

**METROPOLITAN EDUCATION
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

METROPOLITAN EDUCATION DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Metropolitan Education District
San Jose, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Education District, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 16.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the required supplementary information, such as budgetary comparison and other postemployment information, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vausinek, Thine, Day & Co., LLP

Palo Alto, California
November 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

PROFILE OF THE DISTRICT

Metropolitan Education District (the District), also referred to as MetroED, is a Joint Powers Agency (JPA) formed by six participating school districts in Santa Clara County to provide career technical and adult education to a diverse population of students and community members. MetroED's Regional Occupational Center and Program, located on a 26 acre site in central San Jose, as well as on 28 high school campuses, serves approximately 11,600 high school juniors, seniors and adults. During 2010-11, MetroED's Adult Education program served approximately 5,000 adults in San Jose at three main sites and 12 outreach sites. As of July 1, 2011 the San Jose Unified School District has flexed 2/3 (\$3.5 million) of the state Adult Education funding from MetroED to the San Jose Unified School District General Fund. This transfer will occur annually until the period of state categorical flexibility ends.

The six participating JPA school 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.

FINANCIAL HIGHLIGHTS

- **State Cuts to Primary Funding:** MetroED's primary funding comes from the state budget in the form of apportionments designated for Regional Occupational Centers/Programs (ROCPs) and Adult Education. In February 2009 the state adopted a revised budget for 2008-09, which included a fundamental change to the way some categorical programs, including ROCPs and Adult Education, are funded. The new budget revised the method for calculating funding for these programs from a dollar amount (revenue limit) per average daily attendance (ADA) to a fixed grant amount of the 2007-08 base year, less approximately 20%. In anticipation of state budget deficits, the District had been building a "Contingency for State Deficits" reserve. This reserve will be the source of funding for projected deficit spending for the next three years.
- **Categorical Flexibility:** In order to provide school districts with maximum flexibility with funding for categorical (restricted) programs, the state identified 39 categorical programs, including ROCP and Adult Education, as being 100% flexible until June 30, 2013. During 2010-11, the state extended the period of flexibility by two years, until June 30, 2015. This means that funding from these programs may be used "for any educational purpose," and ROCP and Adult Education programs are no longer required to generate or report average daily attendance in order to receive state funding. The idea behind this provision is to allow school districts, if they so choose, to move these dollars into their general funds to backfill state cuts to their unrestricted funding. These categorical funds have therefore been redefined by the state as being both flexible and unrestricted. This flexibility ends on June 30, 2015, and funding returns to revenue limit per ADA basis. However, there is serious discussion at the state that these 39 categorical programs will permanently change to a block grant format.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

- JPA Participating Districts: Prior to the adoption of flexibility, funding for MetroED was apportioned to the JPA participating districts, with the ROCP funding required to be passed through to the JPA by both the California Education Code and provisions of the MetroED Joint Powers Agreement. Flexibility suspended the pass-through provisions of the Education Code until June 30, 2015. However, the provisions of the Joint Powers Agreement remain in effect and, in order for a participating district to redirect ROCP funding into their general funds, fifteen months' notice of withdrawal from the JPA is required. This does not preclude alternative arrangements based on mutual agreement by the parties. To date, none of the JPA participating districts have notified MetroED of their intention to 'flex' the ROCP funding. In January 2011, the San Jose Unified School District Board of Trustees voted to flex 2/3 (\$3.5 million) of the state Adult Education funding starting in 2011-12, and each year thereafter until flexibility ends. 15 months' notice is not required for the flexing of Adult Education funding.
- Collective Bargaining: The District has settled with all collective bargaining units for school year 2010-11. The District's bargaining units are; American Federation of Teachers (AFT), California School Employees Association (CSEA) and California Teachers Association (CTA). The District has continued to fund step, column and longevity increases for its employees, but has made no provision for cost of living increases. The District has also funded an annual increased contribution of 5% to employee health and welfare benefits.
- District Cash Flow: In response to the state budget crisis, the state has "borrowed" cash from K-14 education by deferring approximately 39% of funding apportionments guaranteed districts by Proposition 98. Since Adult Education, ROCP and Deferred Maintenance have been designated as general fund programs during the flexibility period, MetroED is now receiving its funding on the same apportionment schedule as K-12 districts. In November 2010, in order to mitigate the impact of deferrals on District cash flow, the MetroED Governing Board raised the district reserve levels in the General and Adult Education funds from 10% to 15%. This reserve is composed of a 5% General Reserve and 10% Reserve for Economic Uncertainty. The purpose of these reserves is to provide cash flow for vendor payments and employee wages for a 90 day period. The Governing Board has also established a "Contingency for State Deficits" reserve to assist with cash flow as well as planned deficit spending.

For financial reporting purposes, in accordance with the new GASB statement No. 54 provisions, the entire fund balance in the Adult Education fund has been shown as committed. However, the 15% reserve contained within that committed fund balance is shown as part of our available reserves.

- Reserves for Potential PERS Recapture Liability: In 1982-83, the Public Employees Retirement System (PERS) employer contribution rate was reduced from 13.02% to 12.045%. The state was in financial crisis and a state law was passed requiring the recapture of the savings from the PERS rate reduction. This was to have been a one-time reduction of districts' Revenue Limit apportionment. However, this one-time reduction has been a continuous part of the Revenue Limit calculation since 1982-83. State law has been confusing as to whether the PERS recapture applies to ROCPs operating as Joint Powers Authorities (JPAs). Currently, both the California Department of Education and the Department of Finance believe that the PERS offset applies to ROCP JPAs. However, they have not imposed the recapture because of an incorrect Ed Code reference. The matter continues to be unresolved. The MetroED Governing Board has recognized the potential financial liability to the District, and directed that reserves be established for both the General and Adult Education funds sufficient to pay the PERS Reduction recapture retroactive for three years. The PERS reserves for both the General and Adult Education Funds are held in the General fund assigned fund balance.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

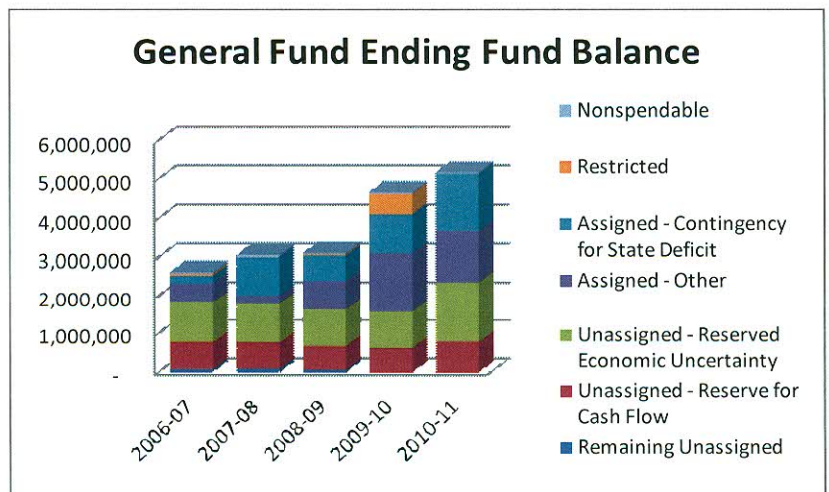
JUNE 30, 2011

- **Post Employment Benefits Liability:** An Other Post-Employment Benefit (OPEB) actuarial study was updated by an actuarial firm in the summer of 2010. This report calculated that the District carries an actuarial present value of total projected benefits (APVTPB) of \$2,728,438. Of the total projected benefits, \$1,808,239 is the actuarial accrued liabilities as of July 1, 2009 which is the most recent actuarial valuation performed. APVTPB is the amount which the District would theoretically need to set aside at this time to fully fund all future benefits for both active and former employees. The District shall continue with pay-as-you-go method until the economy shows signs of improvement before making additional contributions to this category.

2010-2011 RESULTS OF OPERATIONS

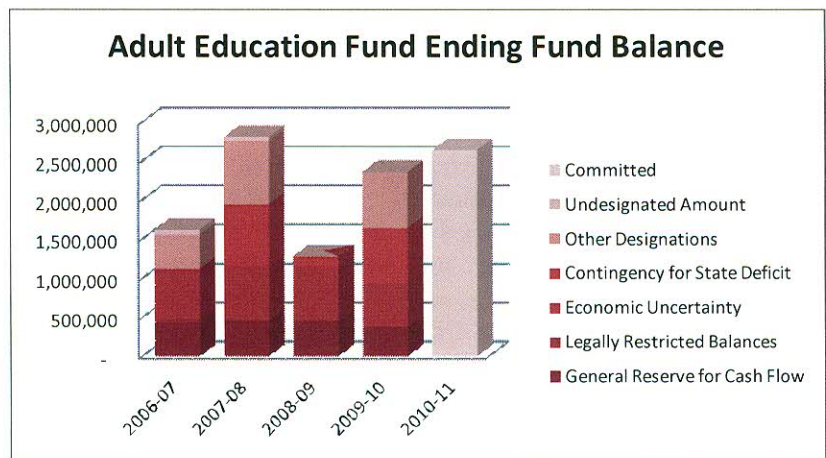
The District's General Fund expenditures and transfers out exceeded revenues and transfers in by \$583,442, resulting in an ending fund balance total of \$5,181,648. Additional balance includes nonspendable fund balance of \$20,000 for the revolving cash and \$10,757 for stores inventory; \$826 for legally restricted for the unspent portion of the categorical program; \$2,783,371 assigned fund balance, includes \$548,930 carryover funds of local program; \$133,333 for the legal contingency, \$627,979 for PERS recapture liability, and \$1,473,129 set aside as contingency for potential funding reduction due to the state deficits.

Unassigned fund balance comprises of a reserve for economic uncertainty of \$1,577,796 (10%) and a reserve for cash flow (5%), which were established as a reserve policy by the governing board in November 2010 to provide sufficient reserves for cash flow for 90 days.



Fund 110: Adult Education Fund:

Campbell Union High School district (CUHSD) withdrew its adult education program effective July 1, 2010. During 2010-11, MetroED continued to administer the Adult Education program for the San Jose Unified School District. The District's Adult Education Fund revenues and other financing sources exceeded expenditures and other outgo by \$280,641, resulting in an ending fund balance of \$2,641,392. Under the flexibility provisions of current statute, this fund is no longer primarily composed of restricted or committed revenue sources. However, the District has taken formal action to commit the flexed revenues to continue the operation of the original programs.



METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Fund 140: Deferred Maintenance Fund: The Deferred Maintenance Fund is used to account separately for state apportionments and the district's match contribution for major repairs and/or replacements of qualifying district property that has exceeded its useful life. Primary sources of this fund are the state Deferred Maintenance apportionment, interest earnings and district interfund transfers for the district's matches. Expenditures in this fund are intended for major repairs or replacements at the Central County Occupational Center (CCOC) under the 5-year Deferred Maintenance plan approved by the State Allocation Board.

Deferred Maintenance funding is a part of the Tier III Categorical programs, leaving the program "unrestricted" for seven years starting with 2008-2009. Therefore, the Deferred Maintenance revenues are accounted for in the General Fund. Because the District has several on-going deferred maintenance needs at CCOC, the funds are transferred from the General Fund to the Deferred Maintenance Fund for deferred maintenance project expenditures. \$336,022 was transferred to the Deferred Maintenance Fund, representing both the state deferred maintenance funding and the District's match for 2010-11. For the year, the ending fund balance was \$1,244,472. All the balances were committed for the projects identified in the last 5-year Deferred Maintenance plan, including a Deferred Maintenance Extreme Hardship sewer replacement project. The major repairs completed in 2010-11 were the sewer-line repair, gas leak repair, and parking lot paving project

Fund 170: Special Reserve Fund for Other Than Capital Outlay Projects: This special reserve fund is used to account for the accumulation of General Fund money for purposes other than capital outlay. This fund does not meet the GASB statement No. 54 special revenue fund definition. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General fund, and accordingly have been combined with the General fund for presentation in the audited basic financial statement. This fund was authorized by the Governing Board in 2006-2007. Also included in this fund are transfers from the General and Adult Education Funds for the PERS recapture liability. For the current fiscal year, the ending fund balance was \$761,312.

Components of Fund Balance - Special Reserve Fund	2010-2011
Reserve for PERS Recapture Liability-General Fund	\$ 421,092
Reserve for PERS Recapture Liability-Adult Ed. Fund	206,887
Reserve for Potential Legal Costs-General Fund	100,000
Reserve for Potential Legal Costs- Adult Ed. Fund	33,333
Total Fund Balance	\$ 761,312

Fund 210: Building (Asset Management) Fund: The District's Building Fund, otherwise known as the Asset Management Fund, exists primarily to account separately for proceeds from rentals and leases of real property. These proceeds are to be used on the CCOC campus for new programs, upgrading of existing programs and necessary facility upgrades. Revenues include lease payments from the Capital Auto Mall LLC and interest earnings. The lease payments are for leasehold improvements on property located on JPA-owned land on Capitol Expressway, adjacent to the CCOC campus on Hillsdale Avenue. For 2010-2011, the fund realized lease and interest income of \$194,594. After expenditures of \$301,450 and the authorized transfer of \$7,202 for administrative costs, the ending fund balance was \$1,202,842. By governing board policy, this fund must maintain a minimum ending fund balance of \$250,000 for emergencies. The remainder of the ending fund balance was reserved as follows: \$50,000 for health and safety emergencies, \$519,664 as district match for Proposition 1D equipment grants and \$383,178 for future CCOC program upgrades. Due to the economy-driven loss of a number of sub-leases for the Capital Auto Mall project, MetroED agreed to extend for an additional two years (until June 30, 2013) a 33% reduction in the rent payments due the district from the LLC.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Fund 350: County School Facilities Fund: The District opened the County School Facilities Fund in 2008-2009 to account for apportionments authorized by the State for school facility modernization projects funding by Proposition 1D. The State funding for these projects are tracked in this fund. The District's matching shares of the CTE equipment grants are accounted for in the Asset Management Fund 210 and the District's matching shares for the modernization grants are accounted for in Special Reserve Fund for Capital Outlay Projects Fund 400. During 2010-2011, the District received \$4,190,778 from the state for the balance due of five (5) Proposition 1D grants. A final grant of \$222,258 for manufacturing equipment is expected to be funded in December 2011. Several modernization projects were underway during 2010-11, including CCOC Building 200 (Health Careers Center), CCOC Building 700 (Model Courtroom) and CCOC Building 800 (Culinary Arts Center). A total of \$2,397,611 was expended from this fund during the year.

Fund 400: Special Reserve for Capital Outlay Fund: The District's Special Reserve for Capital Outlay Fund exists primarily to provide for the accumulation of monies for capital outlay purposes. The fund is divided into two "sub-groups" that allow the District to account separately for funds allocated to the Central County Occupational Center (CCOC) and Adult Education program. The following chart summarizes the Capital Outlay Fund activity for 2010-11.

Capital Outlay Fund 400	CCOC	Adult Ed San Jose
Beginning Fund Balance:	\$ 7,268,539	\$ 340,927
Sources of Funds:		
Interest Earnings	81,772	3,392
Transfers-In	795,000	325,000
Total Sources of Funds	876,772	328,392
Uses of Funds:		
MC Village Improvements	-	185,308
Prop 1D – Bldg 300 (Res: 9501)	(89,116)	-
Prop 1D – Bldg 800 (Res: 9502)	514,364	-
Prop 1D – Bldg 200 (Res: 9503)	(2,505)	-
Prop 1D – Bldg 100 (Res: 9504)	(65,011)	-
Prop 1D – Bldg 100 (Res: 9505)	(12,041)	-
Prop 1D – Bldg 200 (Res: 9506)	644,483	-
Prop 1D – Bldg 600 (Res: 9507)	(44,872)	-
Prop 1D – Bldg 700 (Res: 9512)	238,757	-
Prop 1D – Bldg 100 (Res: 9513)	26,242	-
Prop 1D – Bldg 100 (Res: 9514)	5,273	-
Debt Services – QZAB Bond	19,500	-
Other Expenditures-QZAB Bond	1,500	-
Total Uses of Funds	1,236,574	185,308
Increase (Decrease) in Fund Balance	(359,802)	143,084
Ending Fund Balance	\$ 6,908,737	\$ 484,011

Note: Negative expenditures indicate that the construction costs were re-adjusted equally between State Facility Fund (F-350) and the Special Reserve Fund for Capital Outlay Fund (F-400).

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

OVERVIEW OF THE FINANCIAL REPORT

This annual report consists of three parts, including the management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statement includes two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget, both the adopted and final versions, with year-end actuals.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health and position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as the condition of school buildings and other facilities.

Fund Financial Statements

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

- Some funds are required by law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like proceeds from the lease of a section of the Hillsdale site to the Capitol Auto Mall Plaza LLC).

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The District has two kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Fiduciary funds** – the District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities' funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

	CCOC (ROCP)	CCOC Student	MAEP (Adult Education)	Total
	Scholarship	Council	Scholarship	
Assets:				
Cash	\$221,640	\$600	\$159,350	\$381,590
Total	\$221,640	\$600	\$159,350	\$381,590
Liabilities:				
Due to MAEP	\$ -	\$ -	\$159,350	\$159,350
Due to CCOC	221,640	600	-	222,240
Total	\$221,640	\$600	\$159,350	\$381,590

Both CCOC and MAEP Revolving accounts were reviewed in detail in the fiscal year 2009-2010 and most of the accounts were transferred to the District's books in 2009-2010 and will be included in the government-wide financial statements. The remaining balances in the Revolving accounts were further examined in 2010-2011 and transferred to the District's books. The CCOC student body account is the only account remaining as a true fiduciary fund and it accounts for the fund-raising activities and the expenditures approved by the CCOC Student Council.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Governmental Activities:

The District's net assets increased from \$43,477,194 to \$47,903,955 as of June 30, 2011, an increase of \$4,426,761, or 10%. A major increase is due to 7% increase in the capital assets as more Prop 1D modernization and equipment upgrades were completed. Accounts receivable remains fairly constant compared to prior year. It indicates that the State's apportionment deferral has become chronic problem and become ongoing practice for many years to come. To meet the district's vendor payments and payroll obligations, \$1 million was borrowed from the Special Reserve Fund for Capital Outlay to the General Fund at the year end.

	FY 2010-2011	FY 2009-2010
Assets:		
Cash	\$ 17,187,689	\$ 16,380,371
Accounts receivable	8,771,221	9,675,502
Prepaid expenses	32,698	-
Stores inventories	10,757	10,440
Capital assets, net of accumulated depreciation	26,278,465	23,021,757
Total Assets	\$ 52,280,830	\$ 49,088,070
Liabilities:		
Other liabilities	\$ 2,438,400	\$ 3,834,988
Long-term debt outstanding	1,938,475	1,775,888
Total Liabilities	\$ 4,376,875	\$ 5,610,876
Net Assets:	\$ 47,903,955	\$ 43,477,194

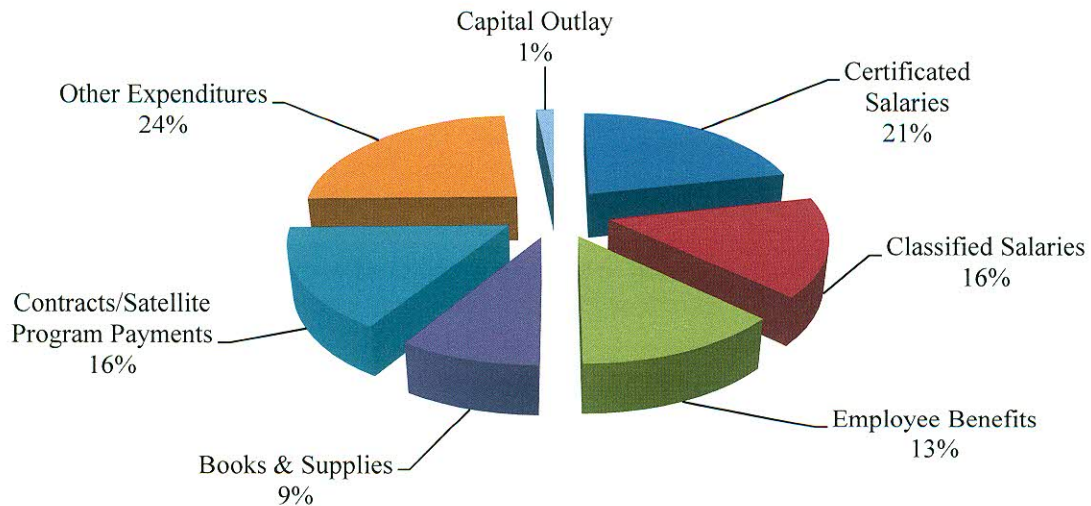
METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

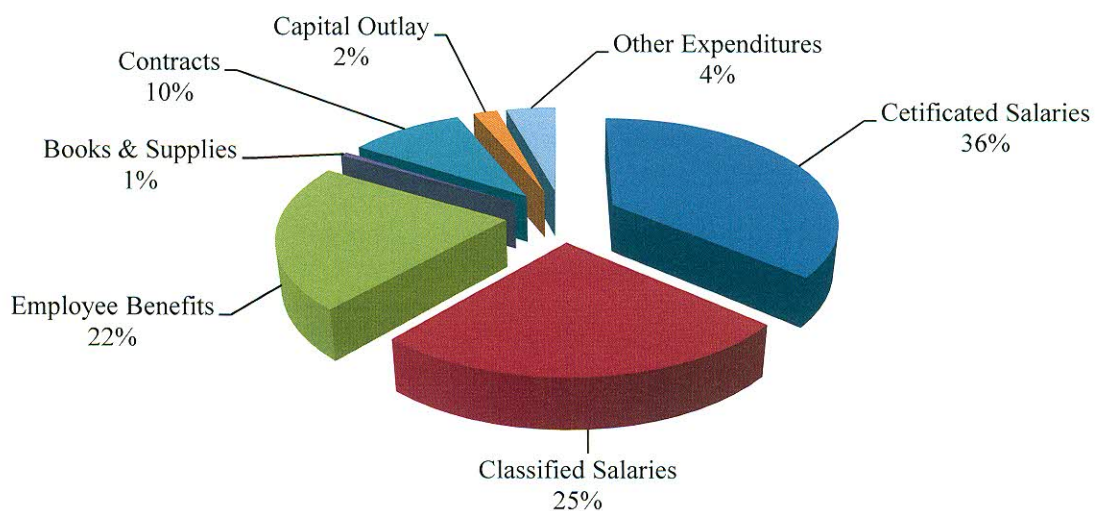
JUNE 30, 2011

As is common with virtually all school districts, the majority of expenditures are for salaries and benefits for both CCOC (General Fund) and MAEP (Adult Education Fund).

**Metropolitan Education District
General Fund Expenditures FY 2010-11**



**Metropolitan Education District
Adult Fund Expenditures FY 2010-11**

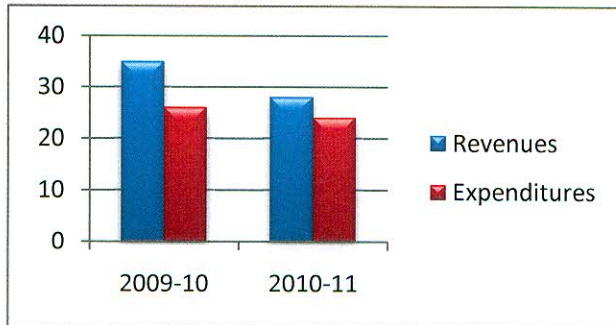


METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE



The District's total revenues decreased to \$28,282,147 from \$35,158,276 on June 30, 2011, a decrease of \$6,876,129 or 20%. The revenue decrease was mainly due to the State funding for Proposition 1D modernization projects as the district received a total of \$4,190,778, \$1.13 million less than 2009-2010. One time transfer made in 2009-2010 to correct the accounting treatment of the CCOC and MAEP revolving funds also caused one time increase in revenues in 2009-2010 for a total of \$468,842. The State changed the allocation practice of the excess property taxes from P-annual to P-2 in 2009-2010, causing

to account for 2 years of taxes in one year. As a result, the local revenues have one-time increase of \$1 million.

Due to Campbell Union School District's decision to run its own adult education program starting with FY 2010-2011, the adult education apportionment was reduced by \$2.6 million as well as 11% reduction in tuition and fees collected (CIP program-fee-based).

Approximately \$4.3 million was spent on Proposition 1D modernization projects, infrastructure improvements, construction of MC Village expansion on the Hillsdale Avenue campus and new equipment for the CCOC and Adult Education Programs.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Comparative Statement of Activities		
	FY 2010-11	FY 2009-10
Program Revenues:		
Charges for Services and Sales	\$ 4,328,373	\$ 26,426
Operating Grants & Contributions	2,009,618	1,669,937
Capital Grants and Contributions	4,166,671	5,338,437
General Revenues:		
Federal & State Aid not Restricted	13,170,723	9,753,961
Interest and Investment Earnings	269,905	101,825
Interagency Revenues	797,075	14,997,046
Miscellaneous	3,539,782	3,270,644
Total Revenues	28,282,147	35,158,276
Program Expenses:		
Instruction	8,335,936	13,173,748
Instruction-Related Services	8,592,372	8,990,492
Pupil Services	1,100,570	1,136,240
General Administration	-	532
Plant Services	3,100,208	1,628,230
Interest on Long-Term Debt	19,500	19,500
Other Outgo	2,706,800	1,445,878
Total Expenses	23,855,386	26,394,620
Change in Net Assets	\$ 4,426,761	\$ 8,763,656

The comparative statement of activities presents the costs of the District's expenditures by major activities or services performed - Regular instruction, pupil services, plant services, general administration services, interest on long-term debt, and other outgo. The comparative statement of activities may be analyzed the cost of each function/activities in comparison to the benefits provided by that function/activities

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

CAPITAL ASSET ADMINISTRATION

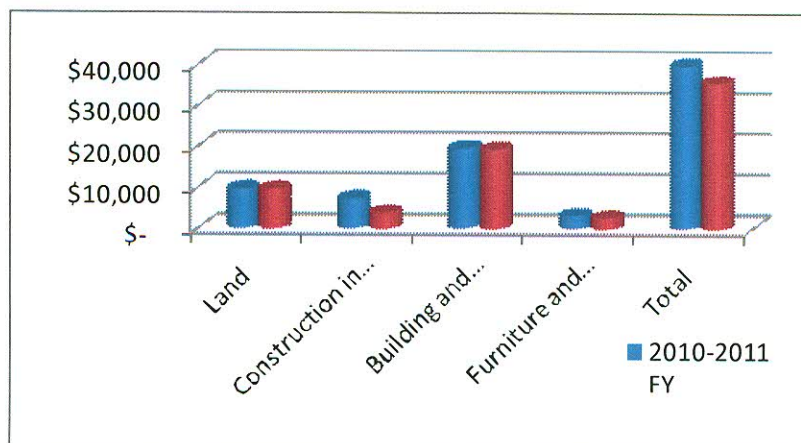
The District's capital assets are recorded in the government-wide financial statements at historical cost per generally accepted accounting principles and are being depreciated using the straight-line method over the estimated useful lives.

A total of \$3,256,708 after depreciation was added to the District's Capital Assets in 2010-2011. A majority of the increases were:

- Various Prop 1D projects totaling \$3,730,075 were added to the construction-in-progress.
- The storage shed for the groundskeepers was constructed at a cost of \$48,196 behind Building 400.
- The employee parking lot was paved behind Building 400 for \$27,644 in order to increase the number of student parking spaces.
- 16 wide screen projectors were installed at MAEP classroom for \$98,714.
- A security camera was installed at CCOC Building 300.
- \$477,702 of Prop 1D funds was spent to acquire the newly upgraded CTE equipment for CCOC program.

Comparative Schedule of Capital Assets		
	FY 2010-11	FY 2009-10
Land, Buildings and Equipment:		
Land	\$ 9,683,028	\$ 9,683,028
Construction in progress	7,367,399	3,915,307
Building and improvements	19,644,991	19,367,008
Furniture and equipment	3,238,077	2,760,375
Subtotals	39,933,495	35,725,718
Less: Accumulated Depreciation		
Buildings	(11,991,466)	(11,200,137)
Equipment	(1,663,564)	(1,503,824)
Subtotals	(13,655,030)	(12,703,961)
Net Capital Assets	\$ 26,278,465	\$ 23,021,757

Other increases came from the beginning stage of various Proposition 1D projects for the Central County Occupational Center (CCOC). The State approved Proposition 1D facilities grants are in the works to modernize the aged (40 year-old) buildings in order to be compliant with fire and ADA requirements, to improve the classroom safety, to reconfigure the programs, and to upgrade instructional equipment.



METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

LONG TERM DEBT ADMINISTRATION

The District had long-term debts outstanding in the amount of \$1,938,475, an increase of \$162,587 or 9% over the prior year. The increase is mainly due to the update of the post employment benefits obligation.

Comparative Schedule of Long-Term Liabilities		
	FY 2010-11	FY 2009-10
Compensated absences	\$ 309,470	\$ 315,390
Net OPEB obligation	629,005	460,498
Qualified zone academy bond	1,000,000	1,000,000
Total	\$ 1,938,475	\$ 1,775,888

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2011-2012 adopted budget included employee salary increases for step, column and longevity changes, a 5.00% increase of the employer's contribution to the employees' health and welfare plans. Since the District is not receiving increases in state funding during the period of flexibility, these cost increases are funded from internal sources, primarily from fund balance.

The 2011-2012 adopted budget included the fiscal impact of the "flexing" of 2/3 of state Adult Education funding by the San Jose Unified School District. This represents a shift of \$3.5 million annually from MetroED's Metropolitan Adult Education Program (MAEP) to the San Jose Unified School District to back-fill for cuts to the San Jose USD General Fund by the State of California. In response, MAEP has closed two of three main Adult Education centers, eliminated all Older Adult and fee-based programs, reduced other core programs such as English as a Second Language, Adult Basic Skills and High School Diploma and consolidated the balance of the programs on the Hillsdale Avenue campus. The consolidation necessitated an expansion of portable classrooms from nine to eighteen. The program reduction resulted in the following reductions in employee full time equivalents.

Employee Class	General Fund		Adult Education Fund		District Total	
	FTE	Reduction	FTE	Reduction	FTE	Reduction
Certificated	1.60	\$ 191,294	21.83	\$ 957,205	23.40	\$ 1,148,499
Classified	0.00	-	13.50	1,087,459	13.50	1,087,459
Administrators	0.00	-	3.60	401,975	3.60	401,975
Total	1.60	\$ 191,294	38.93	\$ 2,446,639	40.50	\$ 2,637,937

CCOC continues to modify with Proposition 1D modernization grants. For 2011-12, CCOC Building 200 Health Career Center was completed in August. Building 700 Courtroom is scheduled to be completed in November. Building 800 Culinary Arts Center and Administration Offices were completed in the Summer of 2011. Modernization will begin on Building 600 Manufacturing and Product Development in early Spring of 2012, followed by construction of Building 100 Arts Media/Entertainment. Computer upgrades are scheduled for both CCOC and MAEP classrooms to replace old bulky monitors in 2011-2012.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The District continues to meet the major facility maintenance needs by using the Deferred Maintenance Funds for the original deferred maintenance purposes, despite of the funds being unrestricted until the fiscal year 2014-2015. Some major repairs are scheduled to go underway including; the Hillsdale Avenue campus parking lot repairs and reconfiguration, gas line repair, several repainting projects, and the upgrading of Building 6 by termite removal, re-carpeting, strengthening the walls, and repairing the fragile floor.

The District transferred \$405,000 to Special Reserve Fund for Capital Outlay to construct a new classroom for a future program. The original plan was to build a cosmetology lab by 2012-2013; however, the plan was cancelled due to high costs of running cosmetology class.

The State's cash flow problems have become a serious ongoing problem for local education agencies (LEAs) and MetroED is no exception. Nearly 40% of the State apportionments were deferred at the 2010-2011 year-end. Given the current level of deferral, the District exercised interfund borrowing to meet vendor and payroll obligations for the last 2 consecutive years. The District must evaluate the external borrowing options in near future, when the construction funds deplete as Prop 1D construction projects progress.

The District projects the federal adult education grant, WIA (Workforce Investment Act) grant, will be reduced significantly in 2013-2014 when the reduction of \$3.5 million of Adult Education apportionment in 2011-2012 will reflect the funding level. The District must continue to evaluate the staffing, and expenditures as well as to explore revenue enhancement options, and budget conservatively so that the adult students will continue to receive excellent educational services while the District maintains a fiscal solvency.

Due to the weak economy and financial uncertainty, operations of school agencies continues to be complicated because of the following:

- The Governor introduced the trigger reductions in fiscal year 2011-2012: if the state revenues fall short of projections, spending reductions are triggered in the following order as of January 1, 2012:
 - Less than \$1 billion below forecast – no changes.
 - Between \$1 and \$2 billion below forecast – funding cuts to child care, community colleges, and higher education.
 - More than \$2 billion below forecast – funding cuts to school transportation, additional cuts to community colleges, and up to 4% reduction to revenue limits.
- AB114 (Chapter 43/2011) requires school districts to maintain program and staffing levels with flat funding, and prohibits districts from budgeting potential mid-year budget cuts.
- Fiscal impact of the trigger reductions to MetroED, direct or indirect, if enacted, is unknown at this time. It is difficult to deal with the reduced funding, apportionment deferrals, and the uncertainty associated with a volatile economy. Although our District has set aside reserves in preparation of additional cuts to education, the administration remains concerned about the potential of a second recession and the resulting impact on funding for education in California. Consequently, the District has taken a conservative approach to expenditures and on-going obligations.

The District needs and appreciates the on-going support provided by six participating districts.

METROPOLITAN EDUCATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

REGARDING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to assist interested parties in understanding the District's sources and uses of resources. If you have questions about this report or need additional financial information, please contact the District's Business Office, Metropolitan Education District, 760 Hillsdale Avenue, Building 400, San Jose, CA 95136.

METROPOLITAN EDUCATION DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Deposits and investments	\$ 17,187,689
Receivables	8,771,221
Prepaid expenses	32,698
Stores inventories	10,757
Capital assets not depreciated	17,050,427
Capital assets, net of accumulated depreciation	9,228,038
Total Assets	52,280,830
LIABILITIES	
Accounts payable	2,428,440
Deferred revenue	9,960
Noncurrent portion of long-term obligations	1,938,475
Total Liabilities	4,376,875
NET ASSETS	
Invested in capital assets, net of related debt	26,071,902
Restricted for:	
Legally restricted	64,281
Capital projects	13,703,016
Unrestricted	8,064,756
Total Net Assets	\$ 47,903,955

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

METROPOLITAN EDUCATION DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,335,936	\$ 1,095,480	\$ 893,710	\$ 4,166,671	\$ (2,180,075)
Instruction-related activities:					
Supervision of instruction	4,607,234	1,331,329	512,815	-	(2,763,090)
School site administration	3,985,138	1,343,012	483,415	-	(2,158,711)
Pupil services:					
Home-to-school transportation	832,211	-	-	-	(832,211)
Food services	124,897	-	-	-	(124,897)
All other pupil services	143,462	32,920	5,884	-	(104,658)
Plant services	3,100,208	525,632	94,381	-	(2,480,195)
Interest on long-term obligations	19,500	-	-	-	(19,500)
Other outgo	2,706,800	-	19,413	-	(2,687,387)
Total Governmental Activities	\$23,855,386	\$ 4,328,373	\$ 2,009,618	\$ 4,166,671	(13,350,724)
General revenues and subventions:					
Federal and State aid not restricted to specific purposes					13,170,723
Interest and investment earnings					269,905
Interagency revenues					797,075
Miscellaneous					3,539,782
Subtotal, General Revenues					17,777,485
Change in Net Assets					4,426,761
Net Assets - Beginning					43,477,194
Net Assets - Ending					\$ 47,903,955

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

METROPOLITAN EDUCATION DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2011

	General Fund	Adult Education Fund	County School Facility Fund
ASSETS			
Deposits and investments	\$ 1,219,084	\$ 423,185	\$ 6,823,497
Receivables	6,213,079	2,529,938	12,478
Due from other funds	24,839	9,316	170,201
Prepaid expenditures	-	32,698	-
Stores inventories	10,757	-	-
Total Assets	<u>\$ 7,467,759</u>	<u>\$ 2,995,137</u>	<u>\$ 7,006,176</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 788,125	\$ 253,285	\$ 648,763
Due to other funds	1,488,486	100,000	456,550
Deferred revenue	9,500	460	-
Total Liabilities	<u>2,286,111</u>	<u>353,745</u>	<u>1,105,313</u>
Fund Balances:			
Nonspendable	30,757	32,698	-
Restricted	826	-	5,900,863
Committed	-	2,608,694	-
Assigned	2,783,371	-	-
Unassigned	2,366,694	-	-
Total Fund Balances	<u>5,181,648</u>	<u>2,641,392</u>	<u>5,900,863</u>
Total Liabilities and Fund Balances	<u>\$ 7,467,759</u>	<u>\$ 2,995,137</u>	<u>\$ 7,006,176</u>

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

Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,101,543	\$ 2,620,380	\$ 17,187,689
11,464	4,262	8,771,221
2,071,238	53,294	2,328,888
-	-	32,698
-	-	10,757
<u>\$ 8,184,245</u>	<u>\$ 2,677,936</u>	<u>\$ 28,331,253</u>

\$ 636,391	\$ 101,876	\$ 2,428,440
155,106	128,746	2,328,888
-	-	9,960
<u>791,497</u>	<u>230,622</u>	<u>4,767,288</u>
-	-	63,455
7,392,748	1,202,842	14,497,279
-	1,244,472	3,853,166
-	-	2,783,371
-	-	2,366,694
<u>7,392,748</u>	<u>2,447,314</u>	<u>23,563,965</u>
<u>\$ 8,184,245</u>	<u>\$ 2,677,936</u>	<u>\$ 28,331,253</u>

METROPOLITAN EDUCATION DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

Total Fund Balance - Governmental Funds		\$ 23,563,965
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 39,933,495	
Accumulated depreciation is	<u>(13,655,030)</u>	
Net Capital Assets		26,278,465
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year-end consist of:		
Net OPEB obligation	(629,005)	
Compensated absences (vacations)	(309,470)	
Qualified zone academy bond payable (QAZB)	<u>(1,000,000)</u>	
Total Long-Term Liabilities		<u>(1,938,475)</u>
Total Net Assets - Governmental Activities		<u>\$ 47,903,955</u>

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

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METROPOLITAN EDUCATION DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Adult Education Fund	County School Facility Fund
REVENUES			
Federal sources	\$ 100,435	\$ 1,064,219	\$ -
Other state sources	13,251,184	220,115	4,190,778
Other local sources	2,259,274	6,866,299	41,489
Total Revenues	<u>15,610,893</u>	<u>8,150,633</u>	<u>4,232,267</u>
EXPENDITURES			
Current			
Instruction	4,982,446	2,319,564	-
Instruction-related activities:			
Supervision of instruction	2,425,130	2,148,166	-
School site administration	1,726,063	2,232,802	-
Pupil Services:			
Home-to-school transportation	832,211	-	-
Food services	124,897	-	-
All other pupil services	95,998	47,464	-
General administration:			
Plant services	2,046,133	757,866	-
Facility acquisition and construction	74,826	95,141	2,397,611
Other outgo	2,706,800	-	-
Debt service			
Interest and other	-	-	-
Total Expenditures	<u>15,014,504</u>	<u>7,601,003</u>	<u>2,397,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>596,389</u>	<u>549,630</u>	<u>1,834,656</u>
Other Financing Sources (Uses):			
Transfers in	7,202	56,011	-
Transfers out	(1,187,033)	(325,000)	-
Net Financing Sources (Uses)	<u>(1,179,831)</u>	<u>(268,989)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(583,442)</u>	<u>280,641</u>	<u>1,834,656</u>
Fund Balance - Beginning	<u>5,765,090</u>	<u>2,360,751</u>	<u>4,066,207</u>
Fund Balance - Ending	<u>\$ 5,181,648</u>	<u>\$ 2,641,392</u>	<u>\$ 5,900,863</u>

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

Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,164,654
-	-	17,662,077
85,164	203,190	9,455,416
85,164	203,190	28,282,147
-	-	7,302,010
-	-	4,573,296
-	-	3,958,865
-	-	832,211
-	-	124,897
-	-	143,462
-	101,138	2,905,137
1,402,382	413,369	4,383,329
-	-	2,706,800
19,500	-	19,500
1,421,882	514,507	26,949,507
(1,336,718)	(311,317)	1,332,640
1,120,000	336,022	1,519,235
-	(7,202)	(1,519,235)
1,120,000	328,820	-
(216,718)	17,503	1,332,640
7,609,466	2,429,811	22,231,325
\$ 7,392,748	\$ 2,447,314	\$ 23,563,965

METROPOLITAN EDUCATION DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds \$ 1,332,640
Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for government-wide statements, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 4,207,777	
Depreciation expense	<u>(951,069)</u>	
Net Expense Adjustment		3,256,708

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Vacation earned was less than the amounts used by \$5,920. 5,920

In the statement of activities, the unfunded portion of the Annual Required Contribution (ARC) is recorded as an expense, but does not impact the statement of revenues, expenditures and changes in fund balance.

(168,507)

Change in Net Assets of Governmental Activities

\$ 4,426,761

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

METROPOLITAN EDUCATION DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 381,590
Total Assets	<u>\$ 381,590</u>
 LIABILITIES	
Due to Metropolitan Adult Education Scholarship Program	\$ 159,350
Due to Central County Occupational Center Scholarship Program	221,640
Due to Central County Occupational Center Student council	600
Total Liabilities	<u>\$ 381,590</u>

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

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund. Regional Occupation Center/Programs (ROC/P) activities are also included in the General Fund.

Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues and expenditures of \$761,312, \$761,312, \$7,922 and \$346,077 respectively.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Adult Education Fund The Adult Education Fund is used to account for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Under the flexibility provisions of current statute, this fund is no longer primarily composed of restricted or committed revenue sources. However, the District has taken formal action to commit the flexed revenues to continue the operation of the original programs. Only San Jose Unified School District participated in the adult education program.

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

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Under the flexibility provisions of current statute, this fund is no longer primarily composed of restricted or committed revenue sources. However, the District has taken formal action to commit the flexed revenues to continue the operation of the original programs.

Capital Projects Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trusts funds.)

Building Fund The Building Fund exists primarily to account separately for proceeds from rentals and leases of real property. These proceeds are to be used for new programs, upgrading of existing programs and necessary facility upgrades at the CCOC campus.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The District maintains only agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for scholarship activities for both Central County Occupational Center (CCOC) and Metropolitan Adult Education Program (MAEP), CCOC Student Council.

Basis of Accounting - Measurement Focus

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

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

The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

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

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the benefiting period.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties of 10 percent of General Fund expenditures and other financing uses, and additional 5% of General Fund expenditures and other financing uses for cash flow reserve.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Activity

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

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged. Adoption of this statement is not expected to materially impact the District's financial statement.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$	17,187,689
Fiduciary funds		380,990
Total Deposits and Investments	\$	<u>17,568,679</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$	23,538
Investments		
County investment pool	\$	16,751,704
Investment with fiscal agent		<u>793,437</u>
Total Deposits and Investments		<u>17,545,141</u>
	\$	<u>17,568,679</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost, which approximates 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.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of their funds with the Santa Clara County Treasurer Pool.

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

Investment Type	Cost	Fair Value	Maturity Date
Aegon Investment Agreement ¹	\$ 793,437	\$ 793,437	12/22/20
County Pool	16,751,704	16,810,000	less than 1 year
Total	<u>\$ 17,545,141</u>	<u>\$ 17,603,437</u>	

¹ Exceed maximum maturity of five years

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	Unrated
Aegon Investment Agreement	\$ 793,437	A	\$ 793,437	\$ -
County Pool	16,810,000	None	-	16,810,000
Total	<u>\$ 17,603,437</u>		<u>\$ 793,437</u>	<u>\$ 16,810,000</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. The District believes it has no significant custodial credit risk exposure.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All of the District's investments are exposed to custodial credit risk because the related securities are unregistered and held by the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 – RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Adult Education Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 126,502	\$ 168,424	\$ -	\$ 423	\$ -	\$ 295,349
State Government						
Apportionment	5,661,298	2,222,295	-	-	-	7,883,593
Categorical aid	18,830	-	167	-	-	18,997
Lottery	126,257	-	-	-	-	126,257
Local Government						
Interest	5,916	1,652	12,311	10,780	3,990	34,649
Other Local Sources	274,276	137,567	-	261	272	412,376
Total	<u>\$ 6,213,079</u>	<u>\$ 2,529,938</u>	<u>\$ 12,478</u>	<u>\$ 11,464</u>	<u>\$ 4,262</u>	<u>\$ 8,771,221</u>

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 9,683,028	\$ -	\$ -	\$ 9,683,028
Construction in progress	3,915,307	3,730,075	277,983	7,367,399
Total Capital Assets Not Being Depreciated	13,598,335	3,730,075	277,983	17,050,427
Capital Assets Being Depreciated:				
Land improvements	1,553,487	19,135	-	1,572,622
Buildings and improvements	17,813,521	258,848	-	18,072,369
Furniture and equipment	2,760,375	477,702	-	3,238,077
Total Capital Assets Being Depreciated	22,127,383	755,685	-	22,883,068
Total Capital Assets	35,725,718	4,485,760	277,983	39,933,495
Less Accumulated Depreciation:				
Land improvements	312,240	78,590	-	390,830
Buildings and improvements	10,887,897	712,739	-	11,600,636
Furniture and equipment	1,503,824	159,740	-	1,663,564
Total Accumulated Depreciation	12,703,961	951,069	-	13,655,030
Governmental Activities Capital Assets, Net	\$ 23,021,757	\$ 3,534,691	\$ 277,983	\$ 26,278,465

Depreciation expense was charged as a direct expense to Instruction function in the Statement of Activities.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2011, between major funds are as follows:

		Due From					
		General	Adult	County	Special	Non-Major	
		Fund	Education	Facilities	Reserve	Governmental	
		Fund	Fund	Fund	Capital	Funds	
					Fund	Total	
Due To	General Fund	\$ -	\$ 9,316	\$ -	\$ 1,479,170	\$ -	\$ 1,488,486
	Adult Education Fund	-	-	-	100,000	-	100,000
	County School Facilities	14,984	-	-	388,272	53,294	456,550
	Special Reserve Capital	-	-	155,106	-	-	155,106
	Non-Major						
	Governmental Funds	9,855	-	15,095	103,796	-	128,746
	Total	\$ 24,839	\$ 9,316	\$ 170,201	\$ 2,071,238	\$ 53,294	\$ 2,328,888

All balance resulted from the time lag between the dates that payments between funds are made.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Operating Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfer Out	Transfer In				Total
	General Fund	Adult Education Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 56,011	\$ 795,000	\$ 336,022	\$ 1,187,033
Adult Education Fund	-	-	325,000	-	325,000
Non-Major Governmental funds	7,202	-	-	-	7,202
Total	<u>\$ 7,202</u>	<u>\$ 56,011</u>	<u>\$ 1,120,000</u>	<u>\$ 336,022</u>	<u>\$ 1,519,235</u>

The General Fund transferred to the Deferred Maintenance Fund for maintenance projects.	\$ 336,022
The General Fund transferred to the Special Reserve Capital Fund for construction projects.	795,000
The Adult Education Fund transferred to the Special Reserve Capital Fund for the building improvement of MC Village East Wing.	325,000
The General Fund transferred to the Adult Education Fund for 2009-10 pass-through lottery.	870
The General Fund transferred to the Adult Education Fund for credential services support.	55,141
The Building fund transferred to the General fund for costs reimbursement.	7,202
Total	<u>\$ 1,519,235</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Adult Education Fund	County School Facilities Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 513,640	\$ 174,970	\$ 648,763	\$ 636,391	\$ 101,876	\$ 2,075,640
State apportionment	3,481	-	-	-	-	3,481
Salaries and benefits	271,004	78,315	-	-	-	349,319
Total	<u>\$ 788,125</u>	<u>\$ 253,285</u>	<u>\$ 648,763</u>	<u>\$ 636,391</u>	<u>\$ 101,876</u>	<u>\$ 2,428,440</u>

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2011 consists of the \$9,500 and \$460 local programs for General Fund and Adult Education Fund, respectively.

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Accumulated vacation	\$ 315,390	\$ -	\$ 5,920	\$ 309,470
Net OPEB obligation	460,498	249,388	80,881	629,005
Qualified zone academy bond	1,000,000	-	-	1,000,000
Total	<u>\$ 1,775,888</u>	<u>\$ 249,388</u>	<u>\$ 86,801</u>	<u>\$ 1,938,475</u>

The accrued vacation and OPEB obligation will be paid by the fund for which the employee works when paid. The qualified zone academy bond will be paid by the Special Reserve-Capital fund.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$309,470.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$257,196, and contributions made by the District during the year were \$80,881. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$22,803 and \$(30,611), respectively, which resulted in an increase to the net OPEB obligation of \$168,507. As of June 30, 2011, the net OPEB obligation was \$629,005. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Qualified Zone Academy Bonds (QZAB)

In December 1, 2005, the District issued Qualified Zone Academy Bonds in the amount of \$1,000,000 at an interest rate of 1.95%. The loan requires the initial cash contribution of \$697,865 to be deposited with the fiscal agent. Interest is payable annually in arrears on December 22. Current balance of deposits in the fiscal agent at June 30, 2011 is \$793,437. Principal will be paid on the matured date of December 22, 2020. The bonds were issued for the purpose of providing monies to finance the modernization project at the CCOC.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Adult Education	County School Facilities	Special Reserve Capital Outlay	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	10,757	-	-	-	-	10,757
Prepaid expenditures	-	32,698	-	-	-	32,698
Total Nonspendable	30,757	32,698	-	-	-	63,455
Restricted						
Legally restricted	826	-	-	-	-	826
QZAB sinking fund	-	-	-	793,437	-	793,437
Capital projects	-	-	5,900,863	6,599,311	902,842	13,403,016
Lease agreement					250,000	250,000
Health and safety project					50,000	50,000
Total Reserved	826	-	5,900,863	7,392,748	1,202,842	14,497,279
Committed						
Adult education program	-	2,608,694	-	-	-	2,608,694
Maintenance program	-	-	-	-	1,244,472	1,244,472
Total Committed	-	2,608,694	-	-	1,244,472	3,853,166
Assigned						
Legal contingency	133,333	-	-	-	-	133,333
State deficit contingency	1,473,129	-	-	-	-	1,473,129
Local program carryover	548,930	-	-	-	-	548,930
PERS recapture liability	627,979	-	-	-	-	627,979
Total Assigned	2,783,371	-	-	-	-	2,783,371
Unassigned						
Reserve for Economic uncertainties	1,577,796	-	-	-	-	1,577,796
Reserve for cash flow	788,898	-	-	-	-	788,898
Total Unassigned	2,366,694	-	-	-	-	2,366,694
Total	\$5,181,648	\$2,641,392	\$5,900,863	\$7,392,748	\$2,447,314	\$23,563,965

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - LEASE REVENUES

The District has land held for lease. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to their expiration date. The rental amount will be adjusted annually by the consumer price index. Due to the economy-driven loss of a number of sub-leases for the Capital Auto Mall project, the District has agreed to a two-year reduction of 33% in the rent payments, starting 2008-09. The reduction agreement was amended on June 30, 2011 to extend additional 2 years.

The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue	Paid to County	District Portion
2012	\$ 250,812	\$ 56,927	\$ 193,885
2013	250,812	56,863	193,949
2014	376,224	86,636	289,588
2015	376,224	86,636	289,588
2016	376,224	86,636	289,588
2017	188,112	43,318	144,794
Total	<u>\$ 1,818,408</u>	<u>\$ 417,016</u>	<u>\$ 1,401,392</u>

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Metropolitan Education District. The Plan provides health and welfare benefits to eligible retirees and their spouses. Membership of the Plan consists of 30 retirees and beneficiaries currently receiving benefits, and 137 active plan members. The plan expenditures (paid-as-you-go) are recorded in the General Fund. Unfunded annual required contribution is presented in the statement of net assets as a portion of long-term obligation.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2010-2011, the District contributed \$80,881 to the plan, all of which was used for current premiums (approximately 32 percent of current year's annual OPEB cost). Contributions made by retirees range between \$314.28 to \$1,666.81 per month for retiree-only coverage.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, expected subsidized benefits paid, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution		\$	257,196
Interest on net OPEB obligation			22,803
Adjustment to annual required contribution			(30,611)
Annual OPEB cost (expense)			<u>249,388</u>
Funding by the district			
Pay-as-you-go amount	\$	15,195	
Subsidized premium		<u>65,686</u>	
Sub Total			<u>(80,881)</u>
Increase in net OPEB obligation			168,507
Net OPEB obligation, beginning of year			460,498
Net OPEB obligation, end of year		\$	<u><u>629,005</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 304,000	\$ 19,470	6%	\$ 284,530
2010	234,913	58,945	25%	460,498
2011	249,388	80,881	32%	629,005

Funded Status and Funding Progress

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of July 1, 2009, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits was \$1,808,239, and there is no actuarial value of assets, resulting in an UAAL of \$1,808,239. The covered payroll (annual payroll of active employees covered by the plan) was \$12,356,188, and the ratio of the UAAL to the covered payroll was 14.63 percent.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. Healthcare cost trend rates ranged from an initial 8.2 percent to an ultimate rate of 5.5 percent. The UAAL is being amortized at the level dollar method. The remaining amortization period at July 1, 2011, was 27 years. At June 30, 2011, the District did not hold any net assets for the plan.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with South Bay Area Schools Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2011, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the JPA.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Coverage provided by the various risk pools for property and liability and worker's compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Santa Clara County Schools Insurance Group	Worker's Compensation	Statutory Limits
Schools Excess Liability Fund	Excess Liabilities	\$ 20,000,000
South Bay Area Schools Insurance Authority	General Liabilities	\$ 5,000,000

Employee Medical Benefits

The District has contracted with the Kaiser Medical Foundation and San Jose Unified School District Foundation Plus to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$449,952, \$531,950, and \$496,663, respectively, and equal 100 percent of the required contributions for each year.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011, 2009-10 and 2008-09 was 10.707, 9.709 and 9.428 percent of covered payroll, respectively. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$479,374, \$476,887, and \$496,663, and respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule and the Adult Education Fund Budgetary Schedule. These payments consist of State General Fund contributions to CalSTRS in the amount as follows:

Fiscal Year	Percent of Annual Payroll	General Fund	Adult Education Fund	Total State Contribution
2008-09	4.517%	\$ 148,491	\$ 176,134	\$ 324,625
2009-10	4.267%	125,851	149,279	275,130
2010-11	4.267%	110,503	122,218	232,721

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is currently involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, there is no pending litigation expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Schools Excess Liability Fund (SELF), Santa Clara County Schools Insurance Group (SCCSIG) and the South Bay Area Schools Insurance Authority (SBASIA) public entity risk pools. The District pays an annual premium to the applicable entity for its 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.

METROPOLITAN EDUCATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011 to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance(s) for Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, as presented in the Non-Major Governmental Fund opinion unit, are reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

General Fund

Fund Balance - Beginning	\$ 4,665,623
Change in accounting principles to conform to GASB Statement No. 54	<u>1,099,467</u>
Fund Balance - Beginning as Restated	<u><u>\$ 5,765,090</u></u>

Non-Major Governmental Funds

Fund Balance - Beginning	\$ 3,529,278
Change in accounting principles to conform to GASB Statement No. 54	<u>(1,099,467)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 2,429,811</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATION DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual ¹	Variances - Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Federal sources	\$ 100,445	\$ 100,435	\$ 100,435	\$ -
Other state sources	11,845,556	13,142,859	13,251,184	108,325
Other local sources	1,970,493	2,258,039	2,259,274	1,235
Total Revenues¹	13,916,494	15,501,333	15,610,893	109,560
EXPENDITURES				
Current				
Certificated salaries	3,423,570	3,500,685	3,464,093	36,592
Classified salaries	2,403,684	2,579,263	2,518,129	61,134
Employee Benefits	1,977,905	2,001,773	2,093,494	(91,721)
Books and supplies	931,000	1,215,915	1,406,423	(190,508)
Services and operating expenditures	4,580,550	2,758,299	2,572,156	186,143
Other outgo	381,542	2,687,389	2,706,800	(19,411)
Capital outlay	121,000	257,270	253,409	3,861
Total Expenditures¹	13,819,251	15,000,594	15,014,504	(13,910)
Excess of Revenues Over Expenditures	97,243	500,739	596,389	95,650
Other Financing Sources (Uses):				
Transfers in	7,202	7,202	7,202	-
Transfers out	(332,420)	(364,499)	(1,187,033)	(822,534)
Net Financing Sources	(325,218)	(357,297)	(1,179,831)	(822,534)
Net Change In Fund Balances	(227,975)	143,442	(583,442)	(726,884)
Fund Balance - Beginning	5,765,090	5,765,090	5,765,090	-
Fund Balance - Ending	\$ 5,537,115	\$ 5,908,532	\$ 5,181,648	\$ (726,884)

¹ On behalf payments of \$110,503 are included in the actual state revenues and employee benefits expenditures, but have not been included in the budget amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional \$7,922 interest revenues pertaining to this fund are included in the Actual (GAAP Basis) revenues and \$19,822 in Original and Final budget columns.

METROPOLITAN EDUCATION DISTRICT

MAJOR SPECIAL REVENUE FUND – ADULT EDUCATION BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual ¹	Variances - Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Federal sources	\$ 1,062,459	\$ 1,064,219	\$ 1,064,219	\$ -
Other state sources	641,109	97,897	220,115	122,218
Other local sources	6,128,503	7,037,490	6,866,299	(171,191)
Total Revenues¹	7,832,071	8,199,606	8,150,633	(48,973)
EXPENDITURES				
Current				
Certificated salaries	3,244,413	2,974,045	2,797,660	176,385
Classified salaries	2,004,693	2,185,696	1,947,278	238,418
Employee benefits	1,681,188	1,668,972	1,699,606	(30,634)
Books and supplies	506,532	295,953	248,936	47,017
Services and operating expenditures	867,516	851,443	750,236	101,207
Other outgo	(362,129)	-	-	-
Capital outlay	80,000	175,040	157,287	17,753
Total Expenditures¹	8,022,213	8,151,149	7,601,003	550,146
Excess (Deficiency) of Revenues Over Expenditures	(190,142)	48,457	549,630	501,173
Other Financing Sources (Uses):				
Transfers in	-	55,141	56,011	870
Transfers out	-	(225,000)	(325,000)	(100,000)
Net Financing Sources	-	(169,859)	(268,989)	(99,130)
Net Change In Fund Balances	(190,142)	(121,402)	280,641	402,043
Fund Balance - Beginning	2,360,751	2,360,751	2,360,751	-
Fund Balance - Ending	\$ 2,170,609	\$ 2,239,349	\$ 2,641,392	\$ 402,043

¹ On behalf payments of \$122,218 are included in the actual state revenues and instructional expenditures, but have not been included in the budget amounts.

METROPOLITAN EDUCATION DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2008	\$ -	\$ 1,515,000	\$ 1,515,000	0%	\$ 13,547,616	11.18%
July 1, 2009	-	1,808,239	1,808,239	0%	12,356,188	14.63%

SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATION DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education			
Adult Secondary Education	84.002	13978	\$ 65,679
English Second Language (ESL)	84.002A	14508	555,838
English Literacy and Civics Education	84.002A	14109	422,942
Vocational Education - Carl Perkins Act	84.048	14893	120,195
ARRA: State Fiscal Stabilization Fund	84.394	25008	283,694
Total Expenditures of Federal Awards			<u>\$ 1,448,348</u>

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2011

ORGANIZATION

The Metropolitan Education District operates two major programs, high school (CCOC) and adult (MAEP).

The high school program began as San Jose Technical High School (1917 – 1958). The school was located on the site of San Jose High School. The school moved two times before becoming a Center on Hillsdale Avenue, where it has been located since 1968. Currently, CCOC serves high school students from 32 high schools within the six school districts. 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 adult education program had its beginnings in San Jose, in 1883, and was called "evening school." Prior to World War, the evening school was primarily used by young adults to make up deficiencies in their earlier education.

Currently the Metropolitan Adult Education Program, the adult program for the San Jose Unified School District, is still providing educational opportunities and services to equip adults with the knowledge and skills necessary to participate effectively as citizens, workers, family members and community members. The program now serves approximately 2,000 adult students on the Hillsdale campus and at HOPE Rehabilitation Services.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. James Canova, Santa Clara	President	2011
Ms. Cynthia Chang, Los Gatos/Saratoga	Vice President	2012
Mr. Daniel Bobay, Milpitas	Clerk	2012
Mr Frank Biehl, East Side	Member	2011
Mr. Richard Garcia, San Jose	Member	2012
Ms. Diane Gordon, Campbell	Member	2011

ADMINISTRATION

Paul Hay	Superintendent
Dan Gilbertson	Chief Business Officer
Keiko Mizuno	Director of Fiscal Services

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2011

	Second Period Report	Annual Report
Mandated Programs:		
Regional Occupational Programs (CCOC/P)	3,855	3,945
Classes for Adults		
Concurrently enrolled	101	85
Not concurrently enrolled	1,236	1,110
Full-time Independent Study	100	91
Total District ADA	5,292	5,231
	Hours of Attendance	
Apprenticeship	65,548	112,495

Schedule of Average Daily Attendance is not required to be audited per flexibility provisions in SBX3 4.

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 ¹	2011	2010	2009
GENERAL AND ADULT ED. FUND ⁵				
Revenues	\$ 17,853,011	\$ 23,761,526	\$ 29,491,495	\$ 25,519,439
Other sources	63,460	63,213	243,953	172,470
Total Revenues and Other Sources	17,916,471	23,824,739	29,735,448	25,691,909
Expenditures	19,555,634	22,615,507	24,120,372	24,973,744
Other uses and transfers out	381,974	1,512,033	2,559,960	2,624,052
Total Expenditures and Other Uses	19,937,608	24,127,540	26,680,332	27,597,796
INCREASE (DECREASE) IN FUND BALANCE	\$ (2,021,137)	\$ (302,801)	\$ 3,055,116	\$ (1,905,887)
ENDING FUND BALANCE	\$ 5,801,903	\$ 7,823,040	\$ 7,026,374	\$ 3,971,258
AVAILABLE RESERVES ²	\$ 2,349,414	\$ 2,339,108	\$ 2,529,547	\$ 2,727,317
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	12.30%	9.79%	10.02%	10.00%
LONG-TERM OBLIGATIONS	\$ 2,000,000	\$ 1,938,475	\$ 1,755,337	\$ 1,611,705
K-12 AVERAGE DAILY ATTENDANCE AT P-ANNUAL ⁴	7,699	7,699	7,699	7,699

The General and Adult Fund balances have increased by \$3,851,781 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$2,021,137. During 2010-11, the Board passed a minimum fund balance policy to require the District to reserve 10% for economic uncertainties and 5% for cash flow of the General Fund and Adult Education expenditures.

The District has incurred an operating deficit in two of the past three years and is anticipates incurring an operating deficit during the 2011-2012 fiscal year.

Total long-term obligations have increased by \$326,770 over the past two years, mainly due to unfunded OPEB obligation.

¹ Budget 2012, including Special Reserve for Other Than Capital Outlay Projects, is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ On-behalf payments of \$232,712, \$275,130, and \$324,625, have been excluded from the calculation of the available reserves percentage for fiscal year ending June 30, 2011, 2010 and 2009.

⁴ The District is funded based on 2007-08 ADA commencing 2008-09 through 2012-13 per SBX3 4.

⁵ 2011 amounts include activity related to the consolidation of the Special Reserve - Other Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2011

	Deferred Maintenance Fund	Building Fund	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 1,292,826	\$ 1,327,554	\$ 2,620,380
Receivables	2,004	2,258	4,262
Due from other funds	-	53,294	53,294
Total Assets	<u>\$ 1,294,830</u>	<u>\$ 1,383,106</u>	<u>\$ 2,677,936</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,705	\$ 54,171	\$ 101,876
Due to other funds	2,653	126,093	128,746
Total Liabilities	<u>50,358</u>	<u>180,264</u>	<u>230,622</u>
Fund Balances:			
Restricted	-	1,202,842	1,202,842
Committed	1,244,472	-	1,244,472
Total Fund Balances	<u>1,244,472</u>	<u>1,202,842</u>	<u>2,447,314</u>
Total Liabilities and Fund Balances	<u>\$ 1,294,830</u>	<u>\$ 1,383,106</u>	<u>\$ 2,677,936</u>

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2011

	Deferred Maintenance Fund	Building Fund	Total Non-Major Governmental Funds
REVENUES			
Other local sources	\$ 8,597	\$ 194,593	\$ 203,190
EXPENDITURES			
Current			
Plant services	101,138	-	101,138
Facility acquisition and construction	111,919	301,450	413,369
Total Expenditures	213,057	301,450	514,507
Deficiency of Revenues Over Expenditures	(204,460)	(106,857)	(311,317)
Other Financing Sources (Uses):			
Transfers in	336,022	-	336,022
Transfers out	-	(7,202)	(7,202)
Net Financing Sources (Uses)	336,022	(7,202)	328,820
NET CHANGE IN FUND BALANCES	131,562	(114,059)	17,503
Fund Balance - Beginning	1,112,910	1,316,901	2,429,811
Fund Balance - Ending	\$ 1,244,472	\$ 1,202,842	\$ 2,447,314

See accompanying note to supplementary information.

METROPOLITAN EDUCATION DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,164,654
ARRA grants that were received in the prior year have been spent in the current year.	84.394	283,694
Total Schedule of Expenditures of Federal Awards.		<u>\$ 1,448,348</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students and in different programs.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

METROPOLITAN EDUCATION DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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**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***

Governing Board
Metropolitan Education District
San Jose, California

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, 2011, which collectively comprise Metropolitan Education District's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Metropolitan Education District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Metropolitan Education District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Education District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Education District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metropolitan Education District's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Palo Alto, California
November 28, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Metropolitan Education District
San Jose, California

Compliance

We have audited Metropolitan Education District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metropolitan Education District's major Federal programs for the year ended June 30, 2011. Metropolitan Education District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Metropolitan Education District's management. Our responsibility is to express an opinion on Metropolitan Education District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Metropolitan Education District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metropolitan Education District's compliance with those requirements.

In our opinion, Metropolitan Education District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Metropolitan Education District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Metropolitan Education District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Education District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Palo Alto, California
November 28, 2011



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Metropolitan Education District
San Jose, California

We have not audited Metropolitan Education District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11*, because all procedures identified below are not applicable to Metropolitan Education District's government programs for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Metropolitan Education District's management. Our responsibility is to express an opinion on Metropolitan Education District's compliance based on our audit.

Because there is no item required to be tested in the current year, we do not express an opinion about whether Metropolitan Education District complied with the compliance requirements referred to below for the year ended June 30, 2011.

All procedures below are not applicable to the Metropolitan Education District:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Not Applicable
Kindergarten continuance	3	Not Applicable
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Not Applicable
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Not Applicable
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Not Applicable
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Not Applicable
School Accountability Report Card	3	Not Applicable
Public hearing requirement - receipt of funds	1	Not Applicable

	Procedures in Audit Guide	Procedures Performed
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

Based on our review of Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-11, there were no items required to be tested in the current year. Our audit does not provide a legal determination on Metropolitan Education District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wassinek, Thine, Day & Co., LLP

Palo Alto, California
November 28, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

METROPOLITAN EDUCATION DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.002</u>	<u>Adult Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Not Applicable</u>
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METROPOLITAN EDUCATION DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported

METROPOLITAN EDUCATION DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported

METROPOLITAN EDUCATION DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported

METROPOLITAN EDUCATION DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported