

Metropolitan Education District

**Second Interim Report
March 14, 2012**



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

Second Interim Report

- **Based on budgetary status of District for period ending January 31, 2012**
- **Governing Board must certify whether the District is able to meet its financial obligations for the current year and two subsequent years.**
- **The certification is classified either Positive, Qualified or Negative.**

Major Current Year Changes

- **Reduced budget for health insurance by \$43,850 for CCOC and \$48,000 for MAEP based on actual participation.**
- **A transfer from Fund 140 to Fund 010 of \$168,385 is budgeted to reimburse the General Fund for the deferred maintenance hardship advance.**
- **Miscellaneous budget adjustments are due to staffing and other changes.**

Reserves for uncertainties, cash flow & potential liabilities: 2011-12

<u>Fund Balances</u>	<u>Gen. Fund</u>	<u>Adult Ed</u>	<u>Spec Res</u>
Revolving Cash Reserve	30,757	32,698	-
Restricted Balances	-	-	-
General Reserve 5%	752,937	259,964	-
Economic Uncertainty 10%	1,505,873	519,929	-
Contingency for State Deficits	1,529,906	977,938	-
PERS Recapture Liability	-	-	632,981
Reserves for Legal	-	-	134,005
CCOC Work Experience	248,320	-	-
Total Fund Balances	4,067,793	1,790,529	766,986

Major Multi-Year Projection Changes

- **Reduction of \$409,028 between 2011-12 and 2013-14 in adult education funding for MAEP based on projected reductions to CalWORKS funding. Comparative reductions were made in planned expenditures.**
- **Deficit spending for General Fund reflected in decreases in Fund Balance for current and two subsequent years. Reserve for State Contingencies will be less than \$45,000 by 2013-14.**
- **Deficit spending and decreases in the fund balance for Adult Education Fund are projected, but positive fund balances are maintained for all projected years.**

Current Concerns:

- **The Governor's proposed Weighted Pupil Funding Formula poses an extreme threat with possible complete elimination of all Career Technical Education including ROCPs and Adult Education funding.**
- **With 30% of state apportionments being deferred, a 15% reserve for cash flow is severely insufficient.**
- **Declining availability of Capital Outlay Funds for cash flow contributes to the challenge of maintaining a positive cash flow.**
- **Continued revenue reductions and expenditure increases results in continued deficits which will deplete the Contingency for State Deficit funds by 2013-14.**
- **In spite of these externally imposed concerns, MetroED must develop a balanced budget which demonstrates the ability to meet all financial obligations and remain fiscally solvent at the end of 2013-14 and two subsequent fiscal years.**

Recommendation

- ✓ **The Governing Board accept the 2nd Interim Report and instruct the Board President to submit a positive certification to the County Superintendent of Schools for all funds.**

