

# **Metropolitan Education District**

**County of Santa Clara**

**San Jose, California**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS**

**June 30, 2020**

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# Metropolitan Education District

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**Metropolitan Education District**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District (the District) as of and for the year ended June 30, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

***Required Supplementary Information*** Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedules, and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information*** Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 66 to 69 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 67 to 69 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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

### **Other Reporting Required by *Government Auditing Standards***

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

DATE  
Chico, California

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**FINANCIAL SECTION**

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**Required Supplementary Information**

## **INTRODUCTION**

An overview of the Metropolitan Education District's (the District) financial activities for the fiscal year ended June 30, 2020, is provided in this discussion and analysis of the District's financial performance. This management's discussion and analysis should be read in conjunction with the District's financial statements (including notes and supplementary information).

## **USING THIS ANNUAL REPORT**

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

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

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

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

## **FINANCIAL HIGHLIGHTS**

Overall revenues as reported on the statement of activities were \$19,106,486. Overall revenues exceeded expenses by \$1,112,602.

Total net position as reported on the statement of net position was \$31,638,341, an increase of 3.6% from the previous year. The General Fund reported a total fund balance of \$13,675,544.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **Government-Wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two types of funds:

#### **Governmental Funds**

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

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

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

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

**Fiduciary Funds**

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net position reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the District to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

As shown in the table on the following page, the District's net position as of June 30, 2020, was \$31,368,341. Of this amount, \$57,806 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board of Trustees' ability to use the net position for day-to-day operations. All District net position is the result of governmental activities.

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

June 30	Governmental Activities		Percentage
	2019	2020	Change 2019-20
<b>ASSETS</b>			
Cash and investments	\$ 15,524,022	\$ 17,848,928	15.0%
Receivables	394,644	198,616	-49.7%
Due from other governments	537,347	443,181	-17.5%
Prepaid expenses	7,232	25,312	250.0%
Restricted cash and investments	969,888	997,035	2.8%
Capital assets not depreciated	10,448,836	10,572,004	1.2%
Capital assets - net of accumulated depreciation	20,546,524	19,358,682	-5.8%
<b>TOTAL ASSETS</b>	<b>48,428,493</b>	<b>49,443,758</b>	<b>2.1%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for OPEB	160,878	355,250	120.8%
Deferred outflows of resources for pensions	4,014,119	3,199,150	-20.3%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,174,997</b>	<b>3,554,400</b>	<b>-14.9%</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,572,840	507,341	-67.7%
Advances from grantors	38,425	274,180	613.5%
Long-term obligations:			
Due within one year	-	1,000,000	N/A
Due beyond one year	18,063,883	16,876,939	-6.6%
<b>TOTAL LIABILITIES</b>	<b>19,675,148</b>	<b>18,658,460</b>	<b>-5.2%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for OPEB	288,152	245,675	-14.7%
Deferred inflows of resources for pensions	2,114,451	2,455,682	16.1%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,402,603</b>	<b>2,701,357</b>	<b>12.4%</b>
<b>NET POSITION</b>			
Net investment in capital assets	29,995,360	28,930,686	-3.5%
Restricted for capital projects	1,779,683	1,718,995	-3.4%
Restricted for educational programs	960,477	930,854	-3.1%
Unrestricted	(2,209,781)	57,806	102.6%
<b>TOTAL NET POSITION</b>	<b>\$ 30,525,739</b>	<b>\$ 31,638,341</b>	<b>3.6%</b>

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

**CHANGES IN NET POSITION**

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

Total revenues were \$19,106,486. Interagency revenue accounted for most of the District's revenue, representing approximately 64.96% of all revenue. Another 26.51% came from operating grants and contributions, and the remaining 8.53% came from interest and investment earnings, and other revenue.

The total cost of all programs and services decreased 8.7% to \$17,993,884. Revenues exceeded the District's expenses for the year by \$1,112,602. The District's expenses are primarily related to educating and caring for students (79.5%). Maintenance and operations account for 12.6% of the total costs. The remaining 7.9% is for interest and other expenses.

Years Ended June 30	Governmental Activities		Percentage Change 2019-20
	2019	2020	
<b>REVENUES</b>			
<b>Program Revenues</b>			
Operating grants and contributions	\$ 6,900,474	\$ 5,064,940	-26.6%
<b>General Revenues</b>			
Interest and investment earnings	327,107	484,244	48.0%
Interagency revenues	14,085,653	12,411,716	-11.9%
Miscellaneous	1,283,250	1,145,586	-10.7%
<b>TOTAL REVENUES</b>	<b>22,596,484</b>	<b>19,106,486</b>	<b>-15.4%</b>
<b>EXPENSES</b>			
Instruction	8,050,142	8,074,153	0.3%
Instruction-related services	6,911,228	5,096,083	-26.3%
Pupil services	1,222,341	1,138,350	-6.9%
Plant services	2,235,671	2,274,268	1.7%
General administration	1,267,952	1,389,780	9.6%
Interest on long-term debt	19,500	19,500	0.0%
Other	1,750	1,750	0.0%
<b>TOTAL EXPENSES</b>	<b>19,708,584</b>	<b>17,993,884</b>	<b>-8.7%</b>
<b>Change in Net Position</b>	<b>\$ 2,887,900</b>	<b>\$ 1,112,602</b>	<b>61.5%</b>

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

The District's total expenses were \$17,993,884; however, the net cost for these activities was \$12,928,944 after costs were paid by those who benefited from the programs and amounts paid by other governments and organizations who subsidized certain programs with grants and contributions.

Years Ended June 30	Total Cost of Services		Percentage Change 2019-20
	2019	2020	
Instruction	\$ 8,050,142	\$ 8,074,153	0.3%
Instruction-related services	6,911,228	5,096,083	-26.3%
Pupil services	1,222,341	1,138,350	-6.9%
Plant services	2,235,671	2,274,268	1.7%
General administration	1,267,952	1,389,780	9.6%
Interest on long-term debt	19,500	19,500	0.0%
Other outgo	1,750	1,750	0.0%
<b>Totals</b>	<b>\$ 19,708,584</b>	<b>\$ 17,993,884</b>	<b>-8.7%</b>

Years Ended June 30	Net Cost of Services		Percentage Change 2019-20
	2019	2020	
Instruction	\$ 5,400,044	\$ 5,506,574	-2.0%
Instruction-related services	3,130,100	3,181,069	1.6%
Pupil services	1,174,182	976,500	-16.8%
Plant services	2,006,661	2,100,711	4.7%
General administration	1,075,873	1,142,840	6.2%
Interest on long-term debt	19,500	19,500	0.0%
Other outgo	1,750	1,750	0.0%
<b>Totals</b>	<b>\$ 12,808,110</b>	<b>\$ 12,928,944</b>	<b>0.9%</b>

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Funds**

The District's governmental funds reported a combined fund balance of \$18,731,551, an increase of \$2,909,683 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2019	2020	
General	\$ 10,924,286	\$ 13,675,544	\$ 2,751,258
Adult Education	1,963,477	1,862,352	(101,125)
Deferred Maintenance	13,940	70,179	56,239
Building	1,548,953	1,718,995	170,042
Special Reserve Capital Projects	1,000,834	1,026,828	25,994
County School Facilities	370,378	377,653	7,275
<b>Totals</b>	<b>\$ 15,821,868</b>	<b>\$ 18,731,551</b>	<b>\$ 2,909,683</b>

The increase in the General Fund is due primarily to a reduction of expenditures for salaries and benefits, as well as classroom related materials and supplies due to COVID-19 and the implementation of distance learning from March through June 2020.

The decrease in the Adult Education Fund is mainly due to ongoing increase in operational costs.

The increase in the Building Fund is due to increased revenue from the District's commercial properties.

**General Fund Budgetary Highlights**

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

The District's June 2019 adopted budget projected that General Fund expenditures and other financing uses would exceed revenues and other financing sources by \$206,360. However, upon closing the books for 2019/20 actual revenues exceeded expenditures by \$2,751,258 yielding an increase in ending fund balance of \$828,779 over final budgeted amount. This significant increase was due primarily to:

- An increase in revenue of approximately \$1.89 million
- A reduction in salary and benefit expenditures of approximately \$1.1 million

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

**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

**Capital Assets**

The District invested \$57,444,243 in capital assets including buildings, site improvements, and equipment as of June 30, 2020.

June 30	Governmental Activities		Percentage Change 2019-20
	2019	2020	
Land	\$ 9,683,028	\$ 9,683,028	0.0%
Buildings	38,856,633	38,923,381	0.2%
Site improvements	2,218,811	2,218,811	0.0%
Equipment	5,331,359	5,730,047	7.5%
Construction in progress	765,808	888,976	16.1%
<b>Total Capital Assets</b>	<b>\$ 56,855,639</b>	<b>\$ 57,444,243</b>	<b>1.0%</b>

**Long-Term Debt**

At year end, the District had \$17,876,939 in outstanding long-term debt. Outstanding long-term debt decreased by 1.0% primarily due to a decrease in the net pension liability.

June 30	Governmental Activities		Percentage Change 2019-20
	2019	2020	
Compensated absences	\$ 139,057	\$ 173,975	25.1%
Qualified Zone Academy Bonds	1,000,000	1,000,000	0.0%
Net OPEB liability	3,314,425	3,622,312	9.3%
Net pension liability	13,610,401	13,080,652	-3.9%
<b>Total Long-Term Debt</b>	<b>\$ 18,063,883</b>	<b>\$ 17,876,939</b>	<b>-1.0%</b>

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

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were being prepared and audited, the District was not aware of any significant circumstances which could significantly affect its financial health in the near-term with the exception of JPA member districts reducing enrollment. However, in October 2020, the District received confirmation that, collectively, the six member districts would only be reducing enrollment by 63 students in the 2021/22 fiscal year as compared to 2020/21. The District experienced a decrease of 110 students in 2020/21 as compared to 2019/20. There are two primary reasons for this recent reduction in enrollment:

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

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

General fund student enrollment for 2018/19 was 1,314; funding per student was \$6,067. General fund student enrollment for funding purposes is expected to trend downward somewhat in the near-term as shown in the following projection:

Year	Enrollment	Funding
2018/19	1,314	\$6,067
2019/20	1,372	\$6,260
2020/21	1,262	\$6,621
2021/22	1,199	\$6,221

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Ron Lebs  
Business Office  
Metropolitan Education District  
760 Hillsdale Ave.  
San Jose, CA 95136

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**Basic Financial Statements**

**Metropolitan Education District**  
STATEMENT OF NET POSITION

	<b>Governmental Activities</b>
June 30, 2020	
<b>ASSETS</b>	
Cash and investments	\$ 17,848,928
Accounts receivable	198,616
Due from other governments	443,181
Prepaid expenses	25,312
Restricted cash and investments	997,035
Nondepreciated capital assets	10,572,004
Depreciated capital assets	46,872,239
Accumulated depreciation	(27,513,557)
<b>TOTAL ASSETS</b>	<b>49,443,758</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources for OPEB	355,250
Deferred outflows of resources for pensions	3,199,150
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,554,400</b>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	507,341
Advances from grantors	274,180
Long-term obligations:	
Due within one year	1,000,000
Due beyond one year	16,876,939
<b>TOTAL LIABILITIES</b>	<b>18,658,460</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources for OPEB	245,675
Deferred inflows of resources for pensions	2,455,682
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,701,357</b>
<b>NET POSITION</b>	
Net investment in capital assets	28,930,686
Restricted for capital projects	1,718,995
Restricted for educational programs	930,854
Unrestricted	57,806
<b>TOTAL NET POSITION</b>	<b>\$ 31,638,341</b>

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

**Metropolitan Education District**  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2020	Expenses	Program Revenues - Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position - Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>			
<b>Primary Government</b>			
Governmental activities:			
Instruction	\$ 8,074,153	\$ 2,567,579	\$ (5,506,574)
Instruction-related services	5,096,083	1,915,014	(3,181,069)
Pupil services	1,138,350	161,850	(976,500)
Plant services	2,274,268	173,557	(2,100,711)
General administration	1,389,780	246,940	(1,142,840)
Interest on long-term debt	19,500	-	(19,500)
Other outgo	1,750	-	(1,750)
<b>Total Governmental Activities</b>	<b>\$ 17,993,884</b>	<b>\$ 5,064,940</b>	<b>(12,928,944)</b>
<b>GENERAL REVENUES</b>			
Unrestricted investment earnings			484,244
Interagency revenues			12,411,716
Miscellaneous			1,145,586
<b>TOTAL GENERAL REVENUES</b>			<b>14,041,546</b>
<b>Change in Net Position</b>			<b>1,112,602</b>
<b>Net Position - Beginning of Year</b>			<b>30,525,739</b>
<b>Net Position - End of Year</b>			<b>\$ 31,638,341</b>

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

**Metropolitan Education District**  
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2020	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 14,163,342	\$ 1,498,188	\$ 2,187,398	\$ 17,848,928
Accounts receivable	103,226	86,168	9,222	198,616
Due from other governments	33,252	409,929	-	443,181
Due from other funds	105,982	-	-	105,982
Prepaid expenditures	9,256	16,056	-	25,312
Restricted cash and investments	-	-	997,035	997,035
<b>TOTAL ASSETS</b>	<b>\$ 14,415,058</b>	<b>\$ 2,010,341</b>	<b>\$ 3,193,655</b>	<b>\$ 19,619,054</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and other current liabilities	\$ 465,334	\$ 42,007	\$ -	\$ 507,341
Due to other funds	-	105,982	-	105,982
Advances from grantors	274,180	-	-	274,180
<b>Total Liabilities</b>	<b>739,514</b>	<b>147,989</b>	<b>-</b>	<b>887,503</b>
<b>Fund Balances</b>				
Nonspendable	29,256	16,056	-	45,312
Restricted	76,173	854,681	1,718,995	2,649,849
Committed	-	991,615	70,179	1,061,794
Assigned	11,319,914	-	1,404,481	12,724,395
Unassigned	2,250,201	-	-	2,250,201
<b>Total Fund Balances</b>	<b>13,675,544</b>	<b>1,862,352</b>	<b>3,193,655</b>	<b>18,731,551</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,415,058</b>	<b>\$ 2,010,341</b>	<b>\$ 3,193,655</b>	<b>\$ 19,619,054</b>

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

# Metropolitan Education District

## RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2020

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 18,731,551</b>
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost	\$ 57,444,243
Accumulated depreciation	(27,513,557)

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<b>Total Capital Assets - Net</b>	<b>29,930,686</b>
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	13,080,652
Total OPEB liability	3,622,312
Compensated absences	173,975
Direct borrowing - QZAB	1,000,000

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<b>Total Long-Term Liabilities</b>	<b>(17,876,939)</b>
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Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

Deferred outflows of resources relating to pensions	3,199,150
Deferred inflows of resources relating to pensions	(2,455,682)

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

Deferred outflows of resources relating to OPEB	355,250
Deferred inflows of resources relating to OPEB	(245,675)

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<b>Total Net Position - Governmental Activities</b>	<b>\$ 31,638,341</b>
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*The accompanying notes are an integral part of these financial statements.*

## Metropolitan Education District

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

Year Ended June 30, 2020	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Other state revenue	\$ 1,489,613	\$ 2,902,397	\$ -	\$ 4,392,010
Federal revenue	40,939	294,070	-	335,009
Other local revenue	13,415,969	939,162	448,218	14,803,349
<b>Total Revenues</b>	<b>14,946,521</b>	<b>4,135,629</b>	<b>448,218</b>	<b>19,530,368</b>
<b>Expenditures</b>				
Current:				
Instruction	4,960,383	2,002,336	-	6,962,719
Instruction-related services	3,175,992	1,776,786	-	4,952,778
Pupil services	1,068,986	92,197	-	1,161,183
General administration	1,070,615	183,672	-	1,254,287
Plant services	1,891,789	181,763	-	2,073,552
Other outgo	-	-	1,750	1,750
Debt service:				
Interest and other charges	-	-	19,500	19,500
Capital outlay	27,498	-	167,418	194,916
<b>Total Expenditures</b>	<b>12,195,263</b>	<b>4,236,754</b>	<b>188,668</b>	<b>16,620,685</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,751,258</b>	<b>(101,125)</b>	<b>259,550</b>	<b>2,909,683</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	-	-	100,000	100,000
Interfund transfers out	-	-	(100,000)	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,751,258</b>	<b>(101,125)</b>	<b>259,550</b>	<b>2,909,683</b>
<b>Fund Balances - Beginning of Year</b>	<b>10,924,286</b>	<b>1,963,477</b>	<b>2,934,105</b>	<b>15,821,868</b>
<b>Fund Balances - End of Year</b>	<b>\$ 13,675,544</b>	<b>\$ 1,862,352</b>	<b>\$ 3,193,655</b>	<b>\$ 18,731,551</b>

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

# Metropolitan Education District

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

Year Ended June 30, 2020

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 2,909,683
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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

Expenditures for capital outlay	\$ 588,604
Depreciation expense	(1,653,278)

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<b>Net Capital Outlay</b>	(1,064,674)
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Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

	(34,918)
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Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:

	(626,451)
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Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

	(71,038)
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<b>Change in Net Position of Governmental Activities</b>	\$ 1,112,602
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*The accompanying notes are an integral part of these financial statements.*

**Metropolitan Education District**  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2020	<b>Agency</b>
<b>ASSETS</b>	
Cash and investments	\$ 377,975
Accounts receivable	6,100
<b>TOTAL ASSETS</b>	<b>\$ 384,075</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 9,950
Due to student groups	374,125
<b>TOTAL LIABILITIES</b>	<b>\$ 384,075</b>

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

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Financial Reporting Entity**

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

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

**Basis of Presentation**

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

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

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

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

The funds of the District are described below.

**Governmental Funds**

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

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

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. County Schools Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code*, Section 17070.10).
3. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

**Fiduciary Funds**

**Agency Funds** Funds that are used to account for assets of others for whom the District acts as an agent.

1. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Sections 48930-48938).

**Major and Nonmajor Funds**

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

Major Governmental Funds:

- General Fund
- Adult Education Fund

Nonmajor Governmental Funds:

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

**Measurement Focus and Basis of Accounting**

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

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

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

### **Budgets and Budgetary Accounting**

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

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

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Estimates**

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

**Cash, Cash Equivalents, and Investments**

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2020, the fair value of the County pool was 100.73% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during the year ended June 30, 2020, was \$101,903. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2020, was \$101,903.

**Restricted Cash, Cash Equivalents, and Investments**

Certain restricted cash, cash equivalents, and investments are held by a fiscal agency for the future repayment of the Qualified Zone Academy Bonds (QZAB) which were issued for the purpose of providing monies to finance the modernization project at the District. Restricted cash and cash equivalents are combined with investments and displayed as restricted cash and investments.

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Accounts Receivable and Due From Other Governments**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2020. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2020. At June 30, 2020, no allowance for doubtful accounts was deemed necessary.

**Balances Due To/From Other Funds**

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

**Prepaid Expenses**

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

**Fixed Assets**

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

**Government-Wide Statements**

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

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

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

**Fund Financial Statements**

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Advances From Grantors**

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

**Long-Term Debt**

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

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

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

**Compensated Absences**

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

**Deferred Outflows/Inflows of Resources**

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

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

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**Equity Classifications**

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

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

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

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

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

*Nonspendable Fund Balance:* Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

**Revenue – Nonexchange Transactions**

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

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

**Expenditures and Expenses**

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

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

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

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

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

**Pensions**

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

**Interfund Transfers**

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

**2. CASH AND INVESTMENTS**

The following is a summary of cash and investments:

June 30, 2020	Maturities	Fair Value
Deposits (1)	\$	40,964
<b>Investments That Are Not Securities (2)</b>		
County treasurer's investment pool	17.01 months average	18,185,939
<b>Total Cash and Investments</b>		<b>18,226,903</b>
Less: Agency fund cash and investments		377,975
<b>Total Cash and Investments Per Government-Wide Statement of Net Position</b>		<b>\$ 17,848,928</b>

(1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) **Investments That Are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Restricted Cash and Investments**

The following is a summary of restricted cash and investments with fiscal agents:

June 30, 2020	Maturity Date	Fair Value
<b>Investments That Are Not Securities (1)</b>		
Guaranteed investment contract	12/22/2020	\$ 997,035

(1) **Investments That Are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Restricted investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Credit Risk – Investments**

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

**Fair Value Measurements**

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

The District has the following recurring fair value measurements as of June 30, 2020:

- County treasurer's investment pool of \$18,185,939 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).
- Guaranteed investment contract of \$997,035 is valued at contract value. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the District (level 3 inputs).

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
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**Concentration of Credit Risk – Investments**

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

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

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

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2020	General Fund	Adult Education Fund	Other Governmental Funds
Interest	\$ 54,930	\$ 7,309	\$ 9,222
Other	48,296	78,859	-
<b>Total</b>	<b>\$ 103,226</b>	<b>\$ 86,168</b>	<b>\$ 9,222</b>

**4. DUE FROM OTHER GOVERNMENTS**

Due from other governments consisted of the following:

June 30, 2020	General Fund	Adult Education Fund
<b>Due From</b>		
Federal government	\$ 33,252	\$ 183,481
State government	-	226,448
<b>Total</b>	<b>\$ 33,252</b>	<b>\$ 409,929</b>

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

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

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

<b>Due From Other Funds</b>	<b>Due to Other Funds</b>		
General	Adult Education	\$	105,982

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

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

**Interfund Transfers**

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

Interfund transfers are as follows:

<b>Interfund Transfer Out</b>	<b>Interfund Transfer In</b>		
Building	Deferred Maintenance	\$	100,000

Transfers are used for the following:

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

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

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

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

To transfers are inconsistent with the activities of the funds making the transfer.

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**6. CAPITAL ASSETS**

Capital assets activity is as follows:

Year Ended June 30, 2020	Beginning Balance	Additions	Deductions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Nondepreciated Capital Assets</b>				
Land	\$ 9,683,028	\$ -	\$ -	\$ 9,683,028
Construction in progress	765,808	123,168	-	888,976
<b>Total Nondepreciated Capital Assets</b>	<b>10,448,836</b>	<b>123,168</b>	<b>-</b>	<b>10,572,004</b>
<b>Depreciated Capital Assets</b>				
Buildings	38,856,633	66,748	-	38,923,381
Site improvements	2,218,811	-	-	2,218,811
Equipment	5,331,359	398,688	-	5,730,047
<b>Total Depreciated Capital Assets</b>	<b>46,406,803</b>	<b>465,436</b>	<b>-</b>	<b>46,872,239</b>
<b>Totals at Historical Cost</b>	<b>56,855,639</b>	<b>588,604</b>	<b>-</b>	<b>57,444,243</b>
<b>Less: Accumulated Depreciation</b>				
Buildings	20,629,295	1,252,193	-	21,881,488
Site improvements	1,204,366	110,968	-	1,315,334
Equipment	4,026,618	290,117	-	4,316,735
<b>Total Accumulated Depreciation</b>	<b>25,860,279</b>	<b>1,653,278</b>	<b>-</b>	<b>27,513,557</b>
<b>Total Depreciated Capital Assets - Net</b>	<b>20,546,524</b>	<b>(1,187,842)</b>	<b>-</b>	<b>19,358,682</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS - NET</b>	<b>\$ 30,995,360</b>	<b>\$ (1,064,674)</b>	<b>\$ -</b>	<b>\$ 29,930,686</b>

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2020	
<b>Governmental Activities</b>	
Instruction	\$ 1,632,329
School site administration	18,255
Plant services	2,694
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,653,278</b>

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

**7. ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

June 30, 2020	<b>General Fund</b>		<b>Adult Education Fund</b>	
Vendors	\$	276,472	\$	40,241
Salaries and benefits		188,859		1,766
Other		3		-
<b>Total</b>	<b>\$</b>	<b>465,334</b>	<b>\$</b>	<b>42,007</b>

**8. DIRECT BORROWING – QUALIFIED ZONE ACADEMY BONDS**

On December 1, 2005, the District issued Qualified Zone Academy Bonds (QZAB). The bonds required an initial cash contribution of \$697,865 to be deposited with a fiscal agent. Interest is payable annually on December 22. The current balance of deposits with the fiscal agent at June 30, 2020, is \$997,035. Principal will be paid on the maturity date of December 22, 2020. The bonds were issued for the purpose of providing monies to finance the modernization project at the CCOC. The outstanding QZAB balance is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2019	Redeemed Current Year	Outstanding June 30, 2020
2006	1.95%	2021	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000

The amount of interest cost incurred during the year ended June 30, 2020, was \$19,500, all of which was charged to expenses.

The annual requirements to amortize the QZAB payable are as follows:

Year Ending June 30	<b>Principal</b>		<b>Interest</b>		<b>Total</b>	
2021	\$	1,000,000	\$	19,500	\$	1,019,500

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**9. OPERATING LEASES**

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

Year Ending June 30	<b>Lease Payments</b>	
2021	\$	26,508
2022		26,508
2023		26,508
2024		17,672
<b>Total</b>	<b>\$</b>	<b>97,196</b>

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$44,475 for the year ended June 30, 2020.

**10. CHANGES IN LONG-TERM DEBT**

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

Year Ended June 30, 2020	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
Compensated absences	\$ 139,057	\$ 34,918	\$ -	\$ 173,975	\$ -
Direct Borrowing - QZAB	1,000,000	-	-	1,000,000	1,000,000
Total OPEB liability	3,314,425	307,887	-	3,622,312	-
Net pension liability	13,610,401	-	529,749	13,080,652	-
<b>Total</b>	<b>\$ 18,063,883</b>	<b>\$ 342,805</b>	<b>\$ 529,749</b>	<b>\$ 17,876,939</b>	<b>\$ 1,000,000</b>

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**11. FUND BALANCES COMPONENTS**

Fund balances are composed of the following:

June 30, 2020	General Fund		Adult Education Fund	Other Governmental Funds	
<b>Nonspendable</b>					
Reserved for:					
Revolving cash	\$	20,000	\$	-	\$ -
Prepaid expenditures		9,256		16,056	-
<b>Total Nonspendable</b>	<b>\$</b>	<b>29,256</b>	<b>\$</b>	<b>16,056</b>	<b>\$ -</b>
<b>Restricted</b>					
Restricted for:					
Capital projects	\$	-	\$	-	\$ 1,718,995
Federal and state categoricals		76,173		854,681	-
<b>Total Restricted</b>	<b>\$</b>	<b>76,173</b>	<b>\$</b>	<b>854,681</b>	<b>\$ 1,718,995</b>
<b>Committed</b>					
Committed for:					
Adult education	\$	-	\$	991,615	\$ -
Deferred maintenance		-		-	70,179
<b>Total Committed</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>991,615</b>	<b>\$ 70,179</b>
<b>Assigned</b>					
Assigned for:					
Capital projects	\$	-	\$	-	\$ 1,404,481
OPEB set-aside		950,000		-	-
Deferred maintenance		1,350,000		-	-
Required 5% reserve		603,360		-	-
CalSTRS/CalPERS employer rate increase		750,000		-	-
Long-term debt/OPEB		1,383,358		-	-
Technology		550,000		-	-
Apprenticeship training program		2,260,102		-	-
Healthcare cost increases		750,000		-	-
Furniture, equipment, and vehicle replacement		750,000		-	-
CTEIG carryover		272,052		-	-
Staff set-aside		350,000		-	-
Reserve for cash flow and declining enrollment		1,000,000		-	-
Lottery carryover		351,042		-	-
<b>Total Assigned</b>	<b>\$</b>	<b>11,319,914</b>	<b>\$</b>	<b>-</b>	<b>\$ 1,404,481</b>
<b>Unassigned</b>					
Designated for economic uncertainties	\$	603,361	\$	-	\$ -
Unassigned		1,646,840		-	-
<b>Total Unassigned</b>	<b>\$</b>	<b>2,250,201</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

**12. JOINT POWERS AUTHORITIES**

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

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

**13. COMMITMENTS AND CONTINGENCIES**

**Federal and State Allowances, Awards, and Grants**

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

**COVID-19**

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

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
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**14. RISK MANAGEMENT**

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

**15. EMPLOYEE RETIREMENT SYSTEMS**

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

**Summary**

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

June 30, 2020	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 7,225,280	\$ 1,647,448	\$ 1,488,291	\$ 632,083
CalPERS School Employer Pool	5,855,372	1,551,702	967,391	1,331,681
<b>Total</b>	<b>\$ 13,080,652</b>	<b>\$ 3,199,150</b>	<b>\$ 2,455,682</b>	<b>\$ 1,963,764</b>

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

### **California State Teachers' Retirement System**

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

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

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

**Contributions** Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2019-20 was 17.10% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2020, were \$715,471.

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** At June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District, were as follows:

June 30, 2020

District's proportionate share of the net pension liability	\$ 7,225,280
State's proportionate share of the net pension liability associated with the District	3,941,904
<b>Total</b>	<b>\$ 11,167,184</b>

The District's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2020, the District's proportion was .008%.

State Teachers' Retirement Law also requires the state to contribute 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriated an additional \$2,246,000,000 from the state's General Fund for the 2018-19 fiscal year to be transferred to the Teachers' Retirement Fund to reduce school employers' contributions and unfunded liabilities for the 2019-20 and 2020-21 fiscal years. For the year ended June 30, 2020, the District recognized pension expense of \$107,849 and revenue of \$107,849 for support provided by the state. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 18,240	\$ 203,463
Net difference between projected and actual earnings on pension plan investments	-	278,265
Change in assumptions	913,737	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,006,563
District contributions subsequent to the measurement date	715,471	-
<b>Total</b>	<b>\$ 1,647,448</b>	<b>\$ 1,488,291</b>

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

The \$715,471 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	\$ (89,573)
2022	(282,508)
2023	(92,454)
2024	89,449
2025	(160,120)
Thereafter	(21,108)
<b>Total</b>	<b>\$ (556,314)</b>

**Actuarial Assumptions** The total pension liability in the June 30, 2018, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (Pension Consulting Alliance) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47%	4.80%
Private equity	13%	6.30%
Real estate	13%	3.60%
Inflation sensitive	4%	3.30%
Fixed income	12%	1.30%
Risk mitigating strategies	9%	1.80%
Cash/liquidity	2%	-0.40%
<b>Total</b>	<b>100%</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates in accordance with the rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

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

June 30, 2020	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 10,759,040	\$ 7,225,280	\$ 4,295,120

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

**California Public Employees' Retirement System**

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

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

**Contributions** Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2019-20 fiscal year was 19.721%. The District's contributions to CalPERS for the fiscal year ended June 30, 2020, were \$621,842.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2020, the District reported a net pension liability of \$5,855,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.020091%.

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
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For the year ended June 30, 2020, the District recognized pension expense of \$1,331,681. *California Government Code*, Section 20825.2 appropriated \$904,000,000 from the state's General Fund for fiscal year 2018-19 to be transferred to the Public Employees' Retirement Fund, to reduce school employers' contributions and unfunded liabilities for the 2019-20 through 2021-22 fiscal years. No amounts are recognized at the government-wide level for the year ended June 30, 2020, as the government-wide financial statements are reported based on the June 30, 2019 measurement date. Due to the timing of the state's contribution, these amounts will not be reflected in the CalPERS funded status until the June 30, 2020, measurement date. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 425,335	\$ -
Net difference between projected and actual earnings on pension plan investments	-	54,310
Change in assumptions	278,734	-
Changes in proportion and differences between District contributions and proportionate share of contributions	225,791	913,081
District contributions subsequent to the measurement date	621,842	-
<b>Total</b>	<b>\$ 1,551,702</b>	<b>\$ 967,391</b>

The \$621,842 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	\$ 348,633
2022	(219,007)
2023	(167,426)
2024	269
<b>Total</b>	<b>\$ (37,531)</b>

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

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**Actuarial Assumptions** The total pension liability in the June 30, 2018, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

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

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2020			
District's proportionate share of the net pension liability	\$ 8,440,133	\$ 5,855,372	\$ 3,711,133

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

**16. EARLY RETIREMENT INCENTIVE PROGRAM**

The District did not enter into any early retirement incentive agreements during 2019-20, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description and Benefits Provided**

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

**Employees Covered**

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

<u>June 30, 2020</u>	
Inactive plan members or beneficiaries currently receiving benefit payments	54
Active plan members	94
<b>Total</b>	<b>148</b>

**Contributions**

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees. Currently, the District's policy is to contribute to the plan on a pay-as-you-go basis. For the fiscal year ended June 30, 2020, the District contributed \$176,975 representing premium payments on behalf of retired employees.

**Total OPEB Liability**

The District's total OPEB liability for the plan is measured as the total OPEB liability, less the plan's fiduciary net position. The total OPEB liability of the plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures allowed under GASB Statement No. 75. The June 30, 2020, total OPEB liability was based on the actuarial methods and assumptions as shown below.

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	3.00%
Discount rate	3.13%
Healthcare cost trend rate	5.00%

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.13%. The discount rate is based on the value of the Fidelity General Obligation AA index at June 30, 2019.

**Changes in the Total OPEB Liability**

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

Year Ended June 30, 2020	
<b>Total OPEB Liability</b>	
Service cost	\$ 119,032
Interest	116,779
Changes of assumptions	249,051
Benefit payments - including refunds of employee contributions	(176,975)
<b>Net Change in Total OPEB Liability</b>	307,887
<b>Total OPEB Liability - Beginning of Year</b>	3,314,425
<b>Total OPEB Liability - End of Year</b>	\$ 3,622,312
Covered-employee payroll	\$ 7,435,261
District's total OPEB liability as a percentage of covered-employee payroll	48.72%

**Metropolitan Education District**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.13%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

June 30, 2020	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	\$ 4,225,596	\$ 3,622,312	\$ 3,141,221

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

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

June 30, 2020	1% Decrease (4.00%)	Health Cost Trend Rates (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 3,114,721	\$ 3,622,312	\$ 4,290,927

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$238,029. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111,478	\$ -
Change in assumptions	220,750	245,675
District contributions subsequent to the measurement date	23,022	-
<b>Total</b>	<b>\$ 355,250</b>	<b>\$ 245,675</b>

**Metropolitan Education District**  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Continued)

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The \$23,022 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2021	\$ 2,218
2022	2,218
2023	2,218
2024	2,218
2025	2,218
Thereafter	75,463
<b>Total</b>	<b>\$ 86,553</b>

**18. FUTURE GASB IMPLEMENTATION**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

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

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**Required Supplementary Information**

**Metropolitan Education District**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

Year Ended June 30, 2020	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other state revenue	\$ 245,000	\$ 1,648,159	\$ 1,489,613	\$ (158,546)
Federal revenue	22,592	40,939	40,939	-
Other local revenue	12,784,620	13,077,490	13,415,969	338,479
<b>Total Revenues</b>	<b>13,052,212</b>	<b>14,766,588</b>	<b>14,946,521</b>	<b>179,933</b>
<b>Expenditures</b>				
Certificated salaries	3,343,427	3,039,641	3,024,028	15,613
Classified salaries	2,510,890	2,279,564	2,251,076	28,488
Employee benefits	3,595,192	3,025,695	3,097,771	(72,076)
Books and supplies	666,695	1,215,838	981,280	234,558
Services and other operating	3,255,208	3,053,732	2,646,328	407,404
Capital outlay	59,116	432,460	378,452	54,008
Other outgo	(171,956)	(202,821)	(183,672)	(19,149)
<b>Total Expenditures</b>	<b>13,258,572</b>	<b>12,844,109</b>	<b>12,195,263</b>	<b>648,846</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(206,360)</b>	<b>1,922,479</b>	<b>2,751,258</b>	<b>828,779</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	-	2,260,102	-	(2,260,102)
Interfund transfers out	-	(2,260,102)	-	2,260,102
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(206,360)</b>	<b>1,922,479</b>	<b>2,751,258</b>	<b>828,779</b>
<b>Fund Balances - Beginning of Year</b>	<b>10,924,286</b>	<b>10,924,286</b>	<b>10,924,286</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 10,717,926</b>	<b>\$ 12,846,765</b>	<b>\$ 13,675,544</b>	<b>\$ 828,779</b>

See the accompanying notes to this budgetary comparison schedule.

# Metropolitan Education District

## BUDGETARY COMPARISON SCHEDULE – ADULT EDUCATION FUND

Year Ended June 30, 2020	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other state revenue	\$ 2,754,129	\$ 2,847,625	\$ 2,902,397	\$ 54,772
Federal revenue	262,875	294,070	294,070	-
Other local revenue	1,211,415	1,213,886	939,162	(274,724)
<b>Total Revenues</b>	<b>4,228,419</b>	<b>4,355,581</b>	<b>4,135,629</b>	<b>(219,952)</b>
<b>Expenditures</b>				
Certificated salaries	1,465,383	1,579,007	1,454,647	124,360
Classified salaries	627,525	567,815	560,819	6,996
Employee benefits	1,131,396	1,097,603	1,092,306	5,297
Books and supplies	254,998	915,663	699,133	216,530
Services and other operating	338,838	265,529	203,443	62,086
Capital outlay	-	42,734	42,734	-
Other outgo	171,956	202,821	183,672	19,149
<b>Total Expenditures</b>	<b>3,990,096</b>	<b>4,671,172</b>	<b>4,236,754</b>	<b>434,418</b>
<b>Net Change in Fund Balances</b>	<b>238,323</b>	<b>(315,591)</b>	<b>(101,125)</b>	<b>214,466</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,963,477</b>	<b>1,963,477</b>	<b>1,963,477</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,201,800</b>	<b>\$ 1,647,886</b>	<b>\$ 1,862,352</b>	<b>\$ 214,466</b>

See the accompanying notes to this budgetary comparison schedule.

**Metropolitan Education District**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULES

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations by the following amounts:

June 30, 2020	<b>General Fund</b>
Employee benefits	\$ 72,076
Other outgo	\$ 19,149

These excess expenditures were offset by unexpended appropriations in other categories.

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## Metropolitan Education District

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

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

See the accompanying notes to the required supplementary information.

**Metropolitan Education District**  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB

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

*See the accompanying notes to the required supplementary information.*

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## Metropolitan Education District

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

Years Ended June 30	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.008%	0.008%	0.009%	0.009%	0.010%	0.010%
District's proportionate share of the net pension liability (asset)	\$ 7,225,280	\$ 7,352,560	\$ 8,323,200	\$ 7,279,290	\$ 6,732,400	\$ 5,843,700
State's proportionate share of the net pension liability (asset) associated with the District	3,941,904	4,209,705	4,923,975	4,144,580	3,560,688	3,528,714
<b>Total</b>	<b>\$ 11,167,184</b>	<b>\$ 11,562,265</b>	<b>\$ 13,247,175</b>	<b>\$ 11,423,870</b>	<b>\$ 10,293,088</b>	<b>\$ 9,372,414</b>
District's covered-employee payroll	\$ 4,164,595	\$ 4,471,712	\$ 4,220,580	\$ 4,468,835	\$ 4,566,509	\$ 4,718,149
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.49%	164.42%	197.21%	162.89%	147.43%	123.86%
Plan fiduciary net position as a percentage of the total pension liability	72.60%	70.99%	69.00%	70.00%	74.00%	77.00%

See the accompanying notes to the required supplementary information.

## Metropolitan Education District

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

Years Ended June 30	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 715,471	\$ 677,996	\$ 645,268	\$ 656,749	\$ 479,506	\$ 405,506
Contributions in relation to the contractually required contribution	(715,471)	(677,996)	(645,268)	(656,749)	(479,506)	(405,506)
<b>Contribution Deficiency (Excess)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,164,595	\$ 4,471,712	\$ 4,220,580	\$ 4,468,835	\$ 4,566,509	\$ 4,718,149
Contributions as a percentage of covered-employee payroll	17.18%	15.16%	15.29%	14.70%	10.50%	8.59%

See the accompanying notes to the required supplementary information.

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## Metropolitan Education District

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

Years Ended June 30	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.020091%	0.023470%	0.025390%	0.023400%	0.026800%	0.034500%
District's proportionate share of the net pension liability (asset)	\$ 5,855,372	\$ 6,257,841	\$ 6,061,263	\$ 4,621,514	\$ 3,950,346	\$ 3,916,590
District's covered-employee payroll	\$ 3,507,336	\$ 4,114,043	\$ 4,548,243	\$ 4,242,163	\$ 4,301,453	\$ 3,620,801
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	166.95%	152.11%	133.27%	108.94%	91.84%	108.17%
Plan fiduciary net position as a percentage of the total pension liability	70.00%	70.85%	71.90%	73.90%	79.40%	83.50%

See the accompanying notes to the required supplementary information.

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**Metropolitan Education District**

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

Years Ended June 30	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 621,842	\$ 633,495	\$ 638,952	\$ 631,660	\$ 502,569	\$ 506,324
Contributions in relation to the contractually required contribution	(621,842)	(633,495)	(638,952)	(631,660)	(502,569)	(506,324)
<b>Contribution Deficiency (Excess)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,507,336	\$ 4,114,043	\$ 4,548,243	\$ 4,242,163	\$ 4,301,453	\$ 3,620,801
Contributions as a percentage of covered-employee payroll	17.73%	15.40%	14.05%	14.89%	11.68%	13.98%

See the accompanying notes to the required supplementary information.

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# Metropolitan Education District

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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### 1. SCHEDULE OF DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

#### Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2019.

#### Changes in Assumptions

The discount rate was reduced from 3.62% to 3.13% to reflect the changes in the 20-year bond rate.

#### Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2020.

### 2. CHANGES OF BENEFIT TERMS

#### California State Teachers' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2019.

#### California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2019.

### 3. CHANGES OF ASSUMPTIONS

#### California State Teachers' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

#### California Public Employees' Retirement System

There were no significant changes of assumptions during the measurement period ended June 30, 2019.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Metropolitan Education District

## LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2020

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

### GOVERNING BOARD

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Lina Goytia	President	2021
J. Manuel Herrera	Vice President	2021
Albert Gonzalez	Clerk	2022
Michael Tsai	Member	2022
Katherine Tseng	Member	2020
Teresa Castellanos	Member	2020

### ADMINISTRATION

Alyssa Lynch  
Superintendent

Ron Lebs  
Chief Business Officer

**Metropolitan Education District**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

Years Ended June 30	(Budget) 2021	2020	2019	2018
<b>General Fund</b>				
Revenues and other financial sources	\$ 13,105,137	\$ 14,946,521	\$ 17,851,660	\$ 13,576,072
Expenditures	12,073,222	12,195,263	14,157,749	14,052,086
Other uses and transfers out	-	-	-	-
<b>Total Outgo</b>	<b>12,073,222</b>	<b>12,195,263</b>	<b>14,157,749</b>	<b>14,052,086</b>
<b>Change in Fund Balance</b>	<b>1,031,915</b>	<b>2,751,258</b>	<b>3,693,911</b>	<b>(476,014)</b>
<b>Ending fund balance</b>	<b>\$ 14,707,459</b>	<b>\$ 13,675,544</b>	<b>\$ 10,924,286</b>	<b>\$ 7,230,375</b>
Available reserves	\$ 1,629,912	\$ 2,250,201	\$ 1,877,822	\$ 1,658,716
Designated for economic uncertainties	\$ 603,660	\$ 603,361	\$ 695,053	\$ 1,658,716
Undesignated fund balance	\$ 1,026,252	\$ 1,646,840	\$ 1,182,769	\$ -
Available reserves as a percentage of total outgo	14%	18%	13%	12%
Total long-term debt	\$ 16,876,939	\$ 17,876,939	\$ 18,063,883	\$ 18,807,766
Average daily attendance at P-2	N/A	N/A	N/A	N/A

The General Fund balance has increased by \$6,445,169 over the past two years. The fiscal year 2020-21 budget projects an increase of \$1,031,915 (7.5%). 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 an operating deficit in one of the past three years, and anticipates incurring an operating surplus during the 2020-21 fiscal year. Total long-term debt has decreased by \$930,827 over the past two years.

*See the accompanying note to the other supplementary information.*

**Metropolitan Education District**

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2020

	<b>General Fund</b>
<b>Annual Financial and Budget Report Fund Balance</b>	\$ 13,573,641
<b>Adjustments Increasing the Fund Balance</b>	
Understatement of cash in county treasury	101,903
<b>Audited Financial Statements Fund Balance</b>	<b>\$ 13,675,544</b>

*See the accompanying note to the other supplementary information.*

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# **Metropolitan Education District**

## **NOTE TO THE OTHER SUPPLEMENTARY INFORMATION**

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### **PURPOSE OF SCHEDULES**

#### **Schedule of Financial Trends and Analysis**

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

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

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**OTHER REPORTS SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District (the District) as of and for the year ended June 30, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated DATE.

***Internal Control Over Financial Reporting***

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

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

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

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

(Continued)

***Compliance and Other Matters***

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

**Purpose of This Report**

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

**DATE**

Chico, California

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Compliance**

We have audited the Metropolitan Education District's (the District) compliance with the types of state compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2020. The applicable state compliance requirements are identified in the table below.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

(Continued)

June 30, 2020	Procedures Performed
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
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
California Clean Energy Jobs Act	Not applicable
After/Before school education and safety program:	
After school	Not applicable
Before school	Not applicable
General requirements	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
Charter schools:	
Attendance	Not applicable
Mode of instruction	Not applicable
Nonclassroom-based instruction/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes - classroom based	Not applicable
Charter school facility grant program	Not applicable

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

(Continued)

***Opinion on State Compliance***

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2020.

**DATE**

Chico, California

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**FINDINGS AND QUESTIONED COSTS SECTION**

**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

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

**STATE AWARDS**

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

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**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

None.

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**Metropolitan Education District**

**CORRECTIVE ACTION PLAN**

June 30, 2020

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

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None.

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