

Metropolitan Education District

2006-2007

2nd Interim Report.

March 14, 2007

Purpose of Interim Reports

- ❄ Formal review of current year budget status
- ❄ Multi-Year Analysis of projected revenues, expenditures and fund balances
- ❄ Determination of the **adequacy of fund** balances at the end of the current & 2 subsequent fiscal years
- ❄ Determination of the **adequacy of cash** balances at the end of the current and 2 subsequent fiscal years
- ❄ Identification of **contingent liabilities**, & resources to service those liabilities
- ❄ Board Certification of Financial Condition

Interim Financial Reports

- ❄ Two Interim Reporting Periods
 - ✓ October 31 Actuals (1st Interim)
 - ✓ January 31 Actuals (2nd Interim)
- ❄ Board Certification
 - 😊 Positive (good)
 - ☹ Qualified (not so good)
 - ☠ Negative (bad)



Components of 2nd Interim Report

- ❄ Executive Summary
- ❄ JPA Certification, Criteria & Standards
- ❄ Budget at a Glance
- ❄ Monthly Budget Adjustments, with changes footnoted
- ❄ General Fund: State Form, Cash Flow Worksheet, Multi-Year Projections, Criteria & Standards Review
- ❄ Adult Education Fund: State Forms, Cash Flow Worksheet, Multi-Year Projections
- ❄ Other Funds (Deferred Maintenance, Asset Management, Capital Outlay Reserve, Special Reserve)

General Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues	\$16,045,286	\$16,273,116	\$16,802,674
Transfers In	\$ 77,815	\$ 10,495	\$ 10,495
Total Sources	\$16,123,101	\$16,283,611	\$16,813,169
<u>Uses of Funds:</u>			
Expenditures	\$14,811,258	\$14,927,468	\$15,467,991
Transfers Out	\$ 717,015	\$ 165,458	\$ 170,846
Total Uses	\$15,528,273	\$15,092,926	\$15,638,837
Incr/Decr to Fund Bal*	\$ 594,829	\$ 1,190,685	\$ 1,174,332
Beg Fund Balance	\$ 2,024,910	\$ 2,619,738	\$ 3,810,423
Ending Fund Balance	\$ 2,619,738	\$ 3,810,423	\$ 4,984,755

* Does not reflect employee salary increases for COLA

General Fund – ROC/P Ending Fund Balances

<u>Reserved & Designated:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revolving Fund, Prepaid	\$ 20,000	\$ 20,000	\$ 20,000
General Reserve (4%)	\$ 621,131	\$ 603,717	\$ 625,553
Economic Uncertainty (6%)	\$ 931,696	\$ 905,576	\$ 938,330
Campus Security Projects	\$ 130,000	\$ 0	\$ 0
Equalization Payment	\$ 100,000	\$ 500,000	\$ 600,000
PERS Recapture Liability	\$ 324,537	\$ 424,545	\$ 528,491
Total Reserves	\$ 2,127,364	\$ 2,453,838	\$ 2,712,374
Undesignated Fund Bal *	\$ 492,374	\$ 1,356,585	\$ 2,272,381
Total Fund Balance	\$ 2,619,738	\$ 3,810,423	\$ 4,984,755

* Does not reflect employee salary increases for COLA

** The District will end these years with adequate cash and fund balances

Adult Education Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Revenues *	\$11,087,278	\$11,169,030	\$11,662,233
Transfers In	\$ 44,880	\$ 0	\$ 0
Total Sources	\$11,132,158	\$11,169,030	\$11,662,233
<u>Uses of Funds:</u>			
Expenditures	\$10,469,573	\$10,838,955	\$11,364,561
Transfers Out	\$ 0	\$ 0	\$ 0
Total Uses	\$10,469,573	\$10,838,955	\$11,364,561
Incr/Decr to Fund Bal **	\$ 662,585	\$ 330,075	\$ 297,672
Beg Fund Balance	\$ 1,322,358	\$ 1,984,943	\$ 2,315,017
Ending Fund Balance	\$ 1,984,943	\$ 2,315,017	\$ 2,612,689

** Does not reflect employee salary increases for COLA

Adult Education Fund

Ending Fund Balances

<u>Reserved & Designated:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
General Reserve	\$ 418,783	\$ 443,558	\$ 454,582
Economic Uncertainty	\$ 628,174	\$ 650,337	\$ 681,874
PERS Recapture Liability	\$ 318,071	\$ 442,239	\$ 570,677
One Time Misc. Projects	<u>\$ 150,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Reserves	\$1,515,028	\$1,526,134	\$1,707,133
Undesignated Fund Balance *	<u>\$ 469,915</u>	<u>\$ 788,883</u>	<u>\$ 905,556</u>
Total Fund Balance	\$1,984,943	\$2,315,017	\$2,612,689

* Does not reflect employee salary increases for COLA

** The District will end these years with adequate cash and fund balances

Deferred Maintenance Fund Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
State Funding (Full)	\$161,254	\$165,458	\$170,846
District Contribution	\$164,747	\$165,458	\$170,846
State Hardship Grant	\$151,942	\$ 0	\$ 0
Interest Income	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 25,000</u>
Total Sources	\$497,943	\$350,916	\$366,692
<u>Uses of Funds:</u>			
Transformer Replacement	\$338,936	\$ 0	\$ 0
All Other Projects	<u>\$276,655</u>	<u>\$450,000</u>	<u>\$300,000</u>
Total Uses	<u>\$615,591</u>	<u>\$450,000</u>	<u>\$300,000</u>
Beginning Fund Balance	\$660,533	\$542,885	\$443,801
Ending Fund Balance	\$542,885	\$443,801	\$510,493

Special Reserve Fund

Reserves for Mandated Costs Reimbursements

- ❄ New fund authorized by Board this year
- ❄ Reserves for potential liability from State Controller's Office Mandated Cost reimbursement audits
- ❄ Transfer-in and Fund balance **\$80,787**
- ❄ No expenditures can be made from this fund. Dollars must first be transferred back to the General Fund for Adult Ed Fund

Asset Management Fund

Multi-Year Projection Summary

<u>Sources of Funds:</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
Lease Revenue	\$ 269,217	\$ 269,217	\$ 269,217
Interest Income	<u>\$ 30,000</u>	<u>\$ 28,815</u>	<u>\$ 28,815</u>
Total Sources	\$ 299,217	\$ 298,032	\$ 298,032
<u>Uses of Funds:</u>			
Expenditures–New Classes	\$ 130,000	\$ 100,000	\$ 100,000
Expenditures-Existing Classes	\$ 149,100	\$ 300,000	\$ 100,000
Health & Safety	\$ 34,290	\$ 50,000	\$ 50,000
Management Fees	<u>\$ 10,495</u>	<u>\$ 10,495</u>	<u>\$ 10,495</u>
Total Uses	\$ 323,885	\$ 460,495	\$ 260,495
Beg. Fund Balance	\$ 536,099	\$ 511,431	\$ 348,968
Ending Fund Balance *	\$ 511,431	\$ 348,968	\$ 386,505

* Joint Powers Agreement requires a minimum \$250,000 reserve

Capital Outlay Fund

	<u>CCOC</u>	<u>San Jose Adult Ed</u>	<u>Campbell Adult Ed</u>
<u>Sources of Funds:</u>			
Interest Income	\$ 145,000	\$ 38,000	\$ 21,000
Transfers In-Debt Svc	\$ 171,600	\$ 0	\$ 0
Transfers In-Cap. Outlay	\$ 187,681	\$ 0	\$ 0
Total Sources	\$ 504,281	\$ 38,000	\$ 21,000
<u>Uses of Funds:</u>			
Capital Outlay Projects	\$1,277,966	\$ 0	\$ 0
Debt Service	\$ 191,100	\$ 0	\$ 0
Total Uses	\$1,469,066	\$ 0	\$ 0
<u>Beg. Fund Balance</u>	\$4,602,759	\$1,363,083	\$ 742,766
<u>Ending Fund Balance</u>	\$3,637,974	\$1,401,083	\$ 763,766

Undetermined Budget Impacts & On-going Concerns

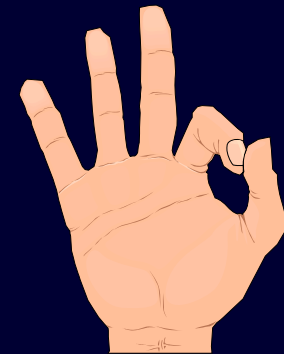
- State Vocational & Adult Education Funding is still discretionary – always a concern
- ROC/P growth funding is 0% this year due to a restoration of ADA for LA Unified (they get all the state growth-we just found this out, CAROCP is pursuing legislative resolution)
- Implementation of the CCOC Equalization Funding Model, and levels of CCOC participation by JPA member districts
- CCOC Facilities modernization costs
- MAEP facilities replacement costs at the Hillsdale and DX campuses

On-Going Concerns – Potential PERS Recapture Liability

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Adult Ed Fund</u>	<u>Cumulative Liability</u>
2000-01	\$ 238,642	\$ 195,253	\$ 433,895
2001-02	\$ 254,026	\$ 207,839	\$ 895,760
2002-03	\$ 206,649	\$ 157,863	\$ 1,260,272
2003-04	\$ 54,561	\$ 47,839	\$ 1,362,672
2004-05	\$ 72,599	\$ 60,777	\$ 1,496,048
2005-06	\$ 95,803	\$ 84,882	\$ 1,676,733
2006-07	<u>\$ 91,370</u>	<u>\$ 93,536</u>	<u>\$ 1,861,639</u>
Total potential Liability	\$1,013,650	\$ 847,989	\$ 1,861,639
Actual Reserves	\$ 324,537	\$ 318,071	\$ 642,608
% of Potential Liability	32.0%	37.5%	34.5%

Given the Assumptions- The Financial Standards are Met

- ✓ All Funds will meet their financial obligations for the current & subsequent 2 fiscal years
- ✓ All funds will end the year with positive cash balances
- ✓ General and Adult funds will maintain at least a 5% required reserve for economic uncertainty
 - ✓ 6% Reserve for Economic Uncertainty
 - ✓ 4% General Reserve for Cash Flow
- ✓ Contingent liabilities have been identified and provisions are being made to address those liabilities (PERS Recapture Reserve)



Recommendation

- ✓ The Governing Board accept the Second Interim Report and Instruct the Board President to submit a positive certification to the County Superintendent of Schools for all funds

