Historical Cost	57,444,243	238,882	24,430	57,658,695
Less: Accumulated Depreciation				
Buildings	21,881,488	1,359,844	-	23,241,332
Site improvements	1,315,334	110,968	-	1,426,302
Equipment	4,316,735	268,633	-	4,585,368
Total Accumulated Depreciation	27,513,557	1,739,445	-	29,253,002
Total Depreciated Capital Assets - Net	19,358,682	(1,596,096)	-	17,762,586
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 29,930,686	\$ (1,500,563)	\$ 24,430	\$ 28,405,693

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2021	
Governmental Activities	
Instruction	\$ 1,670,720
School site administration	9,229
Plant services	59,496
Total Depreciation Expense - Governmental Activities	\$ 1,739,445

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2021	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds
Vendors	\$ 367,507	\$ 44,808	\$ 160,513	\$ 8,694
Salaries and benefits	189,374	1,434	-	-
Total	\$ 556,881	\$ 46,242	\$ 160,513	\$ 8,694

8. DIRECT BORROWING – QUALIFIED ZONE ACADEMY BONDS

On December 1, 2005, the District issued Qualified Zone Academy Bonds (QZAB). The bonds required an initial cash contribution of \$697,865 to be deposited with a fiscal agent. Interest is payable annually on December 22. The current balance of deposits with the fiscal agent at June 30, 2021, is \$-0-. Principal and interest were paid on the maturity date of December 22, 2020. The bonds were issued for the purpose of providing monies to finance the modernization project at the CCOC. At June 30, 2021, the QZAB was paid in full. The amount of interest cost incurred during the year ended June 30, 2021, was \$19,477, all of which was charged to expenses.

9. OPERATING LEASES

The District has entered into various operating leases for copiers with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2022	\$ 26,508
2023	26,508
2024	17,672
Total	\$ 70,688

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$26,508 for the year ended June 30, 2021.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

Year Ended June 30, 2021	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 173,975	\$ -	\$ 11,576	\$ 162,399	\$ -
Direct Borrowing - QZAB	1,000,000	-	1,000,000	-	-
Total OPEB liability	3,622,312	25,063	-	3,647,375	-
Net pension liability	13,080,652	-	31,078	13,049,574	-
Total	\$ 17,876,939	\$ 25,063	\$ 1,042,654	\$ 16,859,348	\$ -

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2021	General Fund	Adult Education Fund	Building Fund	Other Governmental Funds
Nonspendable				
Reserved for:				
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -
Prepaid expenditures	5,000	29,448	-	-
Total Nonspendable	\$ 25,000	\$ 29,448	\$ -	\$ -
Restricted				
Restricted for:				
Capital projects	\$ -	\$ -	\$ 1,666,533	\$ 230,730
Federal and state categoricals	306,571	1,041,646	-	-
Total Restricted	\$ 306,571	\$ 1,041,646	\$ 1,666,533	\$ 230,730
Committed				
Committed for:				
Adult education	\$ -	\$ 733,833	\$ -	\$ -
Deferred maintenance	-	-	-	166,250
Total Committed	\$ -	\$ 733,833	\$ -	\$ 166,250
Assigned				
Assigned for:				
Capital projects	\$ -	\$ -	\$ -	\$ 172,182
OPEB set-aside	800,000	-	-	-
Deferred maintenance	1,350,000	-	-	-
Required 5% reserve	610,916	202,815	-	-
CalSTRS/CalPERS employer rate increase	750,000	-	-	-
Long-term debt/OPEB	3,680,649	-	-	-
Technology upgrade	550,000	-	-	-
Strong workforce program carryover	199,868	-	-	-
Healthcare cost increases	600,000	-	-	-
Furniture, equipment, and vehicle replacement	750,000	-	-	-
CTEIG carryover	619,824	-	-	-
Staff set-aside	250,000	-	-	-
Reserve for cash flow and declining enrollment	1,300,000	-	-	-
Lottery carryover	351,042	-	-	-
Reserve for Covid-19 projected expenses	250,000	-	-	-
Total Assigned	\$ 12,062,299	\$ 202,815	\$ -	\$ 172,182
Unassigned				
Designated for economic uncertainties	\$ 610,916	\$ -	\$ -	\$ -
Unassigned	2,151,663	-	-	-
Total Unassigned	\$ 2,762,579	\$ -	\$ -	\$ -

12. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Santa Clara County Schools Insurance Group (SCCSIG), South Bay Area Schools Insurance Authority (SBASIA), and CSAC Excess Insurance Authority (EIA). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

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

13. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District's future. However, if the pandemic continues, the disease could have a material adverse effect on the District's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District's operations and financial performance.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

14. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, and excess liability coverage.

15. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2021	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 7,606,286	\$ 1,674,663	\$ 1,102,150	\$ 706,671
CalPERS School Employer Pool	5,443,288	1,138,006	1,100,190	829,634
Total	\$ 13,049,574	\$ 2,812,669	\$ 2,202,340	\$ 1,536,305

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2020-21 was 16.15% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2021, were \$739,021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2021, the District reported a net pension 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:

June 30, 2021

District's proportionate share of the net pension liability	\$ 7,606,286
State's proportionate share of the net pension liability associated with the District	3,921,010
Total	\$ 11,527,296

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The District's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. 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 employers and the state, actuarially determined. At June 30, 2021, the District's proportion was .008%.

State Teachers' Retirement Law also requires the state to contribute 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriated an additional \$2,246,000,000 from the state's General Fund for the 2018-19 fiscal year to be transferred to the Teachers' Retirement Fund to reduce school employers' contributions and unfunded liabilities for the 2019-20 and 2020-21 fiscal years. For the year ended June 30, 2021, the District recognized pension expense of \$122,596 and revenue of \$122,596 for support provided by the state. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,422	\$ 214,374
Net difference between projected and actual earnings on pension plan investments	180,634	-
Change in assumptions	741,586	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	887,776
District contributions subsequent to the measurement date	739,021	-
Total	\$ 1,674,663	\$ 1,102,150

The \$739,021 reported as 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 year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2022	\$ (195,288)
2023	(8,823)
2024	171,639
2025	(73,216)
2026	(61,561)
Thereafter	741
Total	\$ (166,508)

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Actuarial Assumptions The total pension liability in the June 30, 2019, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

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 the 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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

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 investment staff and investment consultants as inputs 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 as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.80%
Private equity	13%	6.30%
Real estate	15%	3.60%
Inflation sensitive	6%	3.30%
Fixed income	12%	1.30%
Risk mitigating strategies	10%	1.80%
Cash/liquidity	2%	-0.40%
Total	100%	

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 that contributions from plan members and employers were made at statutory contribution rates in accordance with the rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those 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 the total pension liability.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

June 30, 2021	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 11,492,039	\$ 7,606,286	\$ 4,398,050

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report* (CAFR).

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2020-21 fiscal year was 20.70%. The District's contributions to CalPERS for the fiscal year ended June 30, 2021, were \$695,222.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2021, the District reported a net pension liability of \$5,443,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. 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. At June 30, 2021, the District’s proportion was .017740%.

For the year ended June 30, 2021, the District recognized pension expense of \$829,634. *California Government Code*, Section 20825.2 appropriated \$904,000,000 from the state’s General Fund for fiscal year 2018–19 to be transferred to the Public Employees’ Retirement Fund, to reduce school employers’ contributions and unfunded liabilities for the 2019-20 through 2021-22 fiscal years. For the year ended June 30, 2021, the District recognized pension expense of \$160,373 and revenue of \$160,373 for support provided by the state. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 269,970	\$ -
Net difference between projected and actual earnings on pension plan investments	113,312	-
Change in assumptions	19,961	-
Changes in proportion and differences between District contributions and proportionate share of contributions	39,541	1,100,190
District contributions subsequent to the measurement date	695,222	-
Total	\$ 1,138,006	\$ 1,100,190

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The \$695,222 reported as 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 year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2022	\$ (324,945)
2023	(270,460)
2024	(99,246)
2025	37,245
Total	\$ (657,406)

Actuarial Assumptions The total pension liability in the June 30, 2019, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2021	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 7,825,719	\$ 5,443,288	\$ 3,465,990

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

16. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2020-21, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit health care plan administered by the District. The District provides bond postemployment health care benefits to all certificated and classified employees and their dependents who retire from the District on or after attaining the age of 55 with at least ten years of service in the District. The District contributes \$80 per month to retirees until they reach age 65, at which time the District contributes \$35 per month. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered

Employees covered by the benefit terms of the plan consisted of:

June 30, 2021	
Inactive plan members or beneficiaries currently receiving benefit payments	53
Active plan members	89
Total	142

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Contributions

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees. Currently, the District's policy is to contribute to the plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2021, the District contributed \$158,300 representing premium payments on behalf of retired employees.

Total OPEB Liability

The District's total OPEB liability for the plan is measured as the total OPEB liability, less the plan's fiduciary net position. The total OPEB liability of the plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2020. The June 30, 2021, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	3.00%
Discount rate	2.45%
Healthcare cost trend rate	5.00%

Mortality is based on the RP-2000 Combined Mortality Table, projected to future years with Scale AA.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.45%. The discount rate is based on the value of the Fidelity General Obligation AA index at June 30, 2020.

Metropolitan Education District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

Year Ended June 30, 2021

Total OPEB Liability	
Service cost	\$ 137,081
Interest	110,901
Difference between expected and actual experience	(588,415)
Changes of assumptions	523,796
Benefit payments - including refunds of employee contributions	(158,300)
Net Change in Total OPEB Liability	25,063
Total OPEB Liability - Beginning of Year	3,622,312
Total OPEB Liability - End of Year	\$ 3,647,375
Covered-employee payroll	\$ 7,290,570
District's total OPEB liability as a percentage of covered-employee payroll	50.03%

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

The following presents the District's total OPEB liability calculated using the discount rate of 2.45%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current rate:

June 30, 2021	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 4,331,810	\$ 3,647,375	\$ 3,107,622

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

The following presents the District's total OPEB liability calculated using the healthcare cost trend rate of 5.00%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

June 30, 2021	1% Decrease (4.00%)	Health Cost Trend Rates (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 3,109,396	\$ 3,647,375	\$ 4,318,808

Metropolitan Education District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$78,831. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 95,084	\$ 479,449
Change in assumptions	619,246	203,198
District contributions subsequent to the measurement date	24,124	-
Total	\$ 738,454	\$ 682,647

The \$24,124 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2022	\$ (9,749)
2023	(9,749)
2024	(9,749)
2025	(9,749)
2026	9,208
Thereafter	61,471
Total	\$ 31,683

18. FUTURE GASB IMPLEMENTATION

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2021, will have on the District's financial statements, if any.

Required Supplementary Information

Metropolitan Education District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2021	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other state revenue	\$ 867,116	\$ 867,116	\$ 1,146,922	\$ 279,806
Federal revenue	32,750	32,750	-	(32,750)
Other local revenue	12,230,271	12,230,271	12,346,427	116,156
Total Revenues	13,130,137	13,130,137	13,493,349	363,212
Expenditures				
Certificated salaries	2,924,773	2,924,773	3,247,288	(322,515)
Classified salaries	2,232,657	2,232,657	2,575,997	(343,340)
Employee benefits	3,048,978	3,048,978	3,105,571	(56,593)
Books and supplies	857,340	857,340	1,092,042	(234,702)
Services and other operating	3,088,492	3,088,492	2,259,820	828,672
Capital outlay	118	118	116,243	(116,125)
Other outgo	(197,018)	(197,018)	(177,663)	(19,355)
Total Expenditures	11,955,340	11,955,340	12,219,298	(263,958)
Net Change in Fund Balances	1,174,797	1,174,797	1,274,051	99,254
Fund Balances - as Previously Reported	13,675,544	13,675,544	13,675,544	-
Cumulative effect of change in accounting principles	-	-	206,854	206,854
Fund Balances - as Restated	13,675,544	13,675,544	13,882,398	206,854
Fund Balances - End of Year	\$ 14,850,341	\$ 14,850,341	\$ 15,156,449	\$ 306,108

See the accompanying notes to this budgetary comparison schedule.

Metropolitan Education District

BUDGETARY COMPARISON SCHEDULE – ADULT EDUCATION FUND

Year Ended June 30, 2021	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other state revenue	\$ 2,436,263	\$ 2,436,263	\$ 2,944,613	\$ 508,350
Federal revenue	279,880	279,880	290,554	10,674
Other local revenue	1,125,050	1,125,050	799,252	(325,798)
Total Revenues	3,841,193	3,841,193	4,034,419	193,226
Expenditures				
Certificated salaries	1,596,873	1,596,873	1,615,658	(18,785)
Classified salaries	561,170	561,170	625,684	(64,514)
Employee benefits	1,124,659	1,124,659	1,185,035	(60,376)
Books and supplies	251,380	251,380	195,169	56,211
Services and other operating	275,124	275,124	254,414	20,710
Capital outlay	47,734	47,734	2,677	45,057
Other outgo	197,018	197,018	177,663	19,355
Total Expenditures	4,053,958	4,053,958	4,056,300	(2,342)
Net Change in Fund Balances	(212,765)	(212,765)	(21,881)	190,884
Fund Balances - as Previously Reportec	1,862,352	1,862,352	1,862,352	-
Cumulative effect of change in accounting principles	-	-	167,271	167,271
Fund Balances - as Restated	1,862,352	1,862,352	2,029,623	167,271
Fund Balances - End of Year	\$ 1,649,587	\$ 1,649,587	\$ 2,007,742	\$ 358,155

See the accompanying notes to this budgetary comparison schedule.

Metropolitan Education District
 NOTES TO THE BUDGETARY COMPARISON SCHEDULES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s Governing Board annually adopts budgets for the General Fund and each major special revenue fund of the District. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue funds present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

June 30, 2021	General Fund		Adult Education Fund	
Certificated salaries	\$	322,515	\$	18,785
Classified salaries	\$	343,340	\$	64,514
Employee benefits	\$	56,593	\$	60,376
Books and supplies	\$	234,702	\$	-
Capital outlay	\$	116,125	\$	-
Other outgo	\$	19,355	\$	-

These excess expenditures in the General Fund were offset by unexpended appropriations in other categories and were funded by actual revenues in excess of actual expenditures.

These excess expenditures in the Adult Education Fund were offset by unexpended appropriations in other categories and were funded by greater than anticipated revenues.

Metropolitan Education District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 137,081	\$ 119,032	\$ 164,182	\$ 185,089
Interest	110,901	116,779	105,353	90,028
Difference between expected and actual experience	(588,415)	-	144,266	-
Changes of assumptions	523,796	249,051	(28,475)	(341,395)
Benefit payments - including refunds of employee contributions	(158,300)	(176,975)	(60,525)	(54,506)
Net Change In Total OPEB Liability	25,063	307,887	324,801	(120,784)
Total OPEB Liability - Beginning of Year	3,622,312	3,314,425	2,989,624	3,110,408
Total OPEB Liability - End of Year (a)	\$ 3,647,375	\$ 3,622,312	\$ 3,314,425	\$ 2,989,624
Covered-employee payroll	\$ 7,290,570	\$ 7,435,261	\$ 7,318,513	\$ 8,326,608
District's total OPEB liability as a percentage of covered-employee payroll	50.03%	48.72%	45.29%	35.90%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB

Years Ended June 30	2021		2020		2019		2018	
Contractually required contribution	\$	158,300	\$	176,975	\$	60,525	\$	54,506
Contributions in relation to the contractually required contribution		(158,300)		(176,975)		(60,525)		(54,506)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-
Covered-employee payroll	\$	7,290,570	\$	7,435,261	\$	7,318,513	\$	8,326,608
Contributions as a percentage of covered-employee payroll		2.17%		2.38%		0.83%		0.65%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2021		2020	
District's proportion of the net pension liability (asset)	0.008%		0.008%	
District's proportionate share of the net pension liability (asset)	\$	7,606,286	\$	7,225,280
State's proportionate share of the net pension liability (asset) associated with the District		3,921,010		3,941,904
Total	\$	11,527,296	\$	11,167,184
District's covered-employee payroll	\$	4,184,041	\$	4,164,595
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		181.79%		173.49%
Plan fiduciary net position as a percentage of the total pension liability		71.80%		72.60%

Years Ended June 30	2019		2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.008%		0.009%		0.009%		0.010%		0.010%	
District's proportionate share of the net pension liability (asset)	\$	7,352,560	\$	8,323,200	\$	7,279,290	\$	6,732,400	\$	5,843,700
State's proportionate share of the net pension liability (asset) associated with the District		4,209,705		4,923,975		4,144,580		360,688		3,528,714
Total	\$	11,562,265	\$	13,247,175	\$	11,423,870	\$	7,093,088	\$	9,372,414
District's covered-employee payroll	\$	4,471,712	\$	4,220,580	\$	4,468,835	\$	4,566,509	\$	4,718,149
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		164.42%		197.21%		162.89%		147.43%		123.86%
Plan fiduciary net position as a percentage of the total pension liability		70.99%		69.00%		70.00%		74.00%		77.00%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2021		2020	
Contractually required contribution	\$	739,021	\$	715,471
Contributions in relation to the contractually required contribution		(739,021)		(715,471)
Contribution Deficiency (Excess)	\$	-	\$	-
District's covered-employee payroll	\$	4,184,041	\$	4,164,595
Contributions as a percentage of covered-employee payroll		17.66%		17.18%

Years Ended June 30	2019		2018		2017		2016		2015	
Contractually required contribution	\$	677,996	\$	645,268	\$	656,749	\$	479,506	\$	405,506
Contributions in relation to the contractually required contribution		(677,996)		(645,268)		(656,749)		(479,506)		(405,506)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	4,471,712	\$	4,220,580	\$	4,468,835	\$	4,566,509	\$	4,718,149
Contributions as a percentage of covered-employee payroll		15.16%		15.29%		14.70%		10.50%		8.59%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2021	2020
District's proportion of the net pension liability (asset)	0.017740%	0.020091%
District's proportionate share of the net pension liability (asset)	\$ 5,443,288	\$ 5,855,372
District's covered-employee payroll	\$ 3,153,197	\$ 3,507,336
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.63%	166.95%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.00%

Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.023470%	0.025390%	0.023400%	0.026800%	0.034500%
District's proportionate share of the net pension liability (asset)	\$ 6,257,841	\$ 6,061,263	\$ 4,621,514	\$ 3,950,346	\$ 3,916,590
District's covered-employee payroll	\$ 4,114,043	\$ 4,548,243	\$ 4,242,163	\$ 4,301,453	\$ 3,620,801
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	152.11%	133.27%	108.94%	91.84%	108.17%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.90%	73.90%	79.40%	83.50%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2021		2020	
Contractually required contribution	\$	695,222	\$	621,842
Contributions in relation to the contractually required contribution		(695,222)		(621,842)
Contribution Deficiency (Excess)	\$	-	\$	-
District's covered-employee payroll	\$	3,153,197	\$	3,507,336
Contributions as a percentage of covered-employee payroll		22.05%		17.73%

Years Ended June 30	2019		2018		2017		2016		2015	
Contractually required contribution	\$	633,495	\$	638,952	\$	631,660	\$	502,569	\$	506,324
Contributions in relation to the contractually required contribution		(633,495)		(638,952)		(631,660)		(502,569)		(506,324)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	4,114,043	\$	4,548,243	\$	4,242,163	\$	4,301,453	\$	3,620,801
Contributions as a percentage of covered-employee payroll		15.40%		14.05%		14.89%		11.68%		13.98%

See the accompanying notes to the required supplementary information.

Metropolitan Education District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. TOTAL OPEB LIABILITY

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2020.

Changes in Assumptions

For the measurement period ended June 30, 2020, the discount rate was changed from 3.62% to 2.45% to reflect the change in the Fidelity General Obligation AA index.

Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2021.

2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2020.

Changes in Assumptions

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018. These assumptions were reflected in the valuation dated June 30, 2019.

3. PENSION – CALIFORNIA STATE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2020.

Changes in Assumptions

There were no significant changes of assumptions during the measurement period ended June 30, 2020.

OTHER SUPPLEMENTARY INFORMATION SECTION

Metropolitan Education District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2021

The Metropolitan Education District (the District) is located in Santa Clara County and operates two programs: a high school program (SVCTE), established in 1917; and an adult education program (SVAE), established in 1883. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Name	Office	Term Expires
Albert Gonzalez	President	2022
Brian Wheatley	Vice President	2022
Chris Norwood	Clerk	2022
J. Manuel Herrera	Member	2023
Katherine Tseng	Member	2023
Linda Goytia	Member	2023

ADMINISTRATION

Alyssa Lynch
Superintendent

Dorothy Reconose
Chief Business Officer

Metropolitan Education District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2022	2021	2020	2019
General Fund				
Revenues and other financial sources	\$ 14,147,318	\$ 13,493,349	\$ 14,946,521	\$ 17,851,660
Expenditures	13,739,818	12,219,298	12,195,263	14,157,749
Other uses and transfers out	-	-	-	-
Total Outgo	13,739,818	12,219,298	12,195,263	14,157,749
Change in Fund Balance	407,500	1,274,051	2,751,258	3,693,911
Ending fund balance	\$ 15,563,949	\$ 15,156,449	\$ 13,882,398	\$ 11,131,140 *
Available reserves	\$ 2,407,004	\$ 1,629,912	\$ 2,250,201	\$ 1,877,822
Designated for economic uncertainties	\$ 686,991	\$ 603,660	\$ 603,361	\$ 695,053
Undesignated fund balance	\$ 1,720,013	\$ 1,026,252	\$ 1,646,840	\$ 1,182,769
Available reserves as a percentage of total outgo	18%	13%	18%	13%
Total long-term debt	\$ 16,859,348	\$ 16,859,348	\$ 17,876,939	\$ 18,063,883
Average daily attendance at P-2	N/A	N/A	N/A	N/A

* As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

The General Fund balance has increased by \$4,025,309 over the past two years. The fiscal year 2021-22 budget projects an increase of \$407,500 (2.7%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, and anticipates incurring an operating surplus during the 2021-22 fiscal year. Total long-term debt has decreased by \$1,204,535 over the past two years.

See the accompanying note to the other supplementary information.

Metropolitan Education District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2021

	General Fund	Special Reserve Capital Projects Fund
Annual Financial and Budget Report Fund Balance	\$ 15,054,546	\$ 1,040,881
Adjustments Increasing (Decreasing) the Fund Balance		
Overstatement of cash in county treasury	-	(1,019,477)
Understatement of fair value of cash in county treasury	101,903	-
Audited Financial Statements Fund Balance	\$ 15,156,449	\$ 21,404

See the accompanying note to the other supplementary information.

Metropolitan Education District

NOTE TO THE OTHER SUPPLEMENTARY INFORMATION

PURPOSE OF SCHEDULES

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.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

OTHER REPORTS SECTION

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

To the Board of Trustees
Metropolitan Education District
San Jose, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District (the District) as of and for the year ended June 30, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 may exist that have not been identified.

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

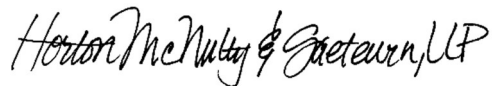
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Compliance and Other Matters

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.



January 31, 2022
Chico, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Metropolitan Education District
San Jose, California

Compliance

We have audited the Metropolitan Education District's (the District) compliance with the types of state compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2021. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

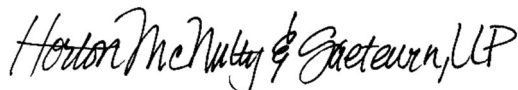
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2021	Procedures Performed
Attendance and distance learning	Not applicable
Teacher certification and misassignments	Not applicable
Kindergarten continuance	Not applicable
Instructional time	Not applicable
Instructional materials	Not applicable
Ratios of administrative employees to teachers	Not applicable
Classroom teacher salaries	Not applicable
Early retirement incentive	Not applicable
Gann limit calculation	Not applicable
School accountability report card	Not applicable
K-3 grade span adjustment	Not applicable
Apprenticeship: Related and supplemental instruction	Yes
Comprehensive school safety plan	Not applicable
District of choice	Not applicable
California Clean Energy Jobs Act	Not applicable
Proper expenditure of education protection account funds	Not applicable
Unduplicated local control funding formula pupil counts	Not applicable
Charter schools:	
Independent study-course based	Not applicable
Attendance	Not applicable
Mode of instruction	Not applicable
Nonclassroom-based instruction/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Charter school facility grant program	Not applicable

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2021.



January 31, 2022
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Metropolitan Education District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

Metropolitan Education District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Metropolitan Education District

CORRECTIVE ACTION PLAN

June 30, 2021

Not applicable: there are no current-year findings related to federal awards.

Metropolitan Education District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

None.