

Metropolitan Education District
2004-05 Unaudited Actual Financial Report
September 14, 2005

No.Executive Summary

Presentation of the Unaudited Actual Financial Report

The District has expanded the presentation of the year-end Unaudited Actual Financial Report in order to provide the Governing Board, district employees and public with a more relevant and user-friendly document. We have included this Executive Summary, "Unaudited Actuals at a Glance" and a comparative of the Unaudited Actuals to the Estimated Actuals, with explanations of the differences. Formats are similar to those used with the Annual Budget and Interim Reports. The following is a summary of the year-end activity for each fund. For detail, see *Comparative: Unaudited Actuals to Estimated*.

Fund 010: General Fund

Fund 010 Purpose: Fund 010 is the General Fund for the Regional Occupational Center and Programs (ROC/P).

Fund 010 Revenues: Final ROC/P revenues were within \$2,000 of the Estimated Actuals.

Fund 010 Expenditures: For 2004-05, ROC/P expenditures were \$187,333 less than estimated. \$55,388 of this difference is due to an over-estimation of employee benefit costs. The balance of the difference is due to materials, supplies and other operating expense budgets that had not been spent at year-end.

Fund 010 Other Financing Sources/Uses: The net savings from operations represent, for the most part, one-time savings, which allowed the district to transfer an additional \$200,000 to the Capital Outlay Fund 400, total transfers for Capital Outlay purposes was \$709,027. These 2004-05 dollars are intended for repayment of the Qualified Zone Academy Bonds (QZAB).

Fund 010 Fund Balance: For the year, there was a slight decrease in the General Fund balance of \$15,890. Staff is recommending the following ending fund balance reserves and designations as follows:

Reserved: Revolving Fund, Prepaid	\$ 24,973
General Reserve-Cash Flow (4%)	\$ 610,323
Designated for Economic Uncertainty (6%)	\$ 915,484
Designated for campus security projects	\$ 150,000
Designated for completion of attendance system	\$ 40,000
Designated for completion of alarm system upgrade	\$ 20,000
Designated for NAS system memory expansion	\$ 20,000
Designated reserve for PERS Reduction liability	\$ 127,992
Total Designations and Reserves	\$1,908,772
Undesignated Fund Balance	\$ 35,876
Total Ending Fund Balance	<u>\$1,944,648</u>

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The 4% General Reserve and 6% Designation for Economic Uncertainty are in compliance with Budget Guidelines adopted by the Governing Board.

State Form ROP: The state requires that the district prepare state form ROP to calculate if the ROCP program's allowable reserves and ending balance are in compliance with Education Code 52321. Form ROP is included under "State Forms" in the Unaudited Actual package. The district ROCP program is in compliance with Education Code 52321.

Fund 110: Adult Education

Fund 110 Purpose: The Adult Education Fund is used to account for federal, state and local revenues for Adult Education programs. Expenditures in this fund must be for Adult Education purposes only. Money received for programs other than Adult Education may not be expended for adult education.

Fund 110 Revenues: For 2004-05, actual revenues were \$36,812 less than estimated. This was due primarily to over-estimated local revenues.

Fund 110 Expenditures: Total 2004-05 actual expenses were \$13,446 less than estimated. This is the net difference between wages and benefits that were under-estimated by \$166,803, and supplies and other expense budgets that were unspent at year-end by \$180,249.

Fund 110 Other Financing Sources/Uses: For the year, Adult Education was able to transfer \$500,000 to the Capital Outlay Fund 400, as planned.

Fund 110 Fund Balance: Overall, there was a net decrease in the Adult Education Fund balance of \$434,082, due primarily to the transfer of \$500,000 to the Capital Outlay Fund. Staff is recommending Adult Education ending fund balance reserves and designations as follows:

General Reserve for Cash Flow (4%)	\$ 414,381
Designated for Economic Uncertainty (6%)	\$ 621,571
Designated: Reserve for PERS Red. Liability	\$ 89,896
Total Designations and Reserves	\$1,125,848
Undesignated Fund Balance	\$ 51,456
Total Ending Fund Balance	<u>\$1,177,304</u>

The 4% General Reserve and 6% Designation for Economic Uncertainty are in compliance with Budget Guidelines adopted by the Governing Board.

Fund 140: Deferred Maintenance

Fund 140 Purpose: The Deferred Maintenance Fund is used to account separately for state apportionments and the district's contribution for deferred maintenance purposes. Principal revenues for this fund are the state Deferred Maintenance apportionment, interest earnings and district interfund transfers for

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the district's match requirement. Expenditures in this fund are intended for major repairs or replacements under the 5-year Deferred Maintenance plan approved by the Office of Public School Construction (OPSC).

Fund 140 Revenues: Fund 140 Unaudited Actuals show increased revenues of \$5,610 from the Estimated Actuals. This is due primarily to \$8,891 of interest revenue that was not included in the Estimated Actuals.

Fund 140 Expenditures. Expenditures for deferred maintenance projects were limited during 2004-05 pending approval by the State Allocation Board (SAB) of the District's extreme hardship application for replacement of six CCOC electrical transformers. That application was approved "unfunded" in May 2005. The SAB will consider funding for all extreme hardship applications in December 2005.

Fund 140 Other Financing Sources/Uses: Transfers into Deferred Maintenance from the General Fund in the amount of \$161,623 reflects the full district match transfer, as required by the Education Code and District Budget Guidelines.

Fund 140 Fund Balance: The Deferred Maintenance Fund 14 fund balance of \$577,939 is designated for deferred maintenance projects. \$323,246 of that amount is designated specifically for the CCOC transformer replacement project.

Fund 210: Building Fund-Asset Management

Fund 210 Purpose: This is known as the CCOC Asset Management Fund. This fund exists primarily to account separately for proceeds from the rentals and leases of real property specifically authorized for deposit into the fund by the Governing Board. Revenues include lease payments from the Capital Auto Mall LLC and interest earnings. Expenditures are allowed only for new programs, upgrading of existing programs, necessary facility upgrades as approved by the Governing Board and legal fees related to administering the lease with Capital Auto Mall LLC.

Fund 210 Revenues, Expenditures & Fund Balance: Revenues totaled \$285,967, which were \$8,295 more than estimated. Expenditures were \$394,021, which were \$22,979 less than estimated. This fund ended the year with a fund balance of \$770,395, or \$31,686 more than estimated. Expenditures were limited in this fund until 2004-05, when a five-year expenditure plan was approved by the Governing Board. 2004-05 expenditures were consistent with that plan. Board policy requires that this fund maintain a minimum fund balance of \$250,000.

Fund 400: Special Reserve Fund for Capital Outlay Projects

Fund 400 Purpose: This Capital Outlay Fund exists primarily to provide for the accumulation of monies for capital outlay purposes. The only source of revenue for this fund comes from one-time revenues transferred from the ROC/P and Adult Education Funds. Monies in this fund are kept separate in their own

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Resource codes. Amounts are appropriated for expenditures as projects are planned and executed.

Fund 400 Fund Description: Fund 400 is divided into three separate "sub-funds" (Resource codes) that allow the district to account separately for funds allocated to CCOC (Resource 0006), the San Jose Adult Education program (Resource 0012) and the Campbell Adult Ed program (Resource 0013). Interest earned by the fund is allocated on a pro-rata basis. Transfers from the Adult Ed Fund 11 are also prorated based on the current year expenditures for the two programs.

Fund 400 Revenues, Transfers & Expenditures: 2004-05 Capital Outlay Fund 400 activity was as follows:

<u>Description</u>	<u>CCOC</u>	<u>San Jose</u>	<u>Campbell</u>
Beginning Fund Balance	\$2,081,986	\$ 819,519	\$ 409,383
Plus: Interest Revenue	\$ 42,043	\$ 13,664	\$ 7,357
Plus: Transfer In (for Debt Svc)	\$ 171,000	\$ 0	\$ 0
Plus: Transfer In (for Cap Outlay)	<u>\$ 709,027</u>	<u>\$ 325,000</u>	<u>\$ 175,000</u>
Total Sources Available	\$3,004,056	\$1,158,183	\$ 591,740
Less: Expenses	\$ 13,350	\$ 0	\$ 0
Less: Other Uses (Debt Svc)	<u>\$ 171,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Fund Balances	<u>\$2,819,706</u>	<u>\$1,158,183</u>	<u>\$ 591,740</u>

Fund 400 Fund Balances: \$700,000-\$750,000 of the CCOC ending fund balance is intended for repayment of the Qualified Zone Academy Bonds (QZAB) that were authorized at the August 2005 Governing Board meeting. The remaining CCOC fund balance is reserved for modernization of the CCOC facilities. The San Jose Adult Education Program ending fund balance is designated for capital outlay projects yet to be determined. The Campbell Adult Education Program ending balance is intended to be used to replace the administration building at the Campbell Del Mar (DX) location.