

Oakland Unified School District

Board of Education
Paul Robeson Building
1025 2nd Avenue, Suite 320
Oakland, CA 94606-2212
(510) 879-8199 Voice
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Minutes (Long)

Thursday, December 17, 2009

6:00 PM

**Board Room, Paul Robeson Building, 1025 2nd Avenue, Oakland, CA
94606-2212**

Audit Committee

Alice Spearman, Chair

Members: David Kakishiba, Noel Gallo, Sylvester Hodges, Viola Gonzales, Dan Lindheim, Sharon Cornu

A. Call to Order

Chairperson Alice Spearman called the meeting to order at 6:05 P.M.

B. Roll Call

Roll Call: Present: Dan Lindheim, Noel Gallo, Alice Spearman and Sylvester Hodges

Absent: Sharon Cornu, David Kakishiba and Viola Gonzales

C. Modifications to the Agenda

Chairperson Spearman said the three items listed under Unfinished Business have been completed and can be closed.

D. Minutes



[09-3006](#)

Minutes - Audit Committee - October 15, 2009

Approval by Audit Committee of its Minutes of October 15, 2009.

Attachments: [09-3006 - Minutes - Audit Committee - October 15, 2009](#)

A motion was made by Sylvester Hodges, seconded by Noel Gallo, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0

Adv Nay: 0

Adv Abstain: 0

Aye: 4 - Dan Lindheim, Noel Gallo, Alice Spearman and Sylvester Hodges

Nay: 0

Recused: 0

Absent: 3 - Sharon Cornu, David Kakishiba and Viola Gonzales

Preferential Aye: 0

Preferential Abstention: 0

Preferential Nay: 0

E. Adoption of the Committee General Consent Report

None

F. Unfinished Business

**09-1577****Report - District's Cash Flow - FY 2008-09 and Current Fiscal Year**

Presentation of Report from Chief Financial Officer on the District's current and future projected Cash Flow, trends, problems and issues, if any.

Attachments: [Document\(s\)](#)
[09-1577_Report_District's_Cash_Flow_FY_2008-09.pdf](#)
[09-1577_Report_District's_Cash_Flow_FY_2008-09.ppt](#)

Discussed and Closed

**09-1756****Reconciling Cash Balance Overstatement In the General Fund and Payroll Liabilities Fund**

Adoption by Audit Committee of Resolution No. 0809-0001 - Reconciling Cash Balance Overstatement In the General Fund and Payroll Liabilities Fund

Attachments: [Document\(s\)](#)
[09-1756 - Resolution No. 0809-0001 - Reconciling Cash Balance Overstatement In the General Fund and Payroll Liabilities Fund.pdf](#)

Discussed and Closed

**09-2710****Annual Statement of All Receipts and Expenditures of the District - Fiscal Year 2008-09 (Unaudited Actuals) (Closing of the Books)**

Presentation of the Annual Statement of All Receipts and Expenditures of the District for the 2008-2009 Fiscal Year (Unaudited Actuals), (aka, Closing of the Books).

Attachments: [09-2578 - Annual Statement of All Receipts and Expenditures of the District - Fiscal Year 2008-09 \(Unaudited Actuals\) \(Closing of the Books\)](#)

Discussed and Closed

G. New Business

Roll Call (Staff Observation)

Viola Gonzales present at 6:08 P.M.

Roll Call: Present: Dan Lindheim, Noel Gallo, Alice Spearman and Sylvester Hodges
Absent: Sharon Cornu, David Kakishiba and Viola Gonzales

Roll Call (Staff Observation)

Sharon Cornu present at 6:11 P.M.

Roll Call: Present: Dan Lindheim, Sharon Cornu, Noel Gallo, Alice Spearman, Viola Gonzales and Sylvester Hodges
Absent: David Kakishiba

Roll Call (Staff Observation)

David Kakishiba present at 6:13 P.M.

Roll Call: Present: Dan Lindheim, Sharon Cornu, Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester Hodges

Roll Call (Staff Observation)

Dan Lindheim absent at 7:20 P.M.

Roll Call: Present: Sharon Cornu, Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester Hodges
Absent: Dan Lindheim

10-0034 Motion regarding 09-3234 - 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office

Motion by the Audit Committee to ask Superintendent Tony Smith to Respond to the Audit Report for Year Ended June 30, 2007 as prepared by the California State Controller's Office.

A motion was made by Noel Gallo, seconded by Viola Gonzales, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0
Adv Nay: 0
Adv Abstain: 0
Aye: 6 - Sharon Cornu, Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester Hodges
Nay: 0
Recused: 0
Absent: 1 - Dan Lindheim
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0

10-0035 Motion regarding 09-3234 - 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office

Motion to Refer the 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office - to the Board of Education Finance and Human Resources Committee.

A motion was made by Sylvester Hodges, seconded by Noel Gallo, that this matter be Adopted. The motion carried by the following vote:

Votes: Adv Aye: 0
Adv Nay: 0
Adv Abstain: 0
Aye: 6 - Sharon Cornu, Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester Hodges

Nay: 0
Recused: 0
Absent: 1 - Dan Lindheim
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0

**09-3234****2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office**

Approval by the Board of Education of the District's Financial and Compliance Audit of the Oakland Unified School District for the year ended June 30, 2007, prepared by the State Controller's Office.

Attachments: [093234 - 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office.pdf](#)

David Supan, Audit Manager, State Controller's Office, gave an overview of the Compliance Audit and each section of the report. The report shows a disclaimed opinion because of deficient accounting records for cash, accounts receivable, capital assets related to depreciation, accounts payable, deferred revenue long term debt, revenue, expenditures, payroll, interfund transfers and fund balances. Mr. Supan said the District declined to present statements of its fiduciary net assets for the student body funds and subsidiary funds. There was a going concern issue due to the negative cash projections. There was an estimated cash overstatement and payroll liability understatement totaling \$14.6 million, there were material questioned costs from prior years audits and there was a negative fund balance in the Self-insurance Fund of \$32 million dollars. Mr. Supan listed the information on various pages of the report, including Page 5, which is management discussion and analysis prepared by the District. The information is an overview of the District's financial activities. Government-wide financial statements are listed on page 17. Exhibit 1 reflects positive Net Assets amount of \$104 million. The prior year net assets were a positive \$72 million. Mr. Supan said the increase in the current year primarily reflects the higher governmental fund balances and the amounts reported for governmental activities. Page 19 details Exhibit 2 which is the statement of activities and shows revenues and expenses of the District. It compares the direct expenses and program revenues for each program or function. It also shows the effect of restatements to net assets. Mr. Supan said Exhibit 3 is the balance sheet for the governmental funds. It shows the District major funds to be General Fund and Building Fund and all other governmental funds. Exhibit 4 is the reconciliation of the governmental funds balance sheet to the statement of net assets. It reconciles the fund balances for the governmental funds of \$316 million to the total net assets for governmental activities of \$104 million. Mr. Supan said the Statement of Revenues, Expenditures and changes in fund balances for governmental funds reflects all revenues, expenditures and fund balances. He stated Exhibit 6 shows reconciliation of the statement of revenues, expenditures and changes in fund balances. This reconciles the fund balances for all governmental funds of \$150 million to the change in net assets on a governmental wide basis as shown in Exhibit 2 of \$29 million dollars. Mr. Supan referred to the Propriety Funds Statement for the Self Insurance Fund. He said there is a disclaimer expressed in the Auditor's Opinion which also applies to the Self-Insurance Fund. Exhibit 8 is the Statement of Revenues, Expenses and Changes in Net Assets. He stated each statement shows a negative ending balance of \$32 million. Page 28 shows the Statement of Fiduciary Net Assets for the District's agency fund which is the payroll trust pass through fund. The next page is the beginning to the Notes to the Financial Statements.

Mr. Supan stated Page 63 shows the General Fund comparison of budget to actual. Page 65 is the supplementary information section. Pages 67 to 72 are several fund financial statements included throughout the section. Page 68 is the District's organization. Mr. Supan stated Page 69 is the District's Schedule of Average Daily Attendance. There is a footnote to the schedule which refers to audit findings. Page 70 is the Schedule of Instructional Time and there is a footnote to the schedule which refers to audit findings. Page 71 is the Schedule of Financial Trends and Analysis. A going concern issue and reference in the schedule comments to the audit finding. Page 72 is the Schedule of Charter Schools. Page 73 is the Schedule of Excess Sick Leave. Page 74 is the Schedule of Expenditures of Federal Awards. Mr. Supan stated Page 77 is the reconciliation of Annual financial and budget report with the audited financial statements. Page 78 is the Class Size Reduction K-3 Schedule of Noncompliant Classes by Grade Level. Page 85 are the other Independent Auditor's Reports for the Federal and State Compliance. Page 87 is the report on internal control and on compliance. There is a disclaimer of opinion. Page 91 is the report on Compliance and Internal Control over compliance for federal programs. There are reportable conditions and material weaknesses identified that are referenced to findings. Page 93 is the report on State Compliance. There are state compliance findings identified. Mr. Supan said Page 97 is the Findings and Recommendations section. Page 99 is the Schedule of Findings and Questioned Costs. This is the summary of the audit results. Page 100 is the beginning of the findings and recommendations section

Mr. Supan stated there are 41 findings in total and there are 8 findings related to the financial statements, 12 findings related to the federal awards, 20 findings related to the State awards, and there is 1 miscellaneous finding. Page 220 contains the summary schedule prior audit findings. It shows whether or not the findings from the prior years were implemented, partially implemented, or not implemented. Mr. Supan said Page 229 shows an attachment which shows the District's responses to additional finding responses and the District's comments to the SCO comments in the findings.

Director Gallo asked Mr. Supan to review each finding and recommendation; He also asked staff to comment on when we might be able to catch up on audits for the current years.

Vernon Hal, Chief Financial Officer, said we need to have a conversation on when to get started on the 2007-08 audit and to iron out contract issues in terms of fees and structure. The issue is the fee is \$450,000 per year and we feel that is a high amount for a limited scope. The discussion on their side was that it cost them more to do it than what they are charging us. We went back and forth. There is another discussion that we have done this a number of years and it is pretty much the same kind of findings with a limited scope and there should be some efficiencies. We agreed that the document would say "not to exceed". If we can demonstrate that we can get them information, have the SCO audit the information, and if it costs less, then the fee would be reduced. We are trying to get that language into the document through the legal office and it has to go through Board to get approved before they start the work. We are going to try to get that to the next board agenda so they can start work on January 18 on 2007-2008 to start the state and federal compliance audit for 2007-2008 because that is the limited scope for 2007-08.

Director Gallo asked if we are required to work with the State Controller's Office for the Audit? Mr. Hal said we are until we get a full fledged audit. Casandra Moore-Hudnall,

Chief, Financial Audits Bureau, said the State Loan has a requirement that the State Controller or designee perform the audit until the State Controller's Office approves a contract with an outside audit firm. Once they anticipate rendering an opinion on the District's financial statements, hopefully for the 2008-2009 fiscal year; and, if they can render a qualified opinion and they are comfortable with the documentation they have received, they will authorize the District to ask to go to an outside audit firm. The State Controller's office also has the authority to approve or disapprove the contract as long as the District has the State loan.

Mr. Supan reviewed each finding and recommendation individually:

Finding 1 - Page 102 - Reserves Not Met. Mr. Supan said this is a repeat finding every year that addresses the going concern issue for the District for the negative cash projections, estimated cash overstatement and payroll liability understatement totaling \$14.6 million. The material questioned cost from the prior years audit and a negative fund balance in the Self-Insurance Fund.

Mr. Hal said the District has not reconciled its cash for six years and the payroll liability. This is one of the reasons they cannot render an opinion. While the State has been in the District, the cash issue had not been reconciled. Currently, we are reconciled.

Finding 2 - Page 105 - Financial statements excluded from the scope of the audit. The issue addressed in the finding is the deficient accounting records, supporting documentation, and complexities in reconciling cash. As a result of that, the State Controller's Office and the District agreed that we would not audit fiscal years 2006-07 for the financials.

Finding 3 - Page 107 - Prior Year audit financial statement findings and recommendations not implemented. The issue is the number of and which financial statement related findings presented in prior years audit reports are issues repeated. Due to the limitation in the scope of the audit, the status of prior year financial statement related findings was not determined unless it was in conjunction with the assisting of the District in preparation of its financial statements for this report.

Mr. Hal said these are prior year findings and the audits are taking place so late.

Sylvester Hodges asked if the issue was clarified as to why the audits did not take place. Mr. Supan said this finding is about the limited scope of the audit in not conducting the financial portion of the audit. We did not determine the status of those financial statements related findings unless it pertained to assisting the District in the preparation of the financial statements accompanying the audit report.

Sharon Cornu said it is important for this Committee to find a way to release a simple accessible report to the citizens of Oakland to say there is now an Internal Auditor in place; there are now internal controls, the Board is moving forward, and this Committee exists. This Committee needs to make a report that says these are the complications that were found, these were the steps that were taken, and some of it got worse under the State control. It is important for this committee, in addition to accepting these reports, to also make a report to the people of Oakland that there are now controls in place, but that under the State takeover, the concentration was on program areas and not on finances and that

needs to be on the record.

Ms. Cornu made a motion that this committee produce a report that explains the decisions around these audits and lays that forward in a simple accessible way so that people know that their perception that it got worse under the State takeover was accurate. It is critical about the fact that there is now an Internal Auditor and the work is being done.

Secretary Rakestraw said the motion was not noticed to the public and it can be calendared as an introductory item for the next meeting.

Chairperson Spearman asked about the penalties. Mr. Supan said on page 122, there are a total of 12 findings. The dollar amount associated with those findings is approximately \$74.9 million dollars. He said Finding 12 relates to Inadequate employee time certification records. The dollar amount associated with this finding is \$37.9 million dollars. Mr. Supan said Finding 14 relates to Title I Schoolwide plan deficiencies. The dollar amount associated with this finding is \$9.8 million dollars. Mr. Supan said Finding 15 relates to Title I Private School allocation and expenditure documentation deficiencies. The dollar amount associated with this finding is \$25 million dollars. The issue is that the State could not determine the Title I services allocated to the private schools were equal to the consolidated application funding for the private schools. The District's expense reports did not reconcile with the District's allocation schedule. Mr. Supan stated Finding 17 relates to Title II, Part A, Improving teacher quality state grants. The amount questioned is \$2.1 million dollars. The issue in this finding is that the District did not provide support for program expenditures charged to services and other operating expenditures for the Teacher Quality State Grants programs. Mr. Supan stated Finding 18 relates to 21st Century Program and unallowable expenditures. The questioned costs are \$34,000. The issue is in a judgmental sample of five sample transactions we tested, we identified exceptions in all five transactions with programs funds spent on unallowable items, including gift cards purchased from Albertson's, equipment purchased from a guitar center, and consulting services. Mr. Supan stated Finding 20 relates to the National School Lunch Program reimbursement claim discrepancies. There were reimbursement claims discrepancies and the District underclaimed meals by \$2,351.

Mr. Supan said the next sections are the State award findings beginning on page 153. He stated Finding 21 relates to Attendance Improperly reported by District. The issue is that attendance reports were not supported by teachers scantron and other documents. For 8 of 11 schools tested, monthly attendance reports were inaccurate due to teacher reporting errors or attendance system errors. He said, in 9 of 11 schools tested, the District reported absent students as present, attendance was overstated a total of 376 days and the associated amount for that is \$15,000. Mr. Supan stated Finding 22 relates to attendance not taken. Three junior high schools and two high schools were tested. It was noted that in 66 instances, the teachers did not take roll. This equates to \$2,700 in State funding. Mr. Supan stated Finding 24 relates to Noncompliance with teachers' credentialing requirements. In our review of 51 teacher credentials, two teachers were identified that did not possess valid credentials during the entire school year and 14 were teaching subjects they were not credentialed to teach. Mr. Supan stated a penalty was calculated in an amount of \$165,000 for the teachers who taught class while they were not credentialed. Mr. Supan stated Finding 25 relates to Kindergarten continuation forms not provided. In a sample of 25 Kindergarten continuation students, the District has completed a compliant agreement form for one of the 25 sample students, nine of the students were special

education students with IEPs and 12 did not have a signed parental agreement form for an IEP; and attendance was disallowed for an amount that exceeded 180 days. Mr. Supan stated the amount for this finding was \$51,000.00. He said Finding 26 relates to independent study noncompliance with program requirements. In reviewing the independent study agreements, Mr. Supan said they found that they did not contain all of the required elements. He said Finding 27 relates to District exceeded allowable ratio of independent study students to teachers. The District's independent study students to teachers ratio of 21.66 exceeded the ratio of 19.34 for the regular attendance. Mr. Supan stated the total amount owed to the State is \$142,000. He said Finding 29 relates to Adult Education attendance reporting and lack of internal control. The District overstated adult education attendance by 2,360.5 hours. He said the District should reimburse the State the amount of \$11,000.00. Mr. Supan stated Finding 32 relates to Morgan-Hart average class size calculation not supported by teacher scantron forms. The amount associated with this was \$135. Mr. Supan stated Finding 33 relates to Expenditures not in compliance with instructional materials programs requirements and the amount for this finding was \$409,000. Mr. Supan stated Finding 34 relates to inaccurate calculation of administrator-to-teacher ratio. Several variances were noted in the FTE amounts for teachers and administrators that the District used in completing the employee ratio worksheet for FY06-07. There were 78 excess administrators. Mr. Supan stated the penalty associated with this item was \$1.3 million dollars. He said Finding 35 relates to Bond expenditures not uniquely identified and scope limitation in testing school construction funds. The State could not trace all expenditures to a specific bond measure in Fund 21, the Building Fund. Bond fund proceeds were commingled and the expenditure of those funds was not assigned to a specific bond measure or issuance. As a result, we could not determine if the expenditures were permissible and the State could not identify the proceeds used by the District. Issuance costs were incorreced coded and incorrectly accounted for by the District. The District recorded interest earned on Cash in County Treasury in excess of \$5 million dollars, and an inter-fund transfer from the Capital Facilities Fund in the amount of \$3.3 million dollars to resource code 9099, G.O. Bonds. As a result, the funds transferred from the Capital Facilities Fund could not be distinguished from the bond proceeds and interest earned on proceeds from Measure B. In addition, the District charged \$22,238 in salary and benefits to the unrestricted code 0000. Mr. Supan stated the associated amount for this item was \$4.4 million dollars. Finding 37 relates to Non-compliant Proposition 20 Lottery Funds expenditures. The associated amount is \$108,000. Mr. Supan stated Finding 39 relates to deficiencies in class size reduction records. The District's Form J-7 CSR was recalculated for a total overstatement of 48 pupils. The associated amount is \$49,000. The District's attendance records did not support the average class size calculations and the disallowance associated with attendance records amounted to \$3,000. The total amount of disallowance was \$52,000.

Mr. Supan said the total of all the State compliance issues in terms of dollars amounts is \$6.9 million dollars.

Committee Comments on this Item:

Director Kakishiba asked if there was a summary of the dollar amounts being questioned. Mr. Supan said he has a summary with him and it is not in the report. Chairperson Spearman asked the Board Secretary to send the summary to members of the Audit Committee and to the Board of Education.

Director Kakishiba said some of the State's testing showed more than 50 percent of the items were no good; there were very few items that did not meet the standard. Is there a standard and is one discrepancy enough so that the whole cost is called into question? Mr. Supan said it depends on the issue and what they are looking at. They follow standard auditing guidelines on selecting samples. Director Kakishiba asked if the State is discounting the costs associated to the 3 applications or are they extrapolating that? Mr. Supan said it is only associated with the applications.

Director Gallo said there are items that reference attendance. He would expect our Internal Auditor to ensure that our policies are up to date and that the practices are occurring. He said we need to respond to the public about what happened in 2006, that our practices are current and that the Internal Auditor will make it clear that what happened in 2006 is no longer happening. Director Gallo asked Mr. Hal about a formal District response to the Audit. He needs to be able to tell the public we have different practices and systems in place, different personnel and that we have an Audit Committee. He is looking for a formal letter from the District to the Audit Committee addressing that issue.

Mr. Hal said we will continue to review procedures and continue to look at what people are doing out there to the extent that when we find situations out there that are not appropriate, we will continue to work to correct those.

Director Kakishiba said this committee has yet to make a report to the School Board. We have not had consistent meetings, a work plan that systematically looks at all the findings and gets reports from staff about the status of corrective actions, and focusing attention on getting these things fixed. We need to accelerate the audit process. He recommends that the Audit Committee set up a work plan for 2010 and that the Committee review the findings at every meeting, review any correction actions and updates on any findings that we are contesting. He would like to hear about our capacity to do these things. A lot of the findings relate to Facilities on inventory and bond issues. Do we have capacity to provide that service?

Chairperson Spearman requested two volunteers from the Committee to craft a draft work plan to bring back to the Committee in January. Viola Gonzales and David Kakishiba volunteered.

Sharon Cornu said it is clear that there is not much point until there was local control and a Superintendent with accountability. We had nowhere to go with improvements and the people who were making the bad decisions that caused the findings were the ones we had to go back to to implement them. They were not people who were accountable to anyone.

Director Gallo requested a formal response from the Superintendent and the Internal Auditor to the allegations in this Audit.

Chairperson Spearman asked staff to schedule the staff response to the Audit Report for our next board meeting.

Secretary Rakestraw asked for clarification as to the Board Meeting date to calendar the Audit response. Chairperson Spearman asked that the response could be calendared for the next Board Meeting. Secretary Rakestraw said the item, with the concurrence of Director Kakishiba, would go through the standard process and get referred to the Board.

Director Kakishiba said this book is what we should be tackling. For future meetings, we should be more focused on the book.

Discussed



09-3337

Budgetary Increases/Decreases/Transfers - Fiscal Year 2009-10 - As of October 31, 2009

Approval by Board of Education of Resolution No. 0910-0124 - Ratifying budgetary increases/decreases/transfers through October 31, 2009 in the District's Fiscal Year 2009-2010 Budget, as specified in said Resolution.

Attachments: [09-3337 - Budgetary Increases/Decreases/Transfers - Fiscal Year 2009-10 - As of October 31, 2009.pdf](#)

Vernon Hal, Chief Financial Officer, said the document shows our major categories of object codes, revenues and expenditures, certificated and classified salaries and benefits and compares the budgeted amounts at First Interim with the changes.

Discussed and Closed

Roll Call (Staff Observation)

Sharon Cornu absent at 8:10 P.M.

Roll Call: Present: Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester Hodges

Absent: Dan Lindheim and Sharon Cornu



09-3339

First Interim Financial Report - Fiscal Year 2009-2010

Adoption by Board of the Education of the District's First Interim Financial Report for Fiscal Year 2009-2010 and Certification of said report to the Alameda County Superintendent of Schools as "Qualified."

Attachments: [09-3339 - First Interim Financial Report - Fiscal Year 2009-2010 \(Presentation\).ppt](#)
[09-3339 - First Interim Financial Report - Fiscal Year 2009-2010.pdf](#)
[Document\(s\)](#)
[Document\(s\)](#)

Vernon Hal, Chief Financial Officer, used a Powerpoint for his presentation on the First Interim Financial Report. Mr. Hal said the State is projecting a \$21 billion dollar shortfall for next year. He said with Education being one-half of the State Budget, we believe that significant cuts to education are likely. We project, as of the First Interim, that we will need to cut approximately \$30 million dollars from our unrestricted expenditures for next year's budget. The Governor will release information on the State Budget in January. Mr. Hal said the State projected a \$6 billion dollar shortfall in the current year; that, coupled with another \$14 billion dollars for the next year gets us to the \$21 billion shortfall for the State to balance its books. The State is projecting a \$22 billion dollar shortfall for 2011-12 and a \$23 billion dollar shortfall for 2012-13.

Mr. Hal said our revenue limit is lower than we anticipated by about \$9 million dollars

because the State hit us after we adopted our budget. The State passed its budget and the assumptions changed since we adopted the budget. The State hit all districts in an amount of \$250 per ADA as a one-time item. For us, that amounts to \$9 million dollars. Other revenue sources were reduced by about \$3.4 million in total. A big portion of that is High Priority School Grants. We had budgeted \$3.5 million dollars. The State eliminated its funding and we had to backfill those dollars. We over anticipated carry over in our TIIG dollars in the amount of \$2.8 million dollars. There was a decrease in our draw down by \$1 million dollars because we had not spent as much as we transferred in the prior years. Mr. Hal said Salaries and Benefits are down from the adopted budget by \$2 million dollars. We were able to reduce our expenditures and our salaries, benefits, books and supplies by about \$6.5 million dollars because of what we had not spent in our State Fiscal Stabilization Funds. Sites had budgeted those monies and we were able to reduce that. Mr. Hal said Special Education was budgeted with Stimulus monies (I.D.E.A. funds) for \$10 million dollars, half of which we were going to use to reduce our Special Education contribution. Because we did not pass disproportionality, we could not use the I.D.E.A. funds to reduce our contribution. We over identified a group of Native American students in the District as Special Education. We are going to appeal the State's decision which amounts to \$5 million dollars. Mr. Hal said we have some flex resources which are one-time items. The assumption is that we will no longer be able to flex those items to make them unrestricted. The items include the deferred maintenance match and the adult education flex.

Mr. Hodges asked if the Committee could receive a flow chart to see how this is going to be going out and coming back and that would show the interest that has accumulated on it as well. He asked how do we plan on paying for the whole thing? Mr. Hal said information can be shared as to when we received the \$35,000,000, what it was used for, the monies coming in and going out and a projection of its ultimate use for those resources. The issue is, of the \$6 million dollar debt service, the District has been paying for \$4 million of it. We have been using the State Loan to pay for it, too. Now we have to make further reductions in order to further absorb the extra \$2 million debt service and that is part of what the \$27 - \$30 million dollars is, assuming that we have to make our own payments now. We do not have enough money in the bank or loan money to make the payment.

Ms. Cornu said the debt service is approximately \$6,000,000 a year now on the \$100,000,000.

Discussed and Closed



09-3340

Report - District's Cash Flow - FY 2009-10 as of October 31, 2009

Presentation of Report from Chief Financial Officer on the District's current and future projected Cash Flow, trends, problems and issues, if any, as of October 31, 2009.

Attachments: [09-3340_Report Cash Flow Worksheet FY09-10 - 1st Interim 12-07-09.xls](#)
[09-3340_Report of Cash Flow Summary_FHR 12-07-09.xls](#)

Vernon Hal, Chief Financial Officer, used a PowerPoint Information to review Cash Flows. We are projecting a \$14,000,000 cash deficit at the end of June. The figure assumes that our beginning cash balance is down by \$7,000,000 and we have incorporated that into our cash flows. The assumptions are that we project the cash flows on a monthly basis, November through June, because we have actuals through October. Our assumption for our parcel tax is about \$20,000,000 which is expected in December and April when

everyone pays their taxes.

Discussed and Closed



09-3362

Report - District's Cash Reconciliation as July 31, 2009 - FY 2009-10

Presentation of Report from Chief Financial Officer on the District's cash reconciliation as of July 31, 2009, fiscal year 2009-10.

Attachments: [09-3362_Report of Cash Recon FY0910 Jul All Funds-1st Interim_FHR 12-7-09.xls](#)

Vernon Hal, Chief Financial Officer, stated the excel spreadsheet shows our reconciliation of all funds through July 31. The County does not provide our bank statements on a timely basis and we received our July statements in November. They do that with all school districts and all districts are several months behind in reconciling their records. We have made a commitment, as part of the Operational Expectations, to reconcile our statements within 30 days after we get the information from the County; then report to the Board and to the subcommittee. Each time we get our statement from the County, we will be presenting this information to the committee as an update on cash reconciliation.

Discussed and Closed

H. Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Committee

None

I. Introduction of New Legislative Matter

Sylvester Hodges initiated a request, supported by consensus that staff produce for the Committee a report to the Board and the public about District's financial condition and audit findings. Staff was requested to calendar this topic for committee discussion at the next Audit Committee.



10-0036

Report - District's Financial Condition and Audit Findings

Superintendent or designee's recommendation, and discussion, regarding the request of Audit Committee to Prepare Report to the Board and Public About The District's Financial Condition and Audit Findings In Response To the 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office.

Attachments: [09-3234 - 2006-07 Fiscal Year Financial and Compliance Audit - State Controller's Office](#)

A motion was made by Noel Gallo, seconded by Sylvester Hodges. The motion carried by the following vote:

Votes: Adv Aye: 0
Adv Nay: 0
Adv Abstain: 0

Aye: 5 - Noel Gallo, David Kakishiba, Alice Spearman, Viola Gonzales and Sylvester
Hodges
Nay: 0
Recused: 0
Absent: 2 - Dan Lindheim and Sharon Cornu
Preferential Aye: 0
Preferential Abstention: 0
Preferential Nay: 0

J. Adjournment

Chairperson Spearman adjourned the committee meeting at 8:15 P.M.

Prepared By: _____

Approved By: _____