



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

OUSD CASH FLOW AND CASH RECONCILIATION REPORT

Wednesday, April 22, 2009

Agenda

- Current Status of District's Cash Balances
- Payroll Liabilities Fund
- History
 - Systems Issues
 - Human Errors
 - Other Issues
- Cash Flow – Projected & Historical
- Possible Cash Flow Solutions
- Reconciliation Preventative Measures
- Appendices: Cash Reconciling Items & Cash Flow Summary

CURRENT STATUS OF DISTRICT'S CASH BALANCES

- Cash has not been reconciled for 6 years.
- The State Controller's Office disclaimed an opinion on the District's Financial Statements for fiscal years 02/03, 03/04, 04/05 and 05/06 primarily due to the cash not being reconciled.
- The Board authorized hiring Vavrinek, Trine, Day & Co. (VTD) to reconcile cash on May 28, 2008.
- VTD has completed reconciling cash from July 1, 2002 through June 30, 2008 for all funds.
- **As of June 30, 2008 cash in the General Fund is overstated approximately \$5.6M.**
- The cash overstatement will have a negative impact on unrestricted General Fund Balance.

Payroll Liabilities Fund

- In reconciling cash, it was noted that problems also exist in the Payroll Liabilities Fund (Fund 76)
- **Based on VTDs initial review, it is estimated that the fund is understated by approximately \$9M.**
- The deficiency in Fund 76 will negatively impact the General Fund Balance. The full impact of this deficiency on the General Fund will not be known until the review is completed.
- The review is expected to be completed before closing the books for fiscal year 08/09.

The potential negative impact to the District's General Fund Balance is \$14.6M combining the cash and payroll liabilities.

HISTORY

System Issues

- The District transitioned to a new accounting system (IFAS) for general ledger on July 1, 2002. The Legacy system was used for processing payroll until December 31, 2003.
- In addition, the District started using Fund 76 to account for employee withholdings and benefits starting July 1, 2003.
- The combination resulted in a breakdown of the cash reconciliation process.

HISTORY CONTINUED

Human Errors

- Entries generated by the Alameda County Office of Education (ACOE) were not posted on the District's books.
- Journal entries were posted on the District books in error.
- Inter-fund transfers were recorded on the District books, but were not sent to the ACOE.

Other Issues

- Errors were not detected because cash was not being reconciled.
- The District has experienced numerous changes in management and reorganization of staff.

CASH FLOW – PROJECTED AND HISTORICAL

- Cash flow for projected months (March to June) are based on a straight line projection based upon the budget.
- Portion of total receipts for state revenue assumes the state will continue to defer the school district's cash apportionments for the revenue limit and class size reduction totaling approximately \$40 million.
- Portion of total receipts for local revenue assumes parcel tax payment of \$20 million (payments in December and April).
- In order to ensure there is sufficient cash to meet financial obligations, resolution may be brought to BOE for approval of temporary interfund borrowing.
- **Projected ending cash for FY 2009 is a negative \$30 million (this balance doesn't reflect the additional \$5.6 million decrease in cash based on the cash reconciliation that was completed).**

POSSIBLE CASH FLOW SOLUTIONS:

- Utilize the state loan drawdown.
- Use all or a portion of the \$6M set aside for audit findings in the fiscal year 08/09 budget.
- Authorize to borrow cash from other funds by Board and State Administrator to avoid running out of cash at the end of the 08/09 fiscal year.
- Monitor cash balances and cash flows by Management and staff.
- Monitor payment of vendors by Management and staff to avoid depleting cash.
- Staff will come back to the Finance Committee with a recommended solution.

RECONCILIATION PREVENTATIVE MEASURES:

- An accounting position has been designated to reconcile cash and payroll liabilities and will do so on a regular basis (at least quarterly). District staff has begun working on reconciling these accounts in fiscal year 08/09.
- Fiscal staff has begun working with Technology Services to identify causes and develop solutions for posting problems.
- Additional training and cross training of Fiscal and Payroll staff is planned.

APPENDIX A: CASH RECONCILING ITEMS

JULY 1, 2002 TO JUNE 30, 2008

OAKLAND PUBLIC SCHOOLS	A	B	A+B=C	D	E	C+D+E=F
CASH RECONCILING ITEMS		GEN FUND			Other	TOTAL
JULY 1, 2002 TO JUNE 30, 2008	FUND 01	FUND 76	TOTAL	FUND 21	Funds	FUNDS
6/30/2008 District Ending Cash Balance	\$ 41,766,074	\$ 1,681,267	\$ 43,447,340	\$ 139,409,538	\$ 36,933,236	\$ 219,790,115
7/1/2002 TO 12/31/2003 Payroll	(1,783,860)	(158,316)	(1,942,175)	(1,391)	(328,839)	(2,272,405)
County Transactions not Posted By District	(900,521)	-	(900,521)	-	-	(900,521)
District Transaction Posted in Error	(4,035,488)	1,505,873	(2,529,614)	2,040,767	-	(488,848)
Other Items	(357,473)	71,879	(285,594)	(16,948)	(110,588)	(413,129)
6/30/2008 District Adjusted Cash Balance	\$ 34,688,732	\$ 3,100,704	\$ 37,789,436	\$ 141,431,966	\$ 36,493,809	\$ 215,715,211
6/30/2008 Increase (Decrease) to Cash	\$ (7,077,342)	\$ 1,419,437	\$ (5,657,905)	\$ 2,022,428	\$ (439,427)	\$ (4,074,904)

APPENDIX B: CASH FLOW SUMMARY

FISCAL 2008-2009	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March (p)	April (p)	May (p)	June (p)
Beginning Cash Bal	42,516,368	10,397,994	5,230,929	9,757,296	52,219,707	17,497,545	50,568,005	41,576,340	38,973,879	22,546,383	13,827,447	254,064
Revenue	931,937	3,919,473	30,618,953	72,499,665	2,543,649	71,167,696	19,590,565	36,724,110	41,016,024	46,327,427	41,016,024	31,699,666
Expense	10,862,491	13,159,779	36,295,938	37,625,659	36,731,964	39,366,341	34,219,210	39,696,175	54,893,294	54,893,294	54,893,294	54,893,294
Change in Accts Rec	2,196,027	11,876,533	9,985,972	4,844,516	792,064	2,567,599	4,142,284	211,822	1,245,689	104,114	-	(38,231,686)
Change in Accts Pay	(24,383,847)	(7,803,292)	217,379	2,743,889	(1,325,911)	(1,298,494)	1,494,696	157,783	(3,795,915)	(257,182)	303,888	31,203,937
Ending Cash Bal Per Books	10,397,994	5,230,929	9,757,296	52,219,707	17,497,545	50,568,005	41,576,340	38,973,879	22,546,383	13,827,447	254,064	(29,967,314)
FISCAL 2007-2008	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
Beginning Cash Bal	54,361,629	31,519,954	32,021,511	22,174,909	63,086,257	32,422,645	58,528,947	70,312,927	52,066,439	62,466,355	78,676,721	62,177,790
Revenue	131,965	12,002,807	19,636,455	77,684,756	5,055,811	61,845,753	50,283,596	19,389,129	52,343,788	56,491,438	26,622,376	67,360,431
Expense	10,614,250	13,367,625	34,689,825	39,044,886	36,940,530	36,784,362	37,735,123	41,803,622	39,458,279	40,128,004	43,425,195	79,994,104
Change in Accts Rec	4,512,847	9,085,820	5,470,902	2,640,537	493,067	2,915,889	(512,799)	157,361	1,310,321	104,114	-	(38,231,686)
Change in Accts Pay	(16,872,237)	(7,219,445)	(264,134)	(369,059)	728,040	(1,870,978)	(251,694)	4,010,644	(3,795,915)	(257,182)	303,888	31,203,937
Ending Cash Bal Per Books	31,519,954	32,021,511	22,174,909	63,086,257	32,422,645	58,528,947	70,312,927	52,066,439	62,466,355	78,676,721	62,177,790	42,516,368
FISCAL 2006-2007	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
Beginning Cash Bal	31,771,076	11,118,022	48,194,078	21,243,122	27,298,819	15,645,859	9,445,989	52,472,119	38,638,067	37,241,659	47,612,201	18,105,455
Revenue	109,535	49,186,371	30,824,311	39,878,189	23,102,029	31,851,739	78,266,621	24,323,780	38,683,854	47,329,995	11,191,935	108,743,253
Expense	8,417,315	13,460,143	62,758,519	39,854,826	36,861,446	39,544,998	36,473,147	36,931,859	40,438,872	40,129,516	43,391,007	68,863,773
Change in Accts Rec	(2,866)	3,796,810	4,974,368	3,682,004	2,718,155	1,788,176	902,158	331,727	87,000	1,606,106	3,033,393	(27,885,569)
Change in Accts Pay	(12,342,408)	(2,446,982)	8,883	2,350,330	(611,698)	(294,787)	330,497	(1,557,700)	271,610	1,563,957	(341,067)	24,262,263
Ending Cash Bal Per Books	11,118,022	48,194,078	21,243,122	27,298,819	15,645,859	9,445,989	52,472,119	38,638,067	37,241,659	47,612,201	18,105,455	54,361,629

Thank You.

QUESTIONS?