Financial Statements
June 30, 2022

Metropolitan Education District

Independent Auditor's Report

To the Governing Board
Metropolitan Education District
San Jose, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the Metropolitan Education District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and Building Fund balance as of July 1, 2021. Our opinions are not modified with respect to this matter.

Corrections of Errors

As discussed in Note 16 to the financial statements, certain errors resulting in an understatement of amounts previously reported for cash held by agent, deferred outflows and inflows of resources related to pensions, and capital asset related accounts as of June 30, 2021 , were discovered by management of the Metropolitan Education District during the current year. Accordingly, a restatement has been made to the building fund balance and governmental activities net position as of July 1, 2021, to correct the errors. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Education District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Metropolitan Education District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of the District's proportionate share of the net pension liability, and the schedule of District's contributions for pensions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Education District's basic financial statements. The combining non-major fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023 on our consideration of Metropolitan Education 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 Metropolitan Education District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Education District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
February 8, 2023

This section of Metropolitan Education District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

The *Fund Financial Statements* include statements for only the *Governmental Funds* which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

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

The Primary unit of the government is the Metropolitan Education District.

Reporting the District as A Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Financial Highlights

- Overall revenues as reported on the statement of activities were $19.84 million. Overall revenues exceeded expenses by approximately $5.14 million.
- Total net position as reported on the statement of net position was $38.52 million, an increase of 15% from previous year.
- The General Fund reported a total fund balance of $17.29 million, a $2.13 million or 14% increase from prior year.
- The District implemented GASB 87, requiring the recording of $6.20 million leases receivable, $0.04 million net right-to-use leased asset, $0.04 million leases payable, and $6.05 million deferred inflows of resources related to leases.

The District as A Whole

Net Position

The District's net position was $38,520,733 for the fiscal year ended June 30, 2022. Of this amount, $4,156,566 was unrestricted. Restricted net position is reported separately to show legal constraints from enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		Change in	
	2022	2021 as restated [1]	Amounts	Percentage
Assets				
Current and other assets	$ 31,569,036	$ 21,466,481	$ 10,102,555	47.06%
Capital assets	27,373,967	28,851,168	(1,477,201)	-5.12%
Total assets	58,943,003	50,317,649	8,625,354	17.14%
Deferred outflows of resources	5,569,788	10,284,041	(4,714,253)	-45.84%
Liabilities				
Current liabilities	2,099,987	1,285,917	814,070	63.31%
Long-term liabilities	10,216,020	16,928,357	(6,712,337)	-39.65%
Total liabilities	12,316,007	18,214,274	(5,898,267)	-32.38%
Deferred inflows of resources	13,676,051	9,003,823	4,672,228	51.89%
Net Position				
Net investment in capital assets	27,330,502	28,851,167	(1,520,665)	-5.27%
Restricted	7,033,665	2,937,667	4,095,998	139.43%
Unrestricted	4,156,566	1,594,759	2,561,807	160.64%
Total net position	$ 38,520,733	$ 33,383,593	5,137,140	15.39%

[1] As a result of GASB 87 implementation and correction of errors as noted in Note 16, these changes are reflected in the 2021 column.

The $4,156,566 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The most significant changes from the prior year resulting from a decrease in long-term liabilities offset by an increase in deferred inflows of resources. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt, enabling legislation, or other legal requirements – increased by 160.64% ($4,156,566 compared to $1,594,759).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Change in	
	2022	2021 as restated [1]	Amounts	Percentage
Revenues				
Program revenues				
Operating grants and contributions	$ 7,317,977	$ 5,425,355	$ 1,892,622	34.88%
General revenues				
Other general revenues	12,520,822	13,131,226	(610,404)	-4.65%
Total revenues	19,838,799	18,556,581	1,282,218	6.91%
Expenses				
Instruction-related	10,119,162	12,910,279	(2,791,117)	-21.62%
Pupil services	1,393,269	504,458	888,811	176.19%
Administration	1,283,205	1,408,428	(125,223)	-8.89%
Plant services	1,895,894	2,338,799	(442,905)	-18.94%
All other services	10,129	23,490	(13,361)	-56.88%
Total expenses	14,701,659	17,185,454	(2,483,795)	-14.45%
Change in net position	$ 5,137,140	$ 1,371,127	3,766,013	274.67%

[1] The revenues and expenses for fiscal year 2021 were adjusted to show the effects of GASB 87 and corrections or error as noted in Note 16.

Total revenues were $19,838,799. Interagency revenue accounted for most of the District's revenue, representing approximately 58.8% of all revenue. Another 36.9% came from operating grants and contributions, and the remaining 4.3% came from interest and investment earnings, and other revenue.

The total cost of all programs and services decreased 14.5% to $14,701,659 . Revenues exceeded the District's expenses for the year by $5,137,140. The District's expenses are primarily related to educating and caring for students (78.3%). Maintenance and operations account for 12.9% of the total costs. The remaining 8.8% is for interest and other expenses.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $14,701,659. However, the amount that our members ultimately financed for these activities through interagency transfers was only $11,665,466 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions ($7,317,977). We paid for the remaining "public benefit" portion of our governmental activities with $855,356 in interest and investment earnings, and other revenue.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021 *	2022	2021 *
Instruction-related	$ 10,119,162	$ 12,910,279	$ (4,069,313)	$ (8,386,885)
Pupil services	1,393,269	504,458	(1,180,737)	(172,590)
Administration	1,283,205	1,408,428	(419,342)	(1,088,882)
Plant services	1,895,894	2,338,799	(1,715,534)	(2,093,993)
All other services	10,129	23,490	1,244	(17,749)
Total	$ 14,701,659	$ 17,185,454	$ (7,383,682)	$ (11,760,099)

* The total and net cost of services for fiscal year 2021 were adjusted to show the effects of GASB 87 and correction of errors as noted in Note 16 for comparative purposes.

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $23,423,427 which is an increase of $3,242,862 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2021 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
Major Funds				
General	$ 15,156,449	$ 15,062,842	$ 12,931,493	$ 17,287,798
Adult education	2,007,742	3,982,455	3,467,913	2,522,284
Building	2,447,212	762,972	255,913	2,954,271
Non-major Funds				
Deferred maintenance	166,250	97,070	-	263,320
County school facilities	381,508	(6,721)	-	374,787
Special reserve fund for capital Outlay projects	21,404	(437)	-	20,967
Total aggregate non-major	569,162	89,912	-	659,074
Total	$ 20,180,565	$ 19,898,181	$ 16,655,319	$ 23,423,427

The primary reasons for these increases are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund increased $2,131,349 to $17,287,798 . This increase is due to the District received a $1.7 million one-time COVID-19 Supplemental funding grant in the current year. In addition to the one-time grant, the District reduce $0.2 million in its payroll and benefits.
- Adult Education Fund increase $514,542 to $2,522,284 due to $0.4 million reduction of payroll and benefits.
- Building Fund increase $507,059 to $2,954,271 due to rental revenues exceeded construction project costs.
- Aggregate non-major funds are consistent to prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The District's June 2021 adopted budget projected general fund revenues would exceed expenditures by $449,500. However, upon closing the books for fiscal year 2021-2022, actual revenue exceeded expenditures by $2,131,349. Significant revenue revisions made to the 2021-2022 budget were due primarily to receiving COVID-19 funds for ROCPs and two Strong Workforce (SWP) grants.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the District had $27,373,967 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, depreciation and amortization) of $1,477,201 or 5.1%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Land and construction in progress	$ 9,683,028	$ 10,667,538
Buildings and improvements	16,184,511	16,520,613
Equipment	1,463,298	1,594,008
Right-to-use leased assets	43,130	69,009
Total	$ 27,373,967	$ 28,851,168

This year's additions of $210,161 included the completion of a 12,000 volt switch upgrade and the auto lift project. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $10,216,020 in long-term liabilities outstanding versus $16,928,357 last year, a decrease of 39.7%. Those long-term liabilities consisted of:

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
Leases	$ 43,465	$ 69,009
Compensated absences	167,578	162,399
Total OPEB liability	2,298,827	3,647,375
Aggregate net pension liability	7,706,150	13,049,574
Total	$ 10,216,020	$ 16,928,357

At year-end, the District has a net pension liability of $7,706,150 versus $13,049,574 last year, a decrease of $5,343,424 , or 40.9%.

Other liabilities include compensated absences payable, total other postemployment benefits (OPEB) liability and leases payable. We present more detailed information regarding our long-term liabilities in Note 10 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

In considering the District Budget for the 2022-2023 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are: funding is based upon our JPA seat enrollment and the District continues to apply for grants such as Career Technical Education Incentive Grant (CTEIG) and K-12 Strong Workforce (SWP). At the time these financial statements were being prepared, the District was not aware of any circumstances which could significantly impact its financial health other than if the six JPA member districts would reduce the seat enrollment. The six JPA member districts will confirm collectively in January 2023 the number of enrollment for fiscal year 2023-2024.

General fund student enrollment in 2021-2022 was 1,199 with funding at $6,872 per student. General fund student enrollment in 2022-2023 is 1106, a decrease of 93 students with funding at $7,123 per student.

Next Year's Capital Budget

Several capital projects are planned for the 2022-2023 year. We anticipate capital additions to be $550,000 for the upcoming 2022-2023 year for the purchase of a forklift and a keycard project.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Officer, at Metropolitan Education District, 760 Hillsdale Avenue, San Jose, California, 95138, or e-mail at dreconose@metroed.net.

	Governmental Activities
Assets	
Deposits and investments	$ 24,582,622
Receivables	763,172
Prepaid expense	18,508
Leases receivable	6,204,734
Capital assets not depreciated	9,683,028
Capital assets, net of accumulated depreciation and amortzation	17,647,809
Right-to-use leased assets, net of accumulated amortization	43,130
Total assets	58,943,003
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	2,643,816
Deferred outflows of resources related to pensions	2,925,972
Total deferred outflows of resources	5,569,788
Liabilities	
Accounts payable	577,743
Unearned revenue	1,522,244
Long-term liabilities	
Due within one year	151,601
Due in more than one year	59,443
Total other postemployment benefits liability (OPEB)	2,298,827
Aggregate net pension liabilities	7,706,150
Total liabilities	12,316,007
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,699,728
Deferred inflows of resources related to pensions	5,930,701
Deferred inflows of resources related to leases	6,045,622
Total deferred inflows of resources	13,676,051
Net Position	
Net Investment in capital assets	27,330,502
Restricted for	
Capital projects	3,190,913
Educational programs	3,842,752
Unrestricted	4,156,566
Total net position	$ 38,520,733

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
Instruction	$ 4,989,108	$ 2,350,662	$ (2,638,446)
Instruction-related activities			
Supervision of instruction	3,323,078	2,073,941	(1,249,137)
School site administration	1,806,976	1,625,246	(181,730)
Pupil services			
Home-to-school transportation	1,133,526	-	(1,133,526)
All other pupil services	259,743	212,532	(47,211)
Administration			
Data processing	177,595	1,148	(176,447)
All other administration	1,105,610	862,715	(242,895)
Plant services	1,895,894	180,360	(1,715,534)
Community services	10,129	11,373	1,244
Total primary government	$ 14,701,659	$ 7,317,977	(7,383,682)
General Revenues and Subventions			
Interest and investment earnings			(235,327)
Interagency revenues			11,665,466
Miscellaneous			1,090,683
Total general revenues			12,520,822
Change in Net Position			5,137,140
Net Position - Beginning, as restated			33,383,593
Net Position - Ending			$ 38,520,733

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 19,019,118	$ 2,011,148	$ 2,991,035	$ 561,321	$ 24,582,622
Receivables	283,273	473,370	5,085	1,444	763,172
Due from other funds	1,757	70,918	-	100,000	172,675
Prepaid expenditures	11,732	6,776	-	-	18,508
Leases receivable	-	-	6,204,734	-	6,204,734
Total assets	$ 19,315,880	$ 2,562,212	$ 9,200,854	$ 662,765	$ 31,741,711
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 436,854	$ 39,928	$ 100,961	$ -	$ 577,743
Due to other funds	68,984	-	100,000	3,691	172,675
Unearned revenue	1,522,244	-	-	-	1,522,244
Total liabilities	2,028,082	39,928	200,961	3,691	2,272,662
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	-	-	6,045,622	-	6,045,622
Fund Balances					
Nonspendable	31,732	6,776	159,112	-	197,620
Restricted	1,327,244	2,515,508	2,795,159	395,754	7,033,665
Committed	2,260,102	-	-	263,320	2,523,422
Assigned	4,700,000	-	-	-	4,700,000
Unassigned	8,968,720	-	-	-	8,968,720
Total fund balances	17,287,798	2,522,284	2,954,271	659,074	23,423,427
Total liabilities, fund balances, and deferred inflows of resources	$ 19,315,880	$ 2,562,212	$ 9,200,854	$ 662,765	$ 31,741,711

Total Fund Balance - Governmental Funds		$ 23,423,427
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 57,766,836	
Accumulated depreciation is	(30,435,999)	
Net capital assets		27,330,837
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of right-to-use leased assets is	69,009	
Accumulated amortization is	(25,879)	
Net right-to-use leased assets		43,130
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	2,643,816	
Net pension liability	2,925,972	
Total deferred outflows of resources		5,569,788
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(1,699,728)	
Net penion liability	(5,930,701)	
Total deferred inflows of resources		(7,630,429)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(7,706,150)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(2,298,827)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
Leases	(43,465)	
Compensated absences (vacations)	(167,578)	
Total long-term liabilities		(211,043)
Total net position - governmental activities		$ 38,520,733

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Federal sources	$ -	$ 297,691	$ -	$ -	$ 297,691
Other State sources	3,430,135	3,053,141	-	-	6,483,276
Other local sources	11,632,707	605,271	762,972	(10,088)	12,990,862
Total revenues	15,062,842	3,956,103	762,972	(10,088)	19,771,829
Expenditures					
Current					
Instruction	4,525,631	1,066,768	-	-	5,592,399
Instruction-related activities					
Supervision of instruction	2,701,195	984,430	-	-	3,685,625
School site administration	997,768	1,054,429	-	-	2,052,197
Pupil services					
Home-to-school transportation	1,174,712	-	-	-	1,174,712
All other pupil services	249,757	50,719	-	-	300,476
Administration					
Data processing	204,890	-	-	-	204,890
All other administration	1,050,805	165,906	-	-	1,216,711
Plant services	1,756,853	142,989	155,913	-	2,055,755
Community services	7,825	2,672	-	-	10,497
Facility acquisition and construction	210,161	-	-	-	210,161
Debt service					
Principal	25,544	-	-	-	25,544
Total expenditures	12,905,141	3,467,913	155,913	-	16,528,967
Excess (Deficiency) of Revenues Over Expenditures	2,157,701	488,190	607,059	(10,088)	3,242,862
Other Financing Sources (Uses)					
Transfers in	-	26,352	-	100,000	126,352
Transfers out	(26,352)	-	(100,000)	-	(126,352)
Net Financing Sources (Uses)	(26,352)	26,352	(100,000)	100,000	-
Net Change in Fund Balances	2,131,349	514,542	507,059	89,912	3,242,862
Fund Balance - Beginning, as restated	15,156,449	2,007,742	2,447,212	569,162	20,180,565
Fund Balance - Ending	$ 17,287,798	$ 2,522,284	$ 2,954,271	$ 659,074	$ 23,423,427

Total Net Change in Fund Balances - Governmental Funds		$ 3,242,862
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities.		
This is the amount by which depreciation and amortization expenses exceeds capital outlays in the period.		
Depreciation and amortization expenses	$ (1,687,362)	
Capital outlays	210,161	
Net expense adjustment		(1,477,201)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(5,179)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		1,114,285
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		2,236,829
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Leases		25,544
Change in net position of governmental activities		$ 5,137,140

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Metropolitan Education District (the District) is organized as a Joint Powers Authority. The District operates under a six-member Board form of government and provides vocational and adult educational services. The District operates in the six districts of the designated Board members. 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, component units, 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 Metropolitan Education District, this includes general operations, adult education, and student related activities of the District.

Other Related Entities

The six-member districts are related entities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

The district maintains one fund which currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects. The fund is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $4,396,880.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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

Non-Major Governmental Funds

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

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 30 years; improvements, 5 to 30 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

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

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2022, except for leases payable. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $7,040,441 of restricted net position.

Interfund Activity

Transfers within governmental funds are reported as other financing sources/uses in the governmental funds and are eliminated in the government-wide financial statements.

Estimates

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use lease asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or leases payable based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard is included in Note 6 for leases receivable and Note 10 for leases payable.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022. This Statement did not have a significant impact on the financial statements of the District.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022. This Statement did not have a significant impact on the financial statements of the District.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	$ 985,552
Cash in revolving	20,000
Cash in county treasury	23,577,070
Total deposits and investments	$ 24,582,622

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2019.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District does not have investments in any one issuer that represent five percent or more of the total investments.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of $715,156 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets.
- Level 2 - For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

The District's fair value measurements are uncategorized with the Santa Clara County Pool at June 30, 2022.

Note 4 - Receivables

Receivables, other than leases receivables, at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ -	$ 153,932	$ -	$ -	$ 153,932
State Government					
Categorical aid	114,569	234,921	-	-	349,490
Local Government					
Interest	50,667	5,513	5,085	1,444	62,709
Other local sources	118,037	79,004	-	-	197,041
Total	$ 283,273	$ 473,370	$ 5,085	$ 1,444	$ 763,172

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 9,683,028	$ -	$ -	$ 9,683,028
Construction in progress	984,510	21,681	(1,006,191)	-
Total capital assets not being depreciated	10,667,538	21,681	(1,006,191)	9,683,028
Capital assets being depreciated				
Land improvements	2,218,811	21,681	-	2,240,492
Buildings and improvements	38,947,811	984,509	-	39,932,320
Furniture and equipment	5,722,515	188,481	-	5,910,996
Total capital assets being depreciated	46,889,137	1,194,671	-	48,083,808
Total capital assets	57,556,675	1,216,352	(1,006,191)	57,766,836
Accumulated depreciation				
Land improvements	(1,452,213)	(99,694)	-	(1,551,907)
Buildings and improvements	(23,193,796)	(1,242,598)	-	(24,436,394)
Furniture and equipment	(4,128,507)	(319,191)	-	(4,447,698)
Total accumulated depreciation	(28,774,516)	(1,661,483)	-	(30,435,999)
Net depreciable capital assets	18,114,621	(466,812)	-	17,647,809
Right-to-use leased assets being amortized				
Equipment	69,009	-	-	69,009
Accumulated amortization				
Equipment	-	(25,879)	-	(25,879)
Net right-to-use leased assets	69,009	(25,879)	-	43,130
Governmental activities capital assets and right-to-use leased assets, net	$ 28,851,168	$ (471,010)	$ (1,006,191)	$ 27,373,967

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

Governmental Activities	
Instruction	$ 593,809
Supervision of instruction	371,947
School site administration	205,143
Home-to-school transportation	117,428
All other pupil services	30,036
Community services	1,049
All other administration	150,058
Data processing	20,481
Plant services	197,411
Total depreciation and amortization expenses for all activities	$ 1,687,362

Note 6 - Leases Receivable

Lease Receivable	Outstanding July 1, 2021 as restated	Addition	Receipts	Outstanding June 30, 2022
Ground Leases	$ 6,596,741	$ 65,351	$ (457,358)	$ 6,204,734

As the Lessor, the District entered into lease agreements for mainly commercial property on Capitol Expressway in San Jose. The lease terms have varying expirations between 2023 and 2041 with some leases containing options to renew. The District, as lessor has accrued receivables for mainly ground/commercial leases. Currently there are nine leases. During the fiscal year, the District recognized $456,844 in lease revenue and $184,681 in interest revenue related to these agreements. At June 30, 2022, the District recorded $6,204,734 in leases receivable and $6,045,622 in deferred inflows of resources for these leases.

The District's variable payments are calculated using the annual consumer price index (CPI), a specific % increase or a specific dollar amount. If the CPI is not specified in the contract, the State and Local Government Series (SLGS) rate with an additional factor of 1.50% is used. The District has no residual value grantees included in the measurement of lease assets, liabilities, or deferred inflows of resources and lease receivable for the year ended June 30, 2022. The District had no remeasurement during the fiscal year.

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Adult Education Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 68,984	$ -	$ 68,984
Building Fund	-	-	100,000	100,000
Non-Major Governmental Funds	1,757	1,934	-	3,691
Total	$ 1,757	$ 70,918	$ 100,000	$ 172,675

The balance of $68,984 due to the Adult Education fund from the General fund resulted from overpayment of revenue share to the General Fund. The balance of $100,000 due to the Non-Major Governmental Funds from the Building fund resulted from a transfer for deferred maintenance. The balance of $1,571 and $1,931 due to the General fund and Adult Education fund Funds, respectively, from the Non-Major Governmental funds resulted from reimbursable payments. All these balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the Building Fund transferred to the Deferred Maintenance Fund for the required match in the amount of $100,000 and the General Fund transferred to the Adult Education Fund for reimbursements in the amount of $26,352.

Note 8 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Adult Education Fund	Building Fund	Total
Vendor payables	$ 248,243	$ 9,031	$ 100,961	$ 358,235
Salaries and benefits	188,611	30,897	-	219,508
Total	$ 436,854	$ 39,928	$ 100,961	$ 577,743

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund
State categorical aid	$ 1,516,275
Other local	5,969
Total	$ 1,522,244

Note 10 - Long-Term Liabilities

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Leases payable	$ 69,009	$ -	$ (25,544)	$ 43,465	$ 25,917
Compensated absences	162,399	215,932	(210,753)	167,578	125,684
Total	$ 231,408	$ 215,932	$ (236,297)	$ 211,043	$ 151,601

The compensated absences will be paid by the fund for which the employee worked. The leases payable will be paid by the General fund.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $167,578.

Leases Payable

The District entered an agreement to lease copiers for five years, beginning March 1, 2019, with one successive term of one year. The one successive term is deemed reasonably certain not to be exercise, the total term is five years with maturity date of February 29, 2024. Under the terms of the lease, the District paid the monthly payments of $2,209, which amounted to total principal and interest costs of $69,009 and $1,679, respectively at July 1, 2001. The annual interest rate charged on the lease is 1.87%. At June 30, 2022, the District has recognized a right-to-use asset of $43,130 and a lease liability of $43,465 related to this agreement. During the fiscal year, the District recorded $25,879 in amortization expense and $964 in interest expense for the right-to-use of the copiers.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 25,917	$ 591	$ 26,508
2024	17,549	123	17,672
Total	$ 43,466	$ 714	$ 44,180

Note 11 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the followings:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Credit)
$ 2,298,827	$ 2,643,816	$ 1,699,728	$ (165,649)

Plan Administration

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

The California Public Employees' Retirement System (CalPERS) administers the Metropolitan Education District's Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for CalPERS can be found on the CalPERS website at: https://www.calpers.ca.gov.

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	53
Active employees	89
Total	142

Benefits Provided

The District provides 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. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

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. 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 $65,971 representing premium payments on behalf of retired employees.

Total OPEB Liability of the District

The District's total OPEB liability of $2,298,827 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3%, average, including inflation
Discount rate	2.45% as of June 30, 2020; 6% as of June 30, 2021
Healthcare cost trend rates	4% for the PEMHCA and CalPERS to increase to 5% per year
Retirees' share of benefit-related costs	70% of projected health insurance premiums for retirees

The discount rate was based on the Fidelity General Obligation AA Index. Beginning June 30, 2021, the discount rate has been set at 6.00% to reflect the long-term expected rate of return on the investments in the CalPERS CERBT trust.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to future years using Scale AA to reflect anticipated improvements in life expectancy in future years. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	$ 3,647,375
Service cost	151,492
Interest	88,553
Changes of assumptions or other inputs	(1,522,622)
Benefit payments	(65,971)
Net change in total OPEB liability	(1,348,548)
Balance, June 30, 2022	$ 2,298,827

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums to increase 4% per year and CalPERS medical premiums to increase 5% per year.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.45% in 2020 to 6.00% in 2021.

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

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

Discount Rate	Total OPEB Liability
1% decrease (5%)	$ 2,619,127
Current discount rate (6%)	2,298,827
1% increase (7%)	2,035,311

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (4%)	$ 2,014,133
Current healthcare cost trend rate (5%)	2,298,827
1% increase (6%)	2,644,071

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

For the year ended June 30, 2022, the District recognized OPEB credit of $123,802. At June 30, 2022, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $2,071,180. At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 2,071,180	$ -
Differences between expected and actual experience	78,690	370,483
Changes of assumptions	493,946	1,329,245
Total	$ 2,643,816	$ 1,699,728

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the /total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (363,847)
2022	(363,847)
2023	(363,847)
2024	(97,022)
2025	38,828
Thereafter	22,643
Total	$ (1,127,092)

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Leases receivable	-	-	159,112	-	159,112
Prepaid expenditures	11,732	6,776	-	-	18,508
Total nonspendable	31,732	6,776	159,112	-	197,620
Restricted					
Legally restricted programs	1,327,244	-	-	-	1,327,244
Adult education	-	2,515,508	-	-	2,515,508
Capital projects	-	-	2,795,159	395,754	3,190,913
Total restricted	1,327,244	2,515,508	2,795,159	395,754	7,033,665
Committed					
Apprenticeship training	2,260,102	-	-	-	2,260,102
Deferred maintenance program	-	-	-	263,320	263,320
Total committed	2,260,102	-	-	263,320	2,523,422
Assigned					
STRS/PERS rate increase	750,000	-	-	-	750,000
Deferred maintenance	1,350,000	-	-	-	1,350,000
Health care cost increase	600,000	-	-	-	600,000
OPEB contribution	2,000,000	-	-	-	2,000,000
Total assigned	4,700,000	-	-	-	4,700,000
Unassigned					
Reserve for economic uncertainties	685,257	-	-	-	685,257
Remaining unassigned	8,283,463	-	-	-	8,283,463
Total unassigned	8,968,720	-	-	-	8,968,720
Total	$ 17,287,798	$ 2,522,284	$ 2,954,271	$ 659,074	$ 23,423,427

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 3,890,256	$ 1,739,414	$ 3,959,050	$ 161,929
CalPERS	3,815,894	1,186,558	1,971,651	145,702
Total	$ 7,706,150	$ 2,925,972	$ 5,930,701	$ 307,631

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $673,799.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 3,890,256
State's proportionate share of the net pension liability	1,957,426
Total	$ 5,847,682

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0085% and 0.0078%, resulting in a net increase in the proportionate share of 0.0007%.

For the year ended June 30, 2022, the District recognized pension expense of $161,929. In addition, the District recognized pension expense and revenue of $66,971 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 673,799	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	504,662	467,753
Differences between projected and actual earnings on pension plan investments	-	3,077,293
Differences between expected and actual experience in the measurement of the total pension liability	9,745	414,004
Changes of assumptions	551,208	-
Total	$ 1,739,414	$ 3,959,050

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

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

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2023	$	(781,448)
2024		(714,770)
2025		(732,507)
2026		(848,568)
Total	$	(3,077,293)

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

Year Ended June 30,		Deferred Outflows/(Inflows) of Resources
2023	$	136,655
2024		165,221
2025		(117,072)
2026		(61,488)
2027		33,720
Thereafter		26,822
Total	$	183,858

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 7,919,170
Current discount rate (7.10%)	3,890,256
1% increase (8.10%)	546,335

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were $748,116.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $3,815,894. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0188% and 0.0177%, resulting in a net increase in the proportionate share of 0.0011%.

For the year ended June 30, 2022, the District recognized pension expense of $145,702. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 748,116	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	324,528	498,228
Differences between projected and actual earnings on pension plan investments	-	1,464,427
Differences between expected and actual experience in the measurement of the total pension liability	113,914	8,996
Total	$ 1,186,558	$ 1,971,651

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (367,278)
2024	(337,745)
2025	(352,120)
2026	(407,284)
Total	$ (1,464,427)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (121,935)
2024	(44,989)
2025	87,962
2026	10,180
Total	$ (68,782)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

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 the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

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 the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 6,434,133
Current discount rate (7.15%)	3,815,894
1% increase (8.15%)	1,642,194

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $549,785 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2022, the District had no commitments with respect to the unfinished capital projects.

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Santa Clara County Schools Insurance Group (SCCSIG), South Bay Area Schools Insurance Authority (SBASIA), and the CSAC Excess Insurance Authority (EIA) public entity risk pools. The District pays an annual premium to the applicable entity for its excess liability coverage, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

Note 16 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District discovered in the current year that certain account balances were understated. The District discovered that the cash held by agent collecting lease revenues was not recorded as an asset in the fund balance of the building fund and net position. The District, also discovered that the deferred outflows and inflows of resources related to pensions were understated.

Additionally, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 31,612,367
Right-to-use intangible asset, net of amortization	69,009
Lease liability	(69,009)
Leases receivables	6,596,741
Deferred inflows of resources related to leases	(6,596,741)
Increase in capital assets not being depreciated	24,430
Increase in capital assets being depreciated	352,035
Adjustment for recognition of cash held by agent	780,679
Adjustment for change in deferred outflows and inflows of resources related to pensions	614,082
Net Position - Beginning as Restated	$ 33,383,593
Building Fund	
Fund Balance - Beginning	$ 1,666,533
Leases receivable	6,596,741
Deferred inflows of resources related to leases	(6,596,741)
Adjustment for recognition of cash held by agent	780,679
Fund Balance - Beginning as Restated	$ 2,447,212

Required Supplementary Information
June 30, 2022

Metropolitan Education District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Other State sources	$ 1,743,559	$ 5,539,920	$ 3,430,135	$ (2,109,785)
Other local sources	12,445,759	12,226,109	11,632,707	(593,402)
Total revenues	14,189,318	17,766,029	15,062,842	(2,703,187)
Expenditures				
Current				
Certificated salaries	3,220,079	3,648,975	3,044,516	604,459
Classified salaries	2,498,284	2,801,046	2,518,360	282,686
Employee benefits	3,522,225	3,611,458	3,162,733	448,725
Books and supplies	860,718	1,345,451	773,232	572,219
Services and operating expenditures	3,414,299	3,984,956	3,348,615	636,341
Other outgo	(165,462)	(193,671)	(191,450)	2,221
Capital outlay	389,675	1,048,061	223,591	824,470
Total expenditures	13,739,818	16,246,276	12,905,141	3,345,577
Excess (Deficiency) of Revenues Over Expenditures	449,500	1,519,753	2,157,701	637,948
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Other sources	-	-	-	-
Transfers out	-	-	(26,352)	(26,352)
Other uses	-	-	-	-
Net financing sources (uses)	-	-	(26,352)	(26,352)
Net Change in Fund Balances	449,500	1,519,753	2,131,349	611,596
Fund Balance - Beginning	15,156,449	15,156,449	15,156,449	-
Fund Balance - Ending	$ 15,605,949	$ 16,676,202	$ 17,287,798	$ 611,596

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 285,208	$ 300,362	$ 297,691	$ (2,671)
Other State sources	2,906,209	3,015,747	3,053,141	37,394
Other local sources	779,900	733,947	605,271	(128,676)
Total revenues	3,971,317	4,050,056	3,956,103	(93,953)
Expenditures				
Current				
Certificated salaries	1,508,708	1,418,649	1,271,185	147,464
Classified salaries	615,960	625,732	618,955	6,777
Employee benefits	1,268,443	1,277,163	1,095,071	182,092
Books and supplies	146,271	133,777	64,965	68,812
Services and operating expenditures	229,373	305,656	251,831	53,825
Other outgo	165,462	193,671	165,906	27,765
Capital Outlay	8,600	6,100	-	6,100
Total expenditures	3,942,817	3,960,748	3,467,913	492,835
Excess (Deficiency) of Revenues Over Expenditures	28,500	89,308	488,190	(586,788)
Other Financing Sources (Uses)				
Transfers in	-	-	26,352	26,352
Net Change in Fund Balances	28,500	89,308	514,542	425,234
Fund Balance - Beginning	2,007,742	2,007,742	2,007,742	2,007,742
Fund Balance - Ending	$ 2,036,242	$ 2,097,050	$ 2,522,284	$ 425,234

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 151,492	$ 137,081	$ 119,032	$ 164,182	$ 185,089
Interest	88,553	110,901	116,779	105,353	90,028
Difference between expected and actual experience	-	(588,415)	-	144,266	-
Changes of assumptions	(1,522,622)	523,796	249,051	(28,475)	(341,395)
Benefit payments	(65,971)	(158,300)	(176,975)	(60,525)	(54,506)
Net change in total OPEB liability	(1,348,548)	25,063	307,887	324,801	(120,784)
Total OPEB Liability - Beginning	3,647,375	3,622,312	3,314,425	2,989,624	3,110,408
Total OPEB Liability - Ending	$ 2,298,827	$ 3,647,375	$ 3,622,312	$ 3,314,425	$ 2,989,624
Covered Payroll	$ 7,463,217	$ 7,290,570	$ 7,435,261	$ 7,318,513	$ 8,326,608
Total OPEB Liability as a Percentage of Covered Payroll	30.80%	50.03%	48.72%	45.29%	35.90%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 65,971	$ 158,300	$ 176,975	$ 60,525	$ 54,506
Contribution in relation to the actuarially determined contribution	(65,971)	(158,300)	(176,975)	(60,525)	(54,506)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 7,290,570	$ 7,435,261	$ 7,318,513	$ 8,326,608	$ 7,592,738
Contributions as a percentage of covered payroll	0.90%	2.13%	2.42%	0.73%	0.72%

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0085%	0.0078%	0.0077%	0.0084%	0.0088%	0.0086%	0.0103%	0.0103%
Proportionate share of the net pension liability	$ 3,890,256	$ 7,606,286	$ 6,987,033	$ 7,679,823	$ 8,176,925	$ 6,976,328	$ 6,923,065	$ 6,012,681
State's proportionate share of the net pension liability	1,957,426	3,921,041	3,811,893	4,397,058	4,837,400	3,971,499	3,661,538	3,630,717
Total	$ 5,847,682	$ 11,527,327	$ 10,798,926	$ 12,076,881	$ 13,014,325	$ 10,947,827	$ 10,584,603	$ 9,643,398
Covered payroll	$ 4,575,981	$ 4,184,041	$ 4,164,595	$ 4,471,712	$ 4,220,580	$ 4,468,835	$ 4,566,509	$ 4,718,149
Proportionate share of the net pension liability as a percentage of its covered payroll	85.01%	181.79%	167.77%	171.74%	193.74%	156.11%	151.61%	127.44%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.0188%	0.0177%	0.0201%	0.0235%	0.0254%	0.0234%	0.0268%	0.0345%
Proportionate share of the net pension liability	$ 3,815,894	$ 5,443,288	$ 5,855,457	$ 6,257,134	$ 6,062,256	$ 4,622,758	$ 3,038,860	$ 3,922,176
Covered payroll	$ 3,358,560	$ 3,153,197	$ 3,507,336	$ 4,114,043	$ 4,548,243	$ 4,242,163	$ 4,301,453	$ 3,620,801
Proportionate share of the net pension liability as a percentage of its covered payroll	113.62%	172.63%	166.95%	152.09%	133.29%	108.97%	70.65%	108.32%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 673,799	$ 739,021	$ 715,471	$ 677,996	$ 645,268	$ 656,749	$ 479,506	$ 405,506
Less contributions in relation to the contractually required contribution	673,799	739,021	715,471	677,996	645,268	656,749	479,506	405,506
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,982,264	$ 4,575,981	$ 4,184,041	$ 4,164,595	$ 4,471,712	$ 5,220,580	$ 4,468,835	$ 4,566,509
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 748,116	$ 695,222	$ 621,842	$ 633,495	$ 638,952	$ 631,660	$ 502,569	$ 506,324
Less contributions in relation to the contractually required contribution	748,116	695,222	621,842	633,495	638,952	631,660	502,569	506,324
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,265,456	$ 3,358,560	$ 3,153,197	$ 3,507,336	$ 4,114,043	$ 4,548,243	$ 4,242,163	$ 4,301,453
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

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

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

- *Changes of Assumptions* – For the measurement period ended June 30, 2021 the discount rate changed from 3.62% to 6.00% to reflect the $2 million contribution to CalPERS CERBT. For the measurement period ended June 30, 2020 the discount rate changed from 3.62% to 2.45% to reflect the change in the Fidelity General Obligation AA index.

Schedule of the District's Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions for Pension

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2022

Metropolitan Education District

ORGANIZATION

The Metropolitan Education District is located in Santa Clara County. The District operates one high school established in 1917, and one adult education program established in 1883. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	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

NAME	TITLE
Alyssa Lynch	Superintendent
Dorothy Reconose	Chief Business Officer

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Special Reserve Other than Capital Outlays Fund	Building Fund
Fund Balance			
Balance, june 30, 2022, unaudited actuals	$ 12,890,918	$ 4,396,880	$ 1,989,115
The Special reserve other than capital outlay fund is combined with the general fund in the audit report	4,396,880	(4,396,880)	-
Adjustment for recognition of cash held by agent	-	-	965,156
Balance, June 30, 2022, Audited financial statements	$ 17,287,798	$ -	$ 2,954,271

	(Budget) 2023 [1]	2022	2021 [1]	2020 [1]
General Fund				
Revenues	$ 15,935,065	$ 15,062,842	$ 13,493,349	$ 14,946,521
Total revenues and other sources	15,935,065	15,062,842	13,493,349	14,946,521
Expenditures	16,414,561	12,905,141	12,219,298	12,195,263
Other uses and transfers out	-	26,352	-	-
Total expenditures and other uses	16,414,561	12,931,493	12,219,298	12,195,263
Increase/(Decrease) in Fund Balance	(479,496)	2,131,349	1,274,051	2,751,258
Ending Fund Balance	$ 16,808,302	$ 17,287,798	$ 15,156,449	$ 13,882,398
Available Reserves [2]	$ 8,948,738	$ 8,968,720	$ 3,259,824	$ 4,500,402
Available Reserves as a Percentage of Total Outgo	54.52%	69.36%	26.68%	36.90%
Long-Term Liabilities	$ 10,064,420	$ 10,216,020	$ 16,859,348	$ 17,876,939
K-12 Average Daily Attendance at P-2	N/A	N/A	N/A	N/A

The General Fund balance has increased by $3,405,400 over the past two years. The fiscal year 2022-2023 budget projects a decrease of $479,496. 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 incurred operating surpluses in all of the past three years and anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $7,660,919 over the past two years.

[1] Budget 2023, 2021 and 2020 are included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ 162,901	$ 373,825	$ 24,595	$ 561,321
Receivables	419	962	63	1,444
Due from other funds	100,000	-	-	100,000
Total assets	$ 263,320	$ 374,787	$ 24,658	$ 662,765
Liabilities and Fund Balances				
Liabilities				
Due to other funds	$ -	$ -	$ 3,691	$ 3,691
Fund Balances				
Restricted	-	374,787	20,967	395,754
Committed	263,320	-	-	263,320
Total fund balances	263,320	374,787	20,967	659,074
Total liabilities and fund balances	$ 263,320	$ 374,787	$ 24,658	$ 662,765

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues				
Other local sources	$ (2,930)	$ (6,721)	$ (437)	$ (10,088)
Expenditures				
Current	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	(2,930)	(6,721)	(437)	(10,088)
Other Financing Sources (Uses)				
Transfers in	100,000	-	-	100,000
Net Change in Fund Balances	97,070	(6,721)	(437)	89,912
Fund Balance - Beginning	166,250	381,508	21,404	569,162
Fund Balance - Ending	$ 263,320	$ 374,787	$ 20,967	$ 659,074

Note 1 - Purpose of Schedules

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Independent Auditor's Reports
June 30, 2022

Metropolitan Education District

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

To the Governing Board
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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Metropolitan Education District's basic financial statements and have issued our report thereon dated February 8, 2023.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Metropolitan Education District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and Building Fund balance as of July 1, 2021. Our opinions are not modified with respect to this matter.

Corrections of Errors

As discussed in Note 16 to the financial statements, certain errors resulting in an understatement of amounts previously reported for cash held by agent, deferred outflows and inflows of resources related to pensions, and capital asset related accounts as of June 30, 2021 , were discovered by management of the Metropolitan Education District during the current year. Accordingly, a restatement has been made to the building fund balance and governmental activities net position as of July 1, 2021, to correct the errors. Our opinions are not modified with respect to that matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metropolitan Education 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 Metropolitan Education District's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Education District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2022-001 and 2022-002 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Education 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*.

The District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of financial statement findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
February 8, 2023

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Governing Board
Metropolitan Education District
San Jose, California

Report on State Compliance

Opinion on State Compliance

We have audited Metropolitan Education District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratios of Administrative Employees to Teachers	Not applicable

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Not applicable
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Not applicable
Unduplicated Local Control Funding Formula Pupil Counts	Not applicable
Local Control and Accountability Plan	Not applicable
Independent Study - Course Based	Not applicable
Immunizations	Not applicable
Educator Effectiveness	Not applicable
Expanded Learning Opportunities Grant (ELO-G)	Not applicable
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Not applicable
Charter Schools	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
Annual Instructional Minutes - Classroom Based	Not applicable
Charter School Facility Grant Program	

Compliances related to Attendance, Teacher Certification and Misassignments, kindergarten Continuance, Independent Study, Continuation Education, Instruction Time, Instruction materials, Ratios of Administrative Employees to Teachers Classroom Teacher salaries, Early Retirement Incentive, GANN Limit Calculation, School Accountability Report Card, Juvenile Court Schools Middle or Early College High Schools, K-3 Grade Span Adjustment, transportation maintenance of Effort, Comprehensive School Safety Plan, District of Choice are not applicable to the District, California Clean Energy Jobs Act, After/Before School Education and Safety Program, Proper Expenditure of Education Protection Account Funds, Unduplicated Local Control Funding Formula Pupil Counts, Local Control and Accountability Plan, Independent Study – Course Based, Immunizations, Educator effectiveness, Expanded Learning Opportunities Grant, In Person Instruction Grant, and all compliances specific to charter schools are not applicable to the District; therefore, we did not perform procedures related to these compliances.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
February 8, 2023

Schedule of Findings and Questioned Costs
June 30, 2022

Metropolitan Education District

Financial Statements

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

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified no considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001 Code 30000 - Material Weakness of Internal Control over Financial Reporting

Criteria

Management's responsibilities include 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.

Questioned costs

Not applicable.

Condition

The prior year financial statements contained several errors that were discovered during the current year. Adjustments were necessary for the District's financial statements to comply with generally accepted accounting principles for governmental entities (GAAP).

Context

During our audit, we noted below errors:

- The beginning balances related capital asset accounts do not agreed to prior year's ending audit balances, resulted in understated both net beginning capitalized assets balance by $376,465.
- The beginning balance of deferred inflows of resources related to pensions were overstated by $477,905, and deferred outflows of resources related pensions were understated by $136,177.
- A bank account that was used to collect rental revenues, pay for property maintenance costs, and was held by the third-party property management, Borelli Investment Company, was not included in the District's financial statements, resulting understated cash balance as of June 30, 2021 by $780,679 and understated cash balances of $965,156 as of June 30, 2022. In addition, the error resulted understated Plant Maintenance and Operations expenditures by $97,169 and understated Leases and Rentals Revenues by $281,646.

Effect

The above-mentioned errors resulted Government-wide beginning net position understated by $1,771,227 and Building Fund beginning fund balances understated by $780,679.
($376,465 + $477,905 + $136,177 + $780,679 = $1,771,226).

The omission of the bank account also resulted in understated change in net position and fund balance by $184,477 in the Statement of Activities and the Building Fund, respectively.
($281,646 - $97,169 = $184,477).

Repeat Finding

No

Recommendation

We recommend that management performs an evaluation and review all activities of the district including conversion entries to ensure its financial statements are in accordance with GAAP.

View of Responsible Officials

The District agreed with the finding and the accompanying financial statements reflected these changes.

2022-002 Code 30000 - Material Weakness in Internal Control over Financial Reporting, Financial Statement Preparation

Criteria

Management of the District is responsible for establishing and maintaining internal control, and for the fair presentation of the financial statements and related financial statement disclosures being audited.

Questioned costs

Not applicable.

Condition

In conjunction with the completion of the audit, we were requested to draft the financial statements and the accompanying notes thereto. Management reviewed, approved, and accepted responsibility for the financial statements and notes prior to their issuance.

Context

The District had limited staff trained to prepare full disclosure financial statements, including related footnotes.

Effect

Reliance on the external auditors to prepare the financial statements and disclosures is considered to be a material weakness because actions by our Firm cannot be considered to be part of the District's internal control.

Repeat Finding

No

Recommendation

These circumstances are not unusual in an organization of this size. It is the responsibility of management and those changed with governance to make the decision whether to accept the risk associated with this condition because of cost or other considerations.

View of Responsible Officials

Agreed.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.