



Report to the Board of Education From the Community Financial Review Committee

By: Paul Lloyd, Committee Chair

Tuesday, December 18, 2007

The Community Financial Review Committee held its third meeting on Monday, December 3, 2007 at the Linden Park Offices. Two committee members were absent (Thomas Shopa and Gary Linarducci) with twelve members of the public in attendance.

The purpose of the meeting was to begin the review process of monthly financial reports, discuss our role in the FY08 Final Budget approval process, and decide what if any role the committee would play in the upcoming referendum.

Monthly Financial Report Review

At our December meeting the committee got its first look at the monthly financial reports prepared by Finance Director Jill Floore. Ms. Floore provided reports for October 2007 and a preliminary report for November 2007, as well as, reports for October and November 2006, to use for comparison. The October 2007 report was reviewed and approved by the committee. The report format includes the following:

- A breakdown of expenditures at the division level –
 - Division 32 – all district schools, except tuition funded
 - Division 54 – Meadowood School
 - Division 58 – Richardson Park Learning Center and the Central School
- The report column headings –
 - Intermediate Budget Units (IBU) - a specific area in which funds are allocated (Division 32 has 84 IBUs listed in the report, Division 54 has 11, and Division 58 has 12)
 - Board Approved Budget – the total amount of expenditure for the fiscal year approved by the Board of Education
 - Encumbrance - a means of reserving funds for future expenditures (committed funds)
 - Expenditure - total money for each IBU spent to date
 - Remaining Balance - board approved budget minus encumbrance and expenditure
 - % Obligated – what percentage of the budgeted money has been spent to date

The Finance Director reported that district spending is down and meeting current financial objectives. Expenditures are at \$68 million this year compared to \$75 million at the same period last year. At the end of November 2007, five months into the fiscal year, total spending should be close to 42% of budget. Division 32 is right on target at 41%, while Division 54 is at 47%, and Division 58 is at 45%.

During the meeting numerous committee members expressed concerns about the some of the material found in the reports. As of the November 2007 report, two Division 32 IBUs and one Division 58 IBU have already exceeded their spending limits for the year:

- *DIV32-IBU04 Assistant Superintendent for School Services* was at 134.9% of Budget (\$8,715.39)
- *DIV32-IBU13 Board of Education* was at 110.5% of Budget (\$3,066.52)
- *DIV58-IBU51 Related Services* was at 111.9% of Budget (\$34,627.76)

It appears that the FY2008 Final Budget has addressed the issue of DIV32-IBU04 by adding \$10,000 to that line item and DIV58-IBU51 by adding \$287,000 to its budget. Currently, for DIV32-IBU13 the Finance Director is researching the problem.

Other concerns expressed in the meeting included the cost and scope of some contractual services in Division 32 and Division 58, the reasons for some large IBU budget increases over last year, and the inability to see detailed spending at the Micro Budget Unit (MBU) level and below for any issues raised that required deeper analysis.

Other Business

A discussion was held on the committee's need for oversight in the FY 2008 Final Budget approval process. We are planning a special meeting to address this matter and review the final documents, before the board vote in January. It was also announced that Red Clay would again need a no interest loan from the State of Delaware to cover payroll during next summer through October 2008.

As for our discussion on the upcoming referendum, unfortunately the consensus felt that at this time the committee would be unable to play much of a supporting role. The committee was formally seated in October with our first two meetings focused on organizational issues (mission, appointment of officers, etc.). We have not had enough time to get to a level of proficiency required to be of assistance.

Public Comments

Community comments during the meeting were centered on two items:

- When would the DOE Financial Recovery Team release the report on their findings in Red Clay
- Concerns that when expenditures were benchmarked against the three other Northern New Castle County School Districts, Red Clay had some budget categories at the object code level that appeared excessive.

Upcoming Meetings / Dates and Time

- Monday, January 7, 2008, 6:00 - 8:30 P.M. at the Linden Park Offices with the focus exclusively on the FY 2008 Final Budget.

- Monday, January 14, 2008, 6:30 - 8:30 P.M. at the Linden Park Offices will be the regular meeting with a presentation on “Object Code Budgeting” and review of the November and December monthly financial reports.

Recommendations / To-Do

1. Projected state and local revenue numbers need to be reported in the monthly financial reports given to the committee. Last year in FY 2007, a significant problem occurred when actual revenue came up over \$12.5 million dollars short of what was budgeted. Currently, with a Division 32 projected closing balance of \$260,483, for FY 2008, it does not afford much room for error.
2. The committee needs to come up with a monthly budget report format that meets or exceeds DOE’s requirements, provides full transparency for revenue and expenditures, and can alert the board to any issues early enough to take appropriate action. Topics that need to be addressed:
 - Financial information reported in sufficient detail, allowing stakeholders to see the District’s spending priorities
 - Reports that are accessible to the public, by posting them on the District’s website
 - Presenting numbers in a way that can be verified and benchmarked
 - Establishing a system for triggering a detailed analysis of a budget item if expenditures go over a certain percentage of budget, or revenue falls below predefined limits

Respectfully submitted,

Paul Lloyd

Paul Lloyd, Committee Chair