METROPOLITAN EDUCATION DISTRICT

FINANCIAL STATEMENTS
June 30, 2023

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Metropolitan Education District
San Jose, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Metropolitan Education District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 11 and the General Fund Budgetary Comparison Schedule, the Adult Education Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 46 to 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Metropolitan Education District’s basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked “unaudited,” was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked “unaudited” 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 December 12, 2023 on our consideration of Metropolitan Education District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan Education District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Education District’s internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 12, 2023

This section of Metropolitan Education District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the governmental.

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Financial Highlights

Overall revenues as reported on the statement of activities were $22.45 million. Overall revenues exceeded expenses by approximately $1.09 million. Total net position as reported on statement of net position was $39.61 million, an increase in 2.83%, or $1,090,776 from previous year. General fund reported a total fund balance of $16.49 million, a decrease of 4.63% from prior year.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $39,611,509 for the fiscal year ended June 30, 2023. Of this amount, $4,555,287 was unrestricted. Restricted net position is reported separately to show legal constraints from debt and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		Change in	
	2023	2022	Amounts	Percentage
Assets				
Current and other assets	$ 33,972,638	$ 31,569,036	$ 2,403,602	7.61%
Capital assets	26,725,309	27,373,967	(648,658)	-2.37%
Total assets	60,697,947	58,943,003	1,754,944	2.98%
Deferred outflows of resources	4,103,956	5,569,788	(1,465,832)	-26.32%
Liabilities				
Current liabilities	2,968,088	2,099,987	868,101	41.34%
Long-Term liabilities	10,970,130	10,216,020	754,110	7.38%
Total liabilities	13,938,218	12,316,007	1,622,211	13.17%
Deferred inflows of resources	11,252,176	13,676,051	(2,423,875)	-17.72%
Net Position				
Net investment in capital assets	26,707,761	27,330,502	(622,741)	-2.28%
Restricted	8,348,461	7,033,665	1,314,796	18.69%
Unrestricted	4,555,287	4,156,566	398,721	9.59%
Total net position	$ 39,611,509	$ 38,520,733	1,090,776	2.83%

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt, enabling legislation, or other legal requirements – increased by 9.59% ($4,555,287 compared to $4,156,566).

Changes in Net Position

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

Table 2

Revenues	Governmental Activities		Change in	
	2023	2,022	Amounts	Percentage
Program Revenues				
Operating grants and contributions	$ 8,331,301	$ 7,317,977	$ 1,013,324	13.85%
General Revenues				
Other general revenues	14,122,489	12,520,822	1,601,667	12.79%
Total Revenues	22,453,790	$ 19,838,799	2,614,991	13.18%
Expenses				
Instruction-related	15,881,715	10,119,162	5,762,553	56.95%
Pupil Services	881,155	1,393,269	(512,114)	-36.76%
Administration	1,619,609	1,283,205	336,404	26.22%
Plant Services	2,977,143	1,895,894	1,081,249	57.03%
All other services	3,392	10,129	(6,737)	-66.51%
Total expenses	21,363,014	14,701,659	6,661,355	45.31%
Change in net position	$ 1,090,776	$ 5,137,140	(4,046,364)	-78.77%

Total revenues were $22,453,790. Interagency revenue accounted for most of the District's revenue, representing approximately 50.46% of all revenue. The remaining came from operating grants, contributions, interest, investment earnings and other revenues.

The total costs of programs and services increased primarily in instruction-related functions. Most of the District's expenses (86.05%) are related to educating and caring for students. Maintenance and operations account for 13.9% of the total costs.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $21,363,014. However, the amount that our taxpayers ultimately financed for these activities through interagency transfers was only $11,751,502 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions ($8,331,301). We paid for the remaining "public benefit" portion of our governmental activities with $2,370,987 in interest, investment earnings and other revenue.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction-related	15,881,715	10,119,162	(9,116,946)	(4,069,313)
Pupil services	881,155	1,393,269	(32,829)	(1,605,801)
Administration	1,619,609	1,283,205	(1,215,645)	(419,342)
Plant services	2,977,143	1,895,894	(2,665,969)	(1,715,534)
All other services	3,392	10,129	(324)	1,244
Total	21,363,014	14,701,659	(13,031,713)	(7,383,682)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $23,831,662, which is an increase of $408,235 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Sources	June 30, 2023
Major Funds				
General	$ 17,287,798	$ 17,137,024	$ 17,938,570	$ 16,486,252
Adult Education	2,522,284	4,230,366	3,550,192	$ 3,202,458
Building	2,954,271	1,075,106	643,225	$ 3,386,152
Non-major Funds				
Deferred maintenance	263,320	100,400	11,664	$ 352,056
County school facilities	374,787	7,810	-	$ 382,597
Special reserve for capital outlay projects	20,967	1,180	-	$ 22,147
Total aggregate non-major	659,074	109,390	11,664	$ 756,800
TOTAL	$23,423,427	$ 22,551,886	$ 22,143,651	$ 23,831,662

Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $17,287,798 to $16,486,252 due to anticipated projects the District previously planned. The District received COVID-19 funds in 2021 and spent down some of these funds for on-going projects.

The Adult Education Fund increased $680,174 to $3,202,458 due to vacancies that the District were unable to fill.

The Building Fund increased $431,881 due to renewal of contracts for some of the major tenants.

Aggregate non-major funds are consistent to prior year without significant changes.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 14, 2023, reflected in the District's estimated actuals.

- Significant revenue revisions made to the 2022-2023 Budget were due to additional revenues generated from our non-JPA districts and an increase in seat allocations from our JPA Districts based on CALPADS enrollment in October.
- Budgeted expenditures also increased by ~$258,666 in the District's general fund when compared to second interim projections due to the collective bargaining settlement reached during 2022-2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had $26,725,309 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, depreciation and amortization) of $648,658, or 2.37%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	$ 9,859,209	$ 9,683,028
Buildings and improvements	14,996,701	16,184,511
Equipment	1,855,999	1,463,298
Right-to-use leased assets	13,400	43,130
Total	$ 26,725,309	$ 27,373,967

This year's capital equipment addition consisted primarily of new CTE industry standard equipment for the District's Electrical Vehicle program, Nursing Careers program and the Culinary Program. Equipment such as anatomage tables and electric vehicles were purchased in 2023. The District also added a construction in progress project with a new server.

Long-Term Liabilities

At the end of this year, the District had $10,965,982 in long-term liabilities outstanding versus $10,216,020 last year, an increase of 7.34%. Those long term liabilities consisted of:

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
Leases	$ 13,400	$ 43,465
Compensated Absences	201,393	167,578
Total OPEB liability	387,189	2,298,827
Aggregate net pension liability	10,364,000	7,706,150
Total	$ 10,965,982	$ 10,216,020

At year-end, the District has a net pension liability of $10,364,000 versus $7,706,150 last year, an increase of $2,657,850, or 34.49%.

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are: funding is based upon our JPA seat enrollment and grants. The District continually applies for grants such as Career Technical Education Incentive Grant (CTEIG) and K-12 Strong Workforce (SWP). The District also offers its programs to non JPA members at a higher cost to help generate additional revenue.

At the time these financial statements were prepared, the District was not aware of any circumstances which could significantly impact its financial health other than if the six JPA member districts would reduce seat enrollment. The six JPA districts will confirm collectively in January 2024 the number of enrollment for fiscal year 2024-2025.

General fund seat enrollment in 2022-2023 was 1106 with funding at $7,123 per student. General fund student enrollment in 2023-2024 is 1151 and funding at $8,145 per seat.

The District is also a member of South Bay Consortium for Adult Education (SBCAE) which provides educational funding to its members. Members of the consortia receive California Adult Education Program (CAEP) funds through apportionment payments.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

METROPOLITAN EDUCATION DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 25,741,811
Receivables	802,794
Lease receivable (Note 4)	7,373,067
Prepaid expenses	54,966
Non-depreciable capital assets (Note 5)	9,859,209
Depreciable capital assets, net of accumulated depreciation and amortization (Note 5)	16,866,100
Total assets	60,697,947
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	3,412,691
Deferred outflows of resources - OPEB (Note 9)	691,265
Total deferred outflows	4,103,956
LIABILITIES	
Accounts payable	855,330
Unearned revenue	2,112,758
Long-term liabilities (Note 6):	
Due within one year	218,941
Due after one year	10,751,189
Total liabilities	13,938,218
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	2,466,000
Deferred inflows of resources - leases (Note 4)	7,172,888
Deferred inflows of resources - OPEB (Note 10)	1,613,288
Total deferred inflows	11,252,176
NET POSITION	
Net investment in capital assets	26,707,761
Restricted:	
Legally restricted programs	4,557,566
Capital projects	3,790,895
Unrestricted	4,555,287
Total net position	$ 39,611,509

See accompanying notes to financial statements.

METROPOLITAN EDUCATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Change in Net Position: Governmental Activities
Governmental activities:			
Instruction	$ 7,858,907	$ 4,239,595	$ (3,619,312)
Instruction-related services:			
Supervision on instruction	5,611,796	595,168	(5,016,628)
School site administration	2,411,012	1,930,006	(481,006)
Pupil services:			
Home-to-school transportation	105,653	-	(105,653)
All other pupil services	775,502	848,326	72,824
General administration:			
Data processing	272,912	-	(272,912)
All other general administration	1,346,697	403,964	(942,733)
Plant services	2,977,143	311,174	(2,665,969)
Community services	3,392	3,068	(324)
Total governmental activities	$ 21,363,014	$ 8,331,301	(13,031,713)
General revenues and subventions:			
Interest and investment earnings			513,174
Interagency revenues			11,751,502
Miscellaneous			1,857,813
Total general revenues			14,122,489
Change in net position			1,090,776
Net position, July 1, 2022			38,520,733
Net position, June 30, 2023			$ 39,611,509

See accompanying notes to financial statements.

METROPOLITAN EDUCATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Adult Education Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 18,546,745	$ 3,103,271	$ 2,903,578	$ 751,100	$ 25,304,694
Cash on hand and in banks	13,860	8,701	394,556	-	417,117
Cash in revolving fund	20,000	-	-	-	20,000
Receivables	582,541	214,553	-	5,700	802,794
Lease receivable	-	-	7,373,067	-	7,373,067
Due from other funds	55,743	-	-	-	55,743
Prepaid expenditures	46,743	8,223	-	-	54,966
Total assets	$ 19,265,632	$ 3,334,748	$ 10,671,201	$ 756,800	$ 34,028,381
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 666,622	$ 76,547	$ 112,161	$ -	855,330
Unearned revenue	2,112,758	-	-	-	2,112,758
Due to other funds	-	55,743	-	-	55,743
Total liabilities	2,779,380	132,290	112,161	-	3,023,831
Deferred inflows of resources - leases	-	-	7,172,888	-	7,172,888
Fund balances:					
Nonspendable	66,743	8,223	-	-	74,966
Restricted	1,003,051	3,194,235	3,386,152	756,800	8,340,238
Committed	2,241,059	-	-	-	2,241,059
Assigned	10,906,911	-	-	-	10,906,911
Unassigned	2,268,488	-	-	-	2,268,488
Total fund balances	16,486,252	3,202,458	3,386,152	756,800	23,831,662
Total liabilities, deferred inflows of resources, and fund balances	$ 19,265,632	$ 3,334,748	$ 10,671,201	$ 756,800	$ 34,028,381

See accompanying notes to financial statements.

Total fund balances - Governmental Funds		$ 23,831,662
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $58,705,347 and the related accumulated depreciation and amortization is $31,980,038 (Note 5).		26,725,309
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2023 consisted of (Note 6):		
Lease liability	$ (17,548)	
Net OPEB liability (Note 10)	(387,189)	
Net pension liability (Notes 8 and 9)	(10,364,000)	
Compensated absences	(201,393)	(10,970,130)
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	3,412,691	
Deferred inflows of resources relating to pensions	(2,466,000)	946,691
In governmental funds, deferred outflows and inflows relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows relating to OPEB are reported:		
Deferred outflows of resources relating to OPEB	691,265	
Deferred inflows of resources relating to OPEB	(1,613,288)	(922,023)
Total net position - governmental activities		$ 39,611,509

See accompanying notes to financial statements.

METROPOLITAN EDUCATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Adult Education Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Federal sources	$ -	$ 337,000	$ -	$ -	$ 337,000
Other state sources	3,746,916	3,226,336	-	-	6,973,252
Other local sources	13,390,108	667,030	1,075,106	9,390	15,141,634
Total revenues	17,137,024	4,230,366	1,075,106	9,390	22,451,886
Expenditures:					
Current:					
Certificated salaries	3,660,705	1,408,615	-	-	5,069,320
Classified salaries	2,747,871	538,364	-	-	3,286,235
Employee benefits	5,744,181	1,080,350	-	-	6,824,531
Books and supplies	1,099,032	70,748	-	-	1,169,780
Contract services and operating expenditures	4,043,192	278,533	506,976	11,664	4,840,365
Capital outlay	785,453	5,210	36,249	-	826,912
Debt service:					
Principal retirement	25,917	-	-	-	25,917
Interest	591	-	-	-	591
Total expenditures	18,106,942	3,381,820	543,225	11,664	22,043,651
(Deficiency) excess of revenues (under) over expenditures	(969,918)	848,546	531,881	(2,274)	408,235
Other financing sources (uses):					
Transfers in	168,372	-	-	100,000	268,372
Transfers out	-	(168,372)	(100,000)	-	(268,372)
Total other financing sources (uses)	168,372	(168,372)	(100,000)	100,000	-
Change in fund balances	(801,546)	680,174	431,881	97,726	408,235
Fund balances, July 1, 2022	17,287,798	2,522,284	2,954,271	659,074	23,423,427
Fund balances, June 30, 2023	$ 16,486,252	$ 3,202,458	$ 3,386,152	$ 756,800	$ 23,831,662

See accompanying notes to financial statements.

METROPOLITAN EDUCATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds	$ 408,235
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the statement of net position (Note 5).	869,502
Depreciation and amortization of capital assets and lease assets, respectively, is an expense that is not recorded in the govern--mental funds (Note 5).	(1,518,160)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	25,917
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual District contributions was:	1,293,570
In governmental funds, other postemployment benefits (OPEB) costs are expensed in the period paid, In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual-basis OPEB costs and actual District contributions was:	45,527
In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	(33,815)
Change in net position of governmental activities	$ 1,090,776

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Metropolitan Education District (the “District”) is organized as a Joint Powers Authority. The District operates under a six-member board form of government, and its purpose is to provide vocational and adult educational services. The District operates in the six districts of the designated Board members. The six districts are Campbell Union High School District, East Side Union High School District, Los Gatos-Saratoga Joint Union High School District, Milpitas Unified School District, San Jose Unified School District, and Santa Clara Unified School District.

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual (CSAM). The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the District’s most significant policies:

Reporting Entity: The Governing Board is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund, are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

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

Building Fund – The Building Fund is a capital projects fund used to account for resources used for acquisition or construction of capital facilities by the District.

B - Other Funds

Deferred Maintenance Fund - The Deferred Maintenance Fund is a special revenue fund used to account separately for the resources that have been legally restricted for deferred maintenance.

Capital Projects Funds - The capital projects funds are used to account for resources used for the construction of capital facilities by the District. This classification includes the County School Facilities and Special Reserve for Capital Outlay Projects Fund.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Governing Board must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Governing Board complied with these requirements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2023.

Capital Assets: When purchased or constructed, capital assets with an original cost of $5,000 or more are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives for the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; land improvements, 5 to 50 years; furniture and equipment 2 to 15 years.

Leases: From time to time, the District may enter into agreements as a lessee for leases of equipment for District use. Upon entering into a lease agreement as lessee, the District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

The District also acts a lessor for leases of District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

Compensated Absences: Compensated absences totaling $201,393 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized deferred outflows of resources related to the recognition of the net pension liability and Net OPEB liability.

In addition to liabilities, the statement of net position reports 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 future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability, leases, and the Net OPEB liability.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 1,105,787	$ 2,306,904	$ 3,412,691
Deferred inflows of resources	$ 2,097,000	$ 369,000	$ 2,466,000
Net pension liability	$ 4,004,000	$ 6,360,000	$ 10,364,000
Pension expense	$ 240,635	$ 733,013	$ 973,648

Net Position: Net position is displayed in three components:

Net Investment in Capital Assets - Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents programs where the revenue received has been restricted for expenditures only in those particular programs. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance - The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, stores inventory and prepaid expenditures.

B - Restricted Fund Balance - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

C - Committed Fund Balance - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Governing Board is required to remove any commitment from any fund balance.

D - Assigned Fund Balance - The assigned fund balance classification reflects amounts that the District's Governing Board has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Governing Board has empowered the Chief Business Official to suggest individual amounts to be assigned. The Governing Board retains ultimate authority for assigning fund balance.

E - Unassigned Fund Balance - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Governing Board. At June 30, 2023, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023 are reported at fair value and consisted of the following:

	Governmental Activities
Pooled Funds:	
Cash in County Treasury	$ 25,304,694
Deposits:	
Cash on hand and in banks	417,117
Cash in revolving fund	20,000
Total cash and investments	$ 25,741,811

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Santa Clara County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

In accordance with applicable state laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2023, the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount and bank balances of the District's accounts totaled $437,117 and $442,108, respectively. At June 30, 2023, $148,848 of the bank balances were uninsured, but remained collateralized.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2023 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 55,743	$ -
Adult Education	-	55,743
Totals	$ 55,743	$ 55,743

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

Transfers for the 2022-2023 fiscal year were as follows:

Transfer from the Building Fund to the Deferred Maintenance Fund for the required match.	$ 100,000
Transfer from the Adult Education Fund to the General Fund for reimbursements.	168,372
	$ 268,372

(Continued)

NOTE 4 – LEASES RECEIVABLE

As the Lessor, the District has entered into lease agreements for various property along Capitol Expressway in San Jose. The lease terms have varying expirations through 2042, with some leases containing options to renew. As of June 30, 2023 there are ten leases, which primarily consist of ground and commercial property. During the fiscal year, the District recognized $477,235 in lease revenue and $231,005 in interest income related to these agreements. As of June 30, 2023, the District recognized $7,373,067 in leases receivable and $7,172,888 in related deferred inflows of resources for these leases.

The District's variable payments are calculated using the annual consumer price index (CPI), a specific percent increase or a specific dollar amount. If the CPI is not specified in the contract, the available State and Local Government Series (SLGS) rate with an additional factor of 1.50% is used. The District has no residual value grantees included in the measurement of lease assets, liabilities, or deferred inflows of resources and lease receivable for the year ended June 30, 2023. The District had no remeasurement during the fiscal year.

Minimum lease payments receivable on leases of District properties are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 521,007	$ 234,797	$ 755,804
2025	472,859	220,273	693,132
2026	466,938	205,254	672,192
2027	461,480	190,946	652,426
2028	423,206	176,266	599,472
2029-2033	2,271,571	650,334	2,921,905
2034-2038	1,803,013	305,606	2,108,619
2039-2042	952,993	55,780	1,008,773
	$ 7,373,067	$ 2,039,256	$ 9,412,323

(Continued)

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Non-depreciable:				
Land	$ 9,683,028	$ -	$ -	$ 9,683,028
Work-in-process	-	176,181	-	176,181
Depreciable:				
Buildings	39,932,320	80,348	-	40,012,668
Land improvements	2,240,492	21,520	-	2,262,012
Furniture and equipment	5,910,996	591,453	-	6,502,449
Totals, at cost	57,766,836	869,502	-	58,636,338
Less accumulated depreciation:				
Buildings	(24,436,394)	(1,172,682)	-	(25,609,076)
Land improvements	(1,551,907)	(116,996)	-	(1,668,903)
Furniture and equipment	(4,447,698)	(198,752)	-	(4,646,450)
Total accumulated depreciation	(30,435,999)	(1,488,430)	-	(31,924,429)
Lease assets:				
Equipment	69,009	-	-	69,009
Accumulated lease amortization				
Equipment	(25,879)	(29,730)	-	(55,609)
Total lease assets, net	43,130	(29,730)	-	13,400
Capital assets, net	$ 27,373,967	$ (648,658)	$ -	$ 26,725,309

Depreciation and amortization expense was charged to governmental activities as follows:

Instruction	$ 534,264
Supervision of instruction	334,650
School site administration	184,572
Home-to-school transportation	105,653
All other pupil services	27,024
Community services	944
General administration	135,011
Data processing	18,427
Plant services	177,615
Total depreciation and amortization expense	$ 1,518,160

(Continued)

NOTE 6 – LONG-TERM LIABILITIES

Leases Payable: The District entered into an agreement to lease copiers for a period of five years, beginning March 1, 2019, and matures on February 29, 2024. The annual interest rate charged on the lease is 1.87%.

The remaining principal and interest payment requirements for the lease obligation as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 17,548	$ 123	$ 17,671

Compensated Absences: Compensated absences, which comprises entirely of unpaid employee vacation leave, totaled $201,393 as of June 30, 2023.

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023 is shown below:

Governmental Activities	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Debt:					
Leases payable	$ 43,465	$ -	$ 25,917	$ 17,548	$ 17,548
Other long-term liabilities:					
Net OPEB liability (Note 10)	2,298,827	-	1,911,638	387,189	-
Net pension liability (Notes 8 & 9)	7,706,150	2,657,850	-	10,364,000	-
Compensated absences	167,578	33,815	-	201,393	201,393
	$10,216,020	$ 2,691,665	$ 1,937,555	$10,970,130	$ 218,941

(Continued)

NOTE 7 – FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

	General Fund	Adult Education Fund	Building Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 20,000	$ -	$ -	$ -	$ 20,000
Prepaid expenditures	46,743	8,223	-	-	54,966
Subtotal nonspendable	66,743	8,223	-	-	74,966
Restricted:					
Legally restricted:					
Grants	1,003,051	-	-	-	1,003,051
Adult education	-	3,194,235	-	-	3,194,235
Deferred maintenance	-	-	-	352,057	352,057
Capital projects	-	-	3,386,152	404,743	3,790,895
Subtotal restricted	1,003,051	3,194,235	3,386,152	756,800	8,340,238
Committed:					
Other postemployment benefits	2,241,059	-	-	-	2,241,059
Assigned:					
Board reserve for economic uncertainty	900,706	-	-	-	900,706
Reserve for cash flow	1,300,000	-	-	-	1,300,000
Set aside for 8% salary increase for 2024-25 to 2026-27	1,996,103	-	-	-	1,996,103
Apprenticeship training program	2,260,102	-	-	-	2,260,102
Other assignments	4,450,000	-	-	-	4,450,000
Subtotal assigned	10,906,911	-	-	-	10,906,911
Unassigned:					
Reserved for economic uncertainty	900,706	-	-	-	900,706
Undesignated	1,367,782	-	-	-	1,367,782
Subtotal unassigned	2,268,488	-	-	-	2,268,488
Total fund balances	$ 16,486,252	$ 3,202,458	$ 3,386,152	$ 756,800	$ 23,831,662

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

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. There are several differences between the two benefit formulas which are noted below.

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 percent of final compensation for each year 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 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

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 percent of final compensation for each year 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 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the “Special Legislation”) were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2022–23.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-22. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-22.

Under CalSTRS 2% at 62, members pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rates effective for fiscal year July 1, 2022 through fiscal year 2046-47 are summarized in the table below:

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	Total
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed $882,787 to the plan for the fiscal year ended June 30, 2023.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received $410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of $173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2022 and beyond are summarized in the table below.

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	SBMA Funding[(1)]	Total
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the $72 million that is reduced from the required contribution in accordance with Education Code section 22954.
(2) The CalSTRS board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	4,004,000
State's proportionate share of the net pension liability associated with the District		2,263,000
Total	$	6,267,000

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022, the District's proportion was 0.006 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2021.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2023, the District recognized pension expense of $240,635, and revenue of $572,527 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,000	$ 300,000
Changes of assumptions	199,000	-
Net differences between projected and actual earnings on investments	-	196,000
Changes in proportion and differences between District contributions and proportionate share of contributions	21,000	1,601,000
Contributions made subsequent to measurement date	882,787	-
Total	$ 1,105,787	$ 2,097,000

$882,787 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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,	
2024	$ (368,800)
2025	(568,800)
2026	(592,800)
2027	67,866
2028	(230,633)
2029	(180,833)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 . The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur 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.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Public Equity	42%	4.8%
Real Estate	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

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 6.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.10 percent) or 1-percentage-point higher (7.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of the net pension liability	$ 6,801,000	$ 4,004,000	$ 1,682,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non- certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-2023.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed $911,904 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $6,360,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District's proportion was 0.018 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2021.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2023, the District recognized pension expense of $733,013. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 29,000	$ 158,000
Changes of assumptions	470,000	-
Net differences between projected and actual earnings on investments	751,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	145,000	211,000
Contributions made subsequent to measurement date	911,904	-
Total	$ 2,306,904	$ 369,000

$911,904 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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,	
2024	$ 158,417
2025	267,417
2026	142,916
2027	457,250

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 , and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Expected Real Rates of Return Years 1-10 (1, 2)
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period
(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 9,187,000	$ 6,360,000	$ 4,023,000

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Postemployment Benefits Plan

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District, and allows employees who retire after having achieved retirement eligibility requirements to continue receiving health care insurance benefits. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan, and also retains the authority to establish the requirements for paying for the Plan's benefits as they come due.

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The District established an irrevocable trust under the California Employer's Retiree Benefit Trust Program (CERBT) to prefund the costs of other postemployment benefits. The funds in the CERBT are held in trust and will be administered by the California Public Employees' Retirement System (CalPERS) as an agent multiple-employer plan. Benefit provisions are established and may be amended by District labor agreements which are approved by the Board of Education. The District's contributions to the irrevocable trust is included in the CERBT, which is included in the CalPERS ACFR. Copies of the CalPERS' ACFR may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

The CERBT fund, which is an Internal Revenue Code (IRC) Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other post-employment benefits for retirees and their beneficiaries, (ii) invest contributed amounts and income therein, and (iii) disburse contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other post-employment benefits in accordance with the terms of the District's OPEB plan.

Benefits Provided: The District contributes toward post-retirement medical benefits for employees who retire after age 50 with at least 5 years of full-time equivalent service to the District. The retiree may choose among any of the medical plans offered through CalPERS. The District pays the PEMHCA minimum contribution, under the "unequal contribution method", for each retired employee member of the Plan, who is at least age 55. The amount of the monthly payment varies by year, and the percentage increases by 5% each year until it reaches 100%, at which time the District will be paying the full statutory minimum PEMHCA contribution.

From age 55 until age 65, the District will reimburse the retired employee $80 per month toward the cost of medical care. After age 65, the reimbursement is $35 per month. To receive these payments, the retiree must remain covered by District-sponsored health care plans. District payments cease upon death of the retiree, or until the retiree ceases to be covered by District plans. The payments are reduced by the amounts of the PEMHCA minimum contribution paid by the District.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Governing Board. Contributions to the Plan from the District were $2,077,191 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

	Participants
Inactive Plan Members, Covered Spouses, or Beneficiaries Currently Receiving Benefits	49
Active employees	86
	135

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Investments: The Plan discount rate of 5.0% was determined using the following asset allocation and assumed rate of return:

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	34%	4.8%
U.S. Fixed Income	41.0	1.8
Real Estate	17.0	3.7
Treasury Inflation-Protected Securities	5.0	1.6
Cash equivalent	3.0	0.2

* Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Money-weighted rate of return on OPEB plan investments	3.51%

The money-weighted rate of return expresses investment performance, net of OPEB plan investment expenses, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs: The District's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that same date.

Valuation Date	June 30, 2022
Actuarial Method	Entry Age actuarial cost mode, level percentage of payroll.
Expected Long-Term Rate of Return	Due to participation in CERBT, the CalPERS' expected mean rate of return is used, which was 5.5% as of June 30, 2022. The District elected to conservatively lower the assumption to 5.0%.
Discount Rate	5.0%.
Health Care Increases	The PEMHCA minimum contribution is assumed to increase 4% per year. CalPERS medical premiums are assumed to increase 5% per year.
Disability	Included in termination and retirement rates.

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Mortality Rates — Mortality rates are taken from the 2017 CalPERS Mortality Table, projected to future years using Scale AA to reflect anticipated improvements in life expectancy in future years.

Health Plan Coverage Elections — 70% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under District plans until age 65. Substitute employees are assumed to not be eligible for benefits upon retirement. Employees without current medical coverage are assumed to elect Kaiser upon retirement.

Retirement Rates — Retirement rates are assumed as follows:

Age	Rate
50	4.0%
56	5.0%
57	6.0%
58	8.0%
59	10.0%
60	12.0%
61	15.0%
62	18.0%
63	20.0%
64	22.0%
65	25.0%
66	28.0%
67-74	30.0%
75	100%

Turnover — Termination rates were taken from the Crocker-Sarason Table T-5, less the RP-2000 mortality, increased by 240%.

Age-Specific Claims — Medical claims were estimated for year ended June 30, 2023, for all current employee and retirees:

Age	Cost
50	$10,830
55	$13,138
60	$15,890
64	$19,085

Inflation Rate — 2.75% per year

Salary Increases — 3.00% per year

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate: All future benefit payments were discounted using a discount rate of 5.0%. As the plan is funded by an irrevocable trust, and the plans' projected contributions and net position are expected to fully cover future benefit payments, the discount rate has been set to equal the long-term rate of return on plan investments. The long-term mean rate of return on plan investments of 5.0% calculated based on the CERBT expected long-term mean rate of return, adjusted by 0.5% for conservatism.

Changes in Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022	$ 2,298,827	$ -	$ 2,298,827
Changes for the year:			
Service cost	72,502	-	72,502
Interest	135,614	-	135,614
Differences between actual and expected experience	(534,450)	-	(534,450)
Changes in assumptions	292,503	-	292,503
Benefit changes	222,193	-	222,193
Employer contributions	-	2,077,191	(2,077,191)
Net investment income	-	22,829	(22,829)
Adminstrative expense	-	(20)	20
Benefit payments	(77,190)	(77,190)	-
Net change	111,172	2,022,810	(1,911,638)
Balance at June 30, 2023	$ 2,409,999	$ 2,022,810	$ 387,189

Changes in assumptions include an update in the discount rate from 6.0% in the prior measurement, to 5.0% in the current measurement. There were no changes in plan benefits or eligible members between the measurement date and the year ended June 30, 2023 which had a significant effect on the District's total OPEB liability.

Fiduciary Net Position as a % of the total OPEB liability, at June 30, 2023: 83.93%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Net OPEB Liability	$ 745,695	$ 387,189	$ 94,686

(Continued)

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB Liability	$ 107,011	$ 387,189	$ 739,046

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2023, the District recognized OPEB expense of $1,430. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 62,296	$ 662,354
Changes of assumptions	588,023	932,670
Net difference between projected and actual earnings	-	18,264
Contributions made subsequent to measurement date	40,946	-
Total	$ 691,265	$ 1,613,288

$40,946 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2024	$ (428,900)
2025	(428,900)
2026	(162,074)
2027	34,262
2028	22,643

(Continued)

NOTE 11 – JOINT POWERS AGREEMENTS

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

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

Condensed financial information for the District's JPAs at June 30, 2022 (the latest information available) is provided below:

	SCCSIG	SBASIA	PRISM
Total assets	$ 30,411,088	$ 9,027,873	$ 1,053,760,735
Total deferred outflows of resources	199,914	-	2,000,236
Total liabilities	8,349,209	6,546,199	908,008,660
Total deferred inflows of resources	341,228	-	3,713,839
Net position	21,920,565	2,481,674	144,038,472
Total revenues	42,135,855	8,411,947	1,375,141,319
Total expenditures	40,618,277	7,349,857	1,417,457,481
Change in net position	1,517,578	1,062,090	(42,316,162)

NOTE 12 – CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Other state sources	$ 4,223,399	$ 3,787,356	$ 3,746,916	$ (40,440)
Other local sources	11,739,666	13,405,284	13,390,108	(15,176)
Total revenues	15,963,065	17,192,640	17,137,024	(55,616)
Expenditures:				
Current:				
Certificated salaries	3,572,012	3,371,807	3,660,705	(288,898)
Classified salaries	2,901,151	2,721,169	2,747,871	(26,702)
Employee benefits	3,971,826	3,864,591	5,744,181	(1,879,590)
Books and supplies	1,360,247	1,404,390	1,099,032	305,358
Contract services and operating expenditures	4,116,925	5,019,880	4,043,192	976,688
Capital outlay	683,741	1,205,711	785,453	420,258
Debt service:				
Principal retirement	-	25,917	25,917	-
Interest	-	591	591	-
Total expenditures	16,605,902	17,614,056	18,106,942	(492,886)
Deficiency of revenues under expenditures	(642,837)	(421,416)	(969,918)	(548,502)
Other financing sources:				
Transfers in	191,341	193,753	168,372	(25,381)
Change in fund balance	(451,496)	(227,663)	(801,546)	(573,883)
Fund balance, July 1, 2022	17,287,798	17,287,798	17,287,798	-
Fund balance, June 30, 2023	$ 16,836,302	$ 17,060,135	$ 16,486,252	$ (573,883)

See accompanying note to required supplementary information.

METROPOLITAN EDUCATION DISTRICT
ADULT EDUCATION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 316,079	$ 342,390	$ 337,000	$ (5,390)
Other state sources	3,054,062	3,187,706	3,226,336	38,630
Other local sources	696,047	711,000	667,030	(43,970)
Total revenues	4,066,188	4,241,096	4,230,366	(10,730)
Expenditures:				
Current:				
Certificated salaries	1,261,603	1,471,759	1,408,615	63,144
Classified salaries	630,921	624,381	538,364	86,017
Employee benefits	1,102,403	1,208,715	1,080,350	128,365
Books and supplies	94,918	115,952	70,748	45,204
Contract services and operating expenditures	306,142	428,676	278,533	150,143
Capital outlay	-	9,761	5,210	4,551
Total expenditures	3,395,987	3,859,244	3,381,820	477,424
Excess of revenues over expenditures	670,201	381,852	848,546	466,694
Other financing uses:				
Transfers out	(191,341)	(193,753)	(168,372)	25,381
Change in fund balance	478,860	188,099	680,174	492,075
Fund balance, July 1, 2022	2,522,284	2,522,284	2,522,284	-
Fund balance, June 30, 2023	$ 3,001,144	$ 2,710,383	$ 3,202,458	$ 492,075

See accompanying note to required supplementary information.

METROPOLITAN EDUCATION DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
For the Year Ended June 30, 2023

Last 10 Fiscal Years

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 185,089	$ 164,182	$ 119,032	$ 137,081	$ 151,492	$ 72,502
Interest	90,028	105,353	116,779	110,901	88,553	135,614
Differences between actual and expected experience	-	144,266	-	(588,415)	-	(534,450)
Changes of benefits provided	-	-	-	-	-	222,193
Change in assumptions	(341,395)	(28,475)	249,051	523,796	(1,522,622)	292,503
Benefit payments	(54,506)	(60,525)	(176,975)	(158,300)	(65,971)	(77,190)
Net change in total OPEB liability	(120,784)	324,801	307,887	25,063	(1,348,548)	111,172
Total OPEB liability, beginning of year	3,110,408	2,989,624	3,314,425	3,622,312	3,647,375	2,298,827
Total OPEB liability, end of year	$ 2,989,624	$ 3,314,425	$ 3,622,312	$ 3,647,375	$ 2,298,827	$ 2,409,999
Plan Fiduciary Net Position						
Net investment income	$ -	$ -	$ -	$ -	$ -	$ 22,829
Employer contributions	-	-	-	-	-	2,077,191
Benefit payments	-	-	-	-	-	(77,190)
Adminstrative expenses	-	-	-	-	-	(20)
Change in plan fiduciary net position	-	-	-	-	-	2,022,810
Fiduciary trust net position - beginning of year	-	-	-	-	-	-
Fiduciary trust net position - end of year	$ -	$ -	$ -	$ -	$ -	$ 2,022,810
Net OPEB liability - ending	$ 2,989,624	$ 3,314,425	$ 3,622,312	$ 3,647,375	$ 2,298,827	$ 387,189
Covered employee payroll	$ 8,326,608	$ 7,318,513	$ 7,435,261	$ 7,290,570	$ 7,463,217	$ 11,710,823
Total OPEB liability as a percentage of covered-employee payroll	35.90%	45.29%	48.72%	50.03%	30.80%	20.58%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

METROPOLITAN EDUCATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.103%	0.010%	0.009%	0.009%	0.008%	0.008%	0.008%	0.009%	0.006%
District's proportionate share of the net net pension liability	$ 6,012,681	$ 6,923,065	$ 6,976,328	$ 8,176,925	$ 7,679,823	$ 6,987,033	$ 7,606,286	$ 3,890,256	$ 4,004,000
State's proportionate share of the net pension liability associated w ith the the District	3,630,717	3,661,538	3,971,499	4,837,400	4,397,058	3,811,893	3,921,041	1,957,426	2,263,000
Total net pension liability	$ 9,643,398	$ 10,584,603	$ 10,947,827	$ 13,014,325	$ 12,076,881	$ 10,798,926	$ 11,527,327	$ 5,847,682	$ 6,267,000
District's covered payroll	$ 4,718,000	$ 4,567,000	$ 4,469,000	$ 4,221,000	$ 4,472,000	$ 4,165,000	$ 4,184,000	$ 4,576,000	$ 3,982,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	127.44%	151.61%	156.11%	193.74%	171.73%	167.76%	181.79%	85.01%	100.55%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.00%	69.46%	70.99%	73.00%	72.00%	87.00%	81.20%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

METROPOLITAN EDUCATION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.035%	0.027%	0.023%	0.025%	0.024%	0.020%	0.018%	0.019%	0.018%
District's proportionate share of the net pension liability	$ 3,922,176	$ 3,038,860	$ 4,622,758	$ 6,062,256	$ 6,257,134	$ 5,855,457	$ 5,443,288	$ 3,815,894	$ 6,360,000
District's covered payroll	$ 3,621,000	$ 4,301,000	$ 4,242,000	$ 4,548,000	$ 4,114,000	$ 3,507,000	$ 3,153,000	$ 3,359,000	$ 3,265,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.32%	70.65%	108.97%	133.29%	152.09%	166.96%	172.64%	113.60%	194.79%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	74.00%	71.00%	71.00%	70.00%	70.00%	81.00%	69.76%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 405,506	$ 479,506	$ 656,749	$ 645,268	$ 677,996	$ 715,471	$ 739,021	$ 673,799	$ 882,787
Contributions in relation to the contractually required contribution	(405,506)	(479,506)	(656,749)	(645,268)	(677,996)	(715,471)	(739,021)	(673,799)	(882,787)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,567,000	$ 4,469,000	$ 4,221,000	$ 4,472,000	$ 4,165,000	$ 4,184,000	$ 4,576,000	$ 3,982,000	$ 4,622,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**	16.92%***	19.10%

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

METROPOLITAN EDUCATION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 506,324	$ 502,569	$ 631,660	$ 638,952	$ 633,495	$ 621,842	$ 695,222	$ 748,116	$ 911,904
Contributions in relation to the contractually required contribution	(506,324)	(502,569)	(631,660)	(638,952)	(633,495)	(621,842)	(595,222)	(748,116)	(911,904)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,301,000	$ 4,242,000	$ 4,548,000	$ 4,114,000	$ 3,507,000	$ 3,153,000	$ 3,359,000	$ 3,265,000	$ 3,594,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Governing Board to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Adult Education Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Net OPEB Liability is presented to illustrate the elements of the District's net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's net OPEB liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions: The discount rates used in the valuation of the total OPEB liability were 2.92, 3.56, 3.62, 3.13, 6.00, and 5.00 percent at the June 30, 2018, 2019, 2020, 2021, and 2022 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) plan were 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The inflation rates used for the PERF B plan were 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period							
Assumption	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATION DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
ASSETS				
Cash in County Treasury	$ 349,609	$ 379,517	$ 21,974	$ 751,100
Receivables	2,448	3,079	173	5,700
Total assets	$ 352,057	$ 382,596	$ 22,147	$ 756,800
FUND BALANCES				
Restricted	$ 352,057	$ 382,596	$ 22,147	$ 756,800

METROPOLITAN EDUCATION DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total
Revenues:				
Other local sources	$ 401	$ 7,809	$ 1,180	$ 9,390
Expenditures:				
Current:				
Contract services and operating expenditures	11,664	-	-	11,664
(Deficiency) excess of revenues (under) over expenditures	(11,263)	7,809	1,180	(2,274)
Other financing sources:				
Transfers in	100,000	-	-	100,000
Net change in fund balances	88,737	7,809	1,180	97,726
Fund balance, July 1, 2022	263,320	374,787	20,967	659,074
Fund balance, June 30, 2023	$ 352,057	$ 382,596	$ 22,147	$ 756,800

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

The Governing Board at June 30, 2023 was comprised of the following members:

GOVERNING BOARD

Name	Office	Term Expires
Brian Wheatley	President	2024
Chris Norwood	Vice-President	2024
Katherine Tseng	Clerk	2024
Albert Gonzalez	Member	2024
Linda Goytia	Member	2023
J. Manuel Herrera	Member	2023

ADMINISTRATION

Alyssa Lynch
Superintendent

Dorothy Reconose
Chief Business Official

There were no adjustments proposed to any funds of the District.

METROPOLITAN EDUCATION DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Budget) 2024	2023	2022	2021
General Fund				
Revenues and other financing sources	$ 16,734,611	$ 17,305,396	$ 15,062,842	$ 13,493,349
Expenditures	17,625,480	18,106,942	12,905,141	12,219,298
Other uses and transfers out	-	-	26,352	-
Total outgo	17,625,480	18,106,942	12,931,493	12,219,298
Change in fund balance	$ (890,869)	$ (801,546)	$ 2,131,349	$ 1,274,051
Ending fund balance	$ 15,595,383	$ 16,486,252	$ 17,287,798	$ 15,156,449
Available reserves	$ 1,841,200	$ 2,268,488	$ 2,171,194	$ 1,629,912
Designated for economic uncertainties	$ 900,706	$ 900,706	$ 685,257	$ 603,660
Undesignated fund balance	$ 940,494	$ 1,367,782	$ 1,485,937	$ 1,026,252
Available reserves as percentages of total outgo	10.4%	12.5%	16.8%	13.3%
All Funds				
Total long-term liabilities	$ 10,751,189	$ 10,970,130	$ 10,216,020	$ 16,859,348
Average daily attendance at P-2	N/A	N/A	N/A	N/A

The fund balance in the General Fund has increased by $2,603,854 over the past three years. The fiscal year 2023-2024 budget projects a decrease of $890,869. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses, up to a maximum of 10%. For the year ended June 30, 2023, the District has met this requirement.

The District has recognized operating an surplus in two of the past three years; but anticipates incurring an operating deficit during the fiscal year ending June 30, 2024

Total long-term liabilities have decreased by $5,889,218 over the past two years.

See accompanying notes to supplementary information.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
There are no charter schools in the District.	

See accompanying notes to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statement: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the June 30, 2023 fiscal year, as required by the State Controller's Office.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 – EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2023, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Governing Board
Metropolitan Education District
San Jose, California

Report on Compliance

Opinion on State Compliance

We have audited Metropolitan Education District's (the District) compliance with the requirements specified in the State of California's *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2022-23 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
A. Attendance	N/A, see below
B. Teacher Certification and Misassignments	N/A, see below
C. Kindergarten Continuance	N/A, see below
D. Independent Study	N/A, see below
E. Continuation Education	N/A, see below
F. Instructional Time	N/A, see below
G. Instructional Materials	N/A, see below
H. Ratio of Administrative Employees to Teachers	N/A, see below
I. Classroom Teacher Salaries	N/A, see below
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	N/A, see below
L. School Accountability Report Card	N/A, see below
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	N/A, see below
P. Transportation Maintenance of Effort	N/A, see below
Q. Apprenticeship: Related and Supplemental Instruction	Yes
R. Comprehensive School Safety Plan	N/A, see below
S. District of Choice	N/A, see below
TT. Home to School Transportation Reimbursement	N/A, see below
UU. Independent Study Certification for ADA Loss Mitigation	N/A, see below

(Continued)

School Districts, County Offices of Education, and Charter Schools:	
T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	N/A, see below
V. Proper Expenditure of Education Protection Account Funds	N/A, see below
W. Unduplicated Local Control Funding Formula Pupil Counts	N/A, see below
X. Local Control and Accountability Plan	N/A, see below
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	N/A, see below
AZ. Educator Effectiveness	N/A, see below
BZ. Expanded Learning Opportunities Grant (ELO-G)	N/A, see below
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	N/A, see below
Charter Schools:	
AA. Attendance	N/A, see below
BB. Mode of Instruction	N/A, see below
CC. Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Annual Instructional Minutes-Classroom Based	N/A, see below
FF. Charter School Facility Grant Program	N/A, see below

We did not perform testing for any of the programs in section A through P, R through UU, T through EZ, or AA through FF. Metropolitan Education District is a joint powers authority formed to operate adult education and career technical education programs, and does not operate and/or offer programs in the aforementioned sections of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

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

Report on Internal Control over Compliance

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

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

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

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 12, 2023

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

To the Governing Board
Metropolitan Education District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Education District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Metropolitan Education District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 12, 2023

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:				
Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____	Yes	X	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unmodified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

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

Condition: During the audit, the following errors were found:

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

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

Current Status: Implemented.

District Explanation if Not Implemented: N/A

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

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

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

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

Current Status: Implemented.

District Explanation if Not Implemented: N/A