

RED CLAY COMMUNITY FINANCIAL REVIEW COMMITTEE
REPORT TO THE BOARD OF EDUCATION



February 20, 2008
Red Clay School District

Paul Lloyd
Committee Chair

The Community Financial Review Committee met on Monday, February 4, 2008, at the Linden Park Offices with its primary focus to review the January FY 2008 Monthly Financial Report, and to get its first look at a Financial Position Report. All current committee members were present including nine members of the public in attendance.

Subcommittee Reports

The Chairmen from both of our Subcommittees made reports to the general committee, as follows:

- The Organizational Subcommittee released a draft of our bylaws that we reviewed and will discuss in depth at our next meeting
- Due to scheduling conflicts the Report Subcommittee is still trying to work out a date for its first meeting

Monthly Financial Report Review

The monthly financial reports are provided by Finance Director Jill Floore and show year-to-date revenue and expenditures for the District. A primary function of the committee is to review this document and alert the Board if it finds any problems. We also get a report from the same period last year to use for comparison

Highlights from the report for January 2008 include:

- Out of the projected \$154.8M in Division 32 revenues for FY2008, the District has received \$129.8M to date (Division 32 includes all Departments and most schools in the District, except for Meadowood and the Intensive Learning Centers)

	<i>BOARD APPROVED BUDGET</i>	<i>ACTUAL</i>	<i>DIFFERENCE</i>	<i>% ACTUAL TO BUDGET</i>
<i>DIV 32 TOTAL REVENUE</i>	154,839,897.00	129,809,333.22	(24,129,339.78)	83.83%

- On the expenditure side for Division 32 the budget was set at \$154.5M, and expenses encumbered or spent to date total \$89.9M (The term encumbrance refers to money that has been reserved for payment when a purchase requisition has been processed, but the vendor has not yet been paid)

	<i>BOARD APPROVED BUDGET</i>	<i>ENCUMBRANCE</i>	<i>EXPENDITURE</i>	<i>TOTAL ENCUMBERED & EXPENDED</i>	<i>REMAINING BALANCE</i>	<i>% EXPENDED</i>	<i>% EXPENDED & ENCUMBERED</i>
<i>DIV 32 TOTAL EXPENDITURES</i>	154,579,414.00	4,712,661.67	85,216,004.78	89,928,666.45	63,020,975.48	55.1%	58.2%

- For the Meadowood School (Division 54) they have a budget of \$8.3M with expenditures obligated to date of \$5.1M. The remaining balance for Meadowood School is \$3.2M.

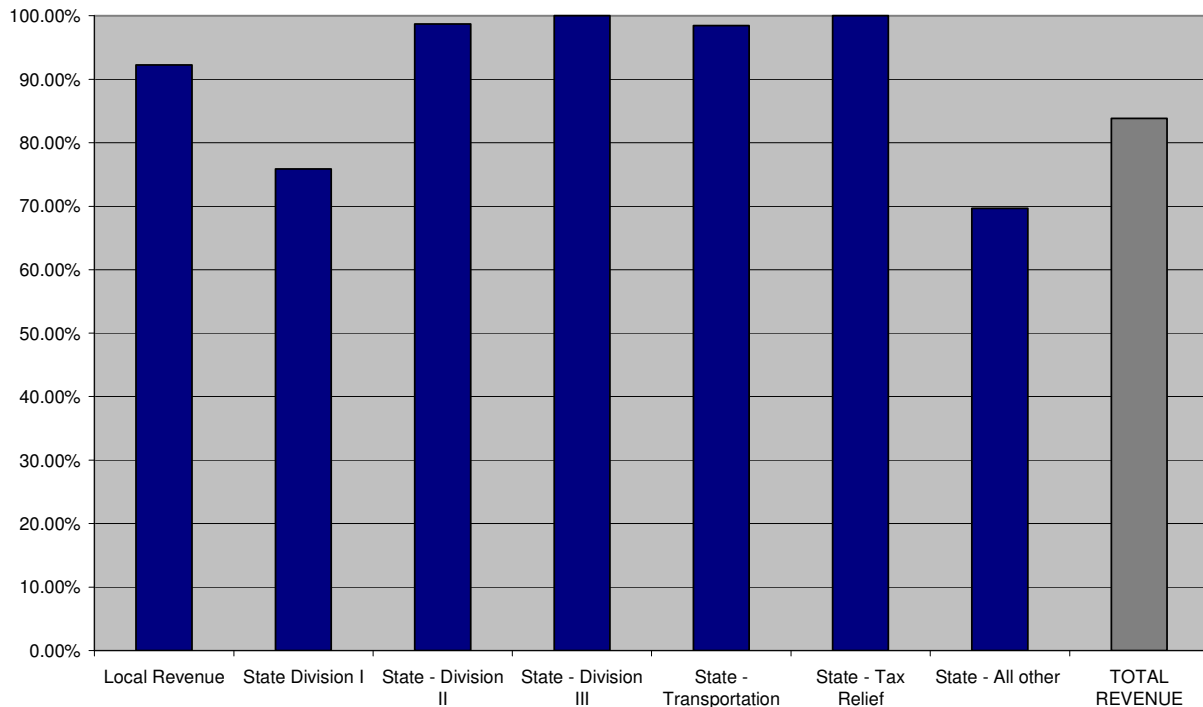
	<i>BOARD APPROVED BUDGET</i>	<i>ENCUMBRANCE</i>	<i>EXPENDITURE</i>	<i>TOTAL ENCUMBERED & EXPENDED</i>	<i>REMAINING BALANCE</i>	<i>% EXPENDED</i>	<i>% EXPENDED & ENCUMBERED</i>
DIV 54 TOTAL EXPENDITURES	8,369,133.00	499,724.55	4,651,461.56	5,151,186.11	3,217,946.89	55.6%	61.5%

- The Division 58 Intensive Learning Centers, which are the Central School and Richardson Park ILC, have an FY2008 budget of \$10.2M, encumbering and expending \$5.6M this year. The remaining balance for the Intensive Learning Centers is \$4.6M.

	<i>BOARD APPROVED BUDGET</i>	<i>ENCUMBRANCE</i>	<i>EXPENDITURE</i>	<i>TOTAL ENCUMBERED & EXPENDED</i>	<i>REMAINING BALANCE</i>	<i>% EXPENDED</i>	<i>% EXPENDED & ENCUMBERED</i>
DIV 58 TOTAL EXPENDITURES	10,220,540.00	581,109.88	5,020,582.79	5,601,692.67	4,618,847.33	49.1%	54.8%

This chart below shows the percentage of funds in different categories that have been collected YTD for State and Local Revenue. You can see that Red Clay has captured almost all of its projected revenue in most State and Local funding categories. The overall percentage of revenue collected to date is at 83.8% represented by the gray column on the right.

Revenue - % Actual to Budget
(as of January 31, 2008)

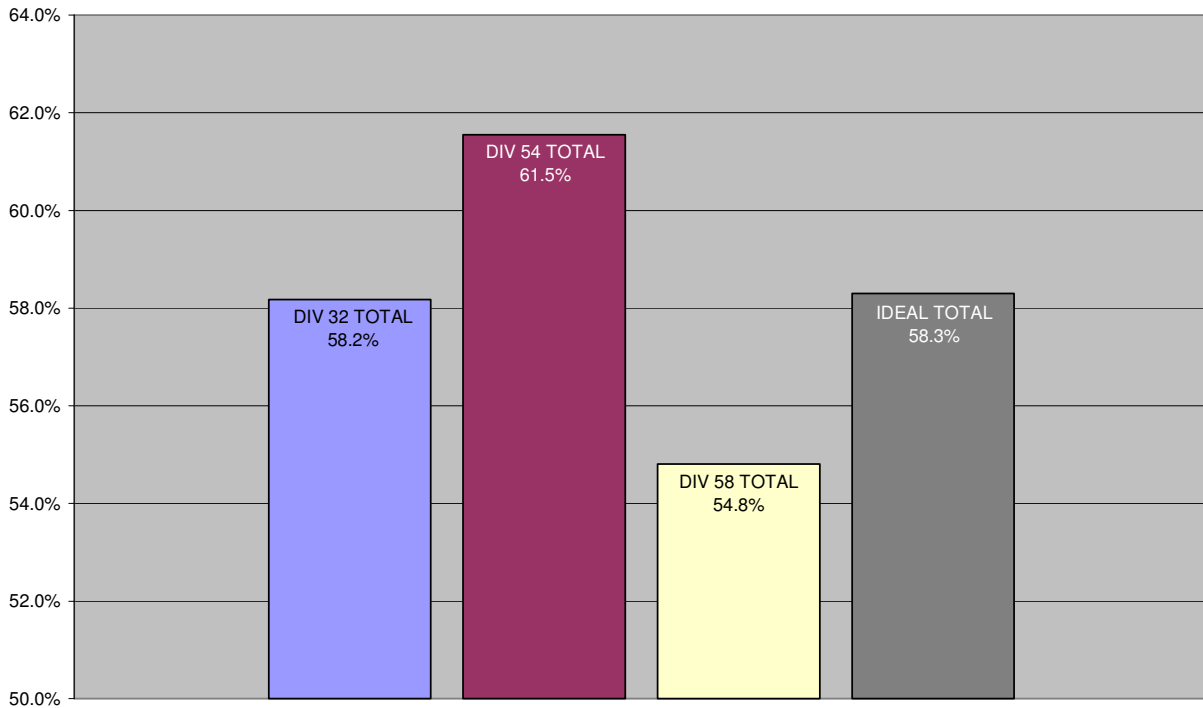


Total expenditures year to date as of January 31st appear to be on budget as (see chart below). We are seven months into the fiscal year, or 58.3% complete as depicted by the gray column on the right. Ideally, the overall budget should track somewhat along that same percentage.

As you can see:

- Division 32's total matches almost exactly the ideal percentage
- Division 54 is slightly over
- And Division 58 appears to be controlling its costs well and is slightly less than the benchmark

Expenditures - % Expended & Encumbered
(as of January 31, 2008)



It is important to note that there are some areas where committed costs have exceeded 100% of budget. The reasons for this situation are detailed below:

In Division 32 -

- **IBU 04 Assistant Superintendent for School Services** - This group is also tasked with overseeing IBU 21 (Special Services) and IBU 22 (Assistant Superintendent for Special Services). If you were to look at both IBU 21 and 22 you would see that their percentage expended and encumbered are well under budget at the moment (IBU 21 is at 9.1% & IBU 22 is at 37.2%) . The committee learned that expenses legitimately meant for IBU 21 and IBU 22 were charged accidentally to IBU 04 causing the cost overrun. The Business Office is reviewing those expenses and backing out the costs when appropriate to the right

accounts. You should see IBU 04 expenditures decrease over the next few months.

- **IBU 13 Board of Education** - The reason for the cost overrun to this account is due to legal fees of \$14,141 that should have been coded to IBU 03 Deputy Superintendent, which is the budget that is responsible for all legal fees. Once the expenditure is recoded to IBU 03, this line item should drop down to 87.3% of expended and encumbered.
- **IBU 19 Maintenance and Operations** - This is by far the biggest cost overrun in terms of dollars and the explanation given by the Finance Director was that many costs in this account need to be recoded to IBU 59 (Minor Capital Improvement). The Business Office is waiting for additional state funding for Minor Cap, before shifting the costs.

<i>DESCRIPTION</i>	<i>BOARD APPROVED BUDGET</i>	<i>ENCUMBRANCE</i>	<i>EXPENDITURE</i>	<i>TOTAL ENCUMBERED & EXPENDED</i>	<i>REMAINING BALANCE</i>	<i>% EXPENDED</i>	<i>% EXPENDED & ENCUMBERED</i>
ASST SUPERINTENDENT FOR SCHOOL SERVICES	34,990.00	3,126.85	33,613.97	36,740.82	(1,750.82)	96.1%	105.0%
BOARD OF EDUCATION	29,155.00		39,587.12	39,587.12	(10,432.12)	135.8%	135.8%
MAINTENANCE & OPERATIONS	680,000.00	80,026.24	737,910.90	817,937.14	(137,937.14)	108.5%	120.3%
DIV 32 TOTAL	744,145.00	83,153.09	811,111.99	894,265.08	(150,120.08)	109.0%	120.2%

In Division 58 (The Intensive Learning Centers) –

- **IBU 51 Related Services** - Primarily covers the costs for therapists working at the Intensive Learning Centers and the person responsible for managing this Intermediate Budget Unit has estimated this expenditure and encumbered those costs for the remainder of the fiscal year.
- **IBU 55 Vocational Education** - This problem was caused by a substantial reduction in the dollar amount allocated in the final FY08 budget.

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RELATED SERVICES	577,000.00	311,089.99	305,747.00	616,836.99	(39,836.99)	53.0%	106.9%
VOCATIONAL EDUCATION	9,300.00	16,395.00	11,101.72	27,496.72	(18,196.72)	119.4%	295.7%
DIV 58 TOTAL	586,300.00	327,484.99	316,848.72	644,333.71	(58,033.71)	54.0%	109.9%

Financial Position Report Review

At our February 4th meeting the committee got its first look at a Financial Position Report. The report is required to be filed with the Delaware Department of Education three times per year on:

- February 1st

- May 1st
- Aug 31st

The purpose of the report is to give the DOE a projection of a District's fiscal year ending balance in local current expense revenue. The February report shows a projected ending balance of \$412,252 which is higher than the FY08 Final Budget estimate. The committee has also recommended that a template of this document be developed for monthly use, so we can continue to track projections on how much current expense revenue the District will end up with at the end of the current fiscal year.

Public Comments

Members of the community questioned how the District could have implemented \$10.1 million in budget cutbacks this fiscal year and still have total budgeted expenditures exceed last year. The committee was advised that not all reductions took place.

Another concern centered on the referendum, and did the proposed percentage tax increase take all factors into consideration.

Members on the committee also expressed concern that community comments are preventing the group to stay on topic and complete their work in a timely fashion. It was requested that community comments only be allowed in future meetings at the allotted time on the published agenda.

Upcoming Meetings / Dates and Time

- Monday, March 3, 2008, 6:30 - 8:30 P.M. in the Library at Skyline Middle School.

Respectfully submitted,

Paul Lloyd

Paul Lloyd, Committee Chair