

**RED CLAY COMMUNITY FINANCIAL REVIEW COMMITTEE**  
**CHAIR'S REPORT TO THE BOARD OF EDUCATION**



**April 22, 2009**  
**Red Clay Consolidated School District**

**Paul Lloyd**  
**Committee Chair**

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## **INTRODUCTION**

Due to the short turnaround between the Red Clay Community Financial Review Committee (CFRC) meeting held on March 9, 2009 and the Board of Education meeting on March 11<sup>th</sup>, it was decided that there would be no Chair's Report last month. As such, I would like to summarize both the March and April CFRC meetings in this document.

At the March meeting the committee did the following:

- Received a presentation on the District's legal budget and expenditures given by Deputy Superintendent Diane Dunmon.
- In addition to the normal budget reports that the committee covers at each meeting, we also reviewed a report on how the referendum money has been spent through February 28, 2009. The purpose of this document is to allow the local taxpayer to see how the money they approved in the most recent referendum is being spent.

The most recent CFRC meeting was held on Wednesday, April 8<sup>th</sup> at Brandywine Springs School. The date was moved from our normal second Monday of the month because District buildings were closed for spring break. On the agenda that night were:

- Supervisor of Accounting, Deborah Roberts, gave a presentation on the closeout of federal grant money.
- The committee also spent time looking in detail at the current contracts initiated by the District for goods and services.
- Time was also allocated for a review of the monthly financial reports (YTD as of March 31, 2009).

Unfortunately, at neither meeting did the CFRC have a quorum to approve the meeting minutes, but the documents were still posted on our website. The minutes contain detailed coverage of the items addressed in our meetings, including an in-depth look at the information provided by our guest presenters. The documents can be found at:

- February [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Minutes/CFRC\\_MM\\_2009-02-09.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Minutes/CFRC_MM_2009-02-09.pdf)
- March [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Minutes/CFRC\\_MM\\_2009-03-09.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Minutes/CFRC_MM_2009-03-09.pdf)

Note: the April CFRC minutes will be posted to our website shortly after the document is reviewed and approved at our next meeting in May.

## **OTHER BUSINESS**

The only old business discussed recently was an update on actions taken by the Audit Committee comprised of members of the school board and the CFRC. That group met for the first time in March and went over a construction audit. The CFRC learned that other audits for dual employment, federal grants, and local funds are in progress and will be covered at upcoming meetings. The next scheduled Audit Committee meeting is scheduled for May 13<sup>th</sup>.

## MONTHLY FINANCIAL REPORT REVIEW

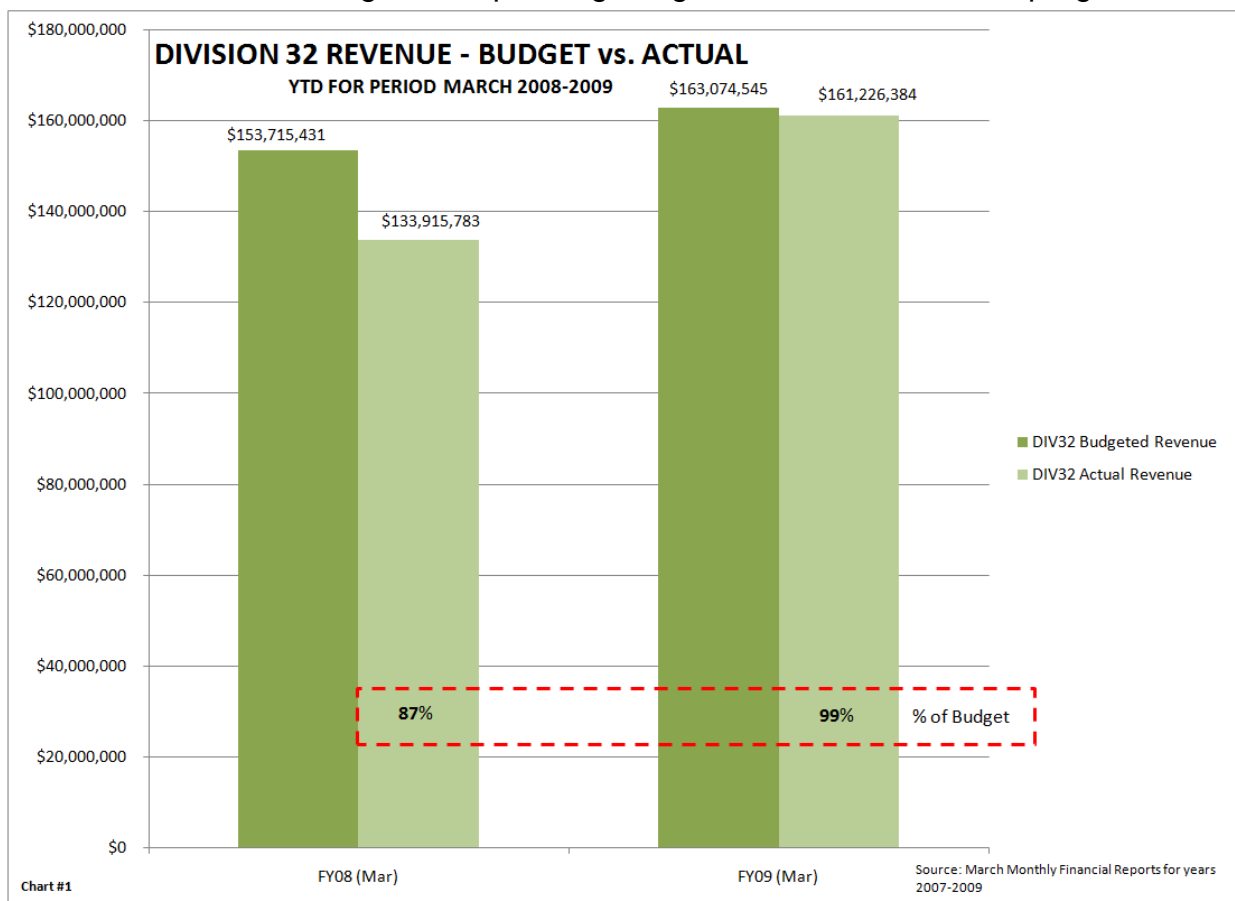
At our last meeting the CFRC reviewed the budget reports as of March 31, 2009. At each meeting the CFRC looks at two different monthly reporting formats prepared by Jill Floore, the Chief Financial Officer and her staff in order to get a more complete picture of district expenditures. These reports are:

- **Monthly Expenditure Report** - based on a Delaware Department of Education (DOE) template and is broken out by schools, programs, departments, etc.
- **YTD Total Expenditures and Encumbrances Report** - comes in two versions (with and without prior year appropriations) and looks at expenses by line item.

### March 31<sup>st</sup> Monthly Expenditure Report Highlights

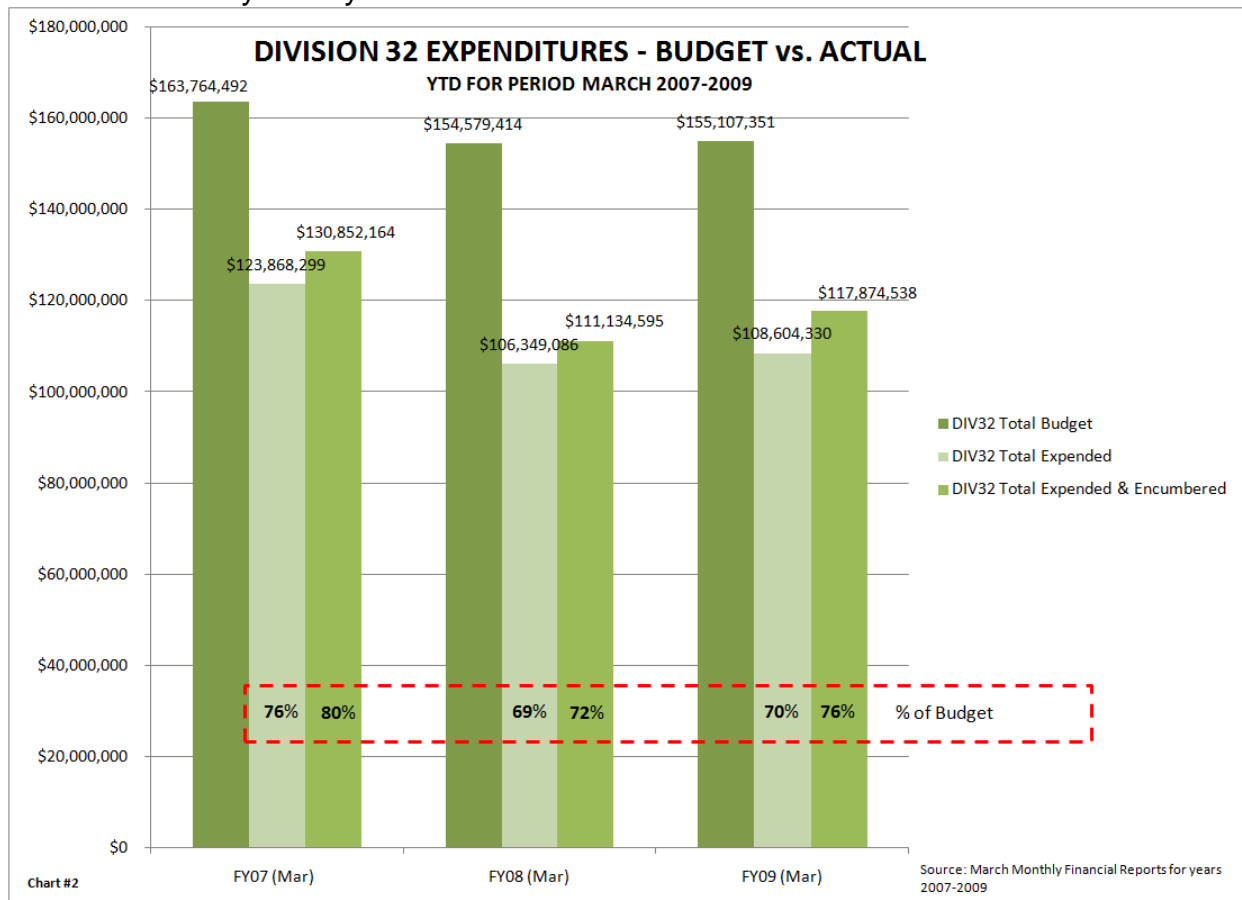
This marks the end of the third quarter, and the CFRC will continue to keep close watch on revenue and expenses to make sure we end the current fiscal year on budget. As such, I wanted to compare performance against prior years to provide the reader a historical perspective and highlight some positive trends with the District's finances. The committee now has two years worth of data for revenue and three years of data for expenditures in which to use for tracking purposes.

Chart #1 (see below) is a comparison of Division 32 revenue for fiscal years 2008 and 2009. Division 32 is the general operating budget for most schools and programs in the



district. Budgeted revenue (dark green column) has increased this year partially due to gains in local funds generated from the most recent referendum. Actual revenue (light green column) collected thus far this year is \$161M out of \$163M that was budgeted. Most importantly actual revenue is at 99% of budget with three months still remaining in the fiscal year, well ahead of the 87% realized at the same point last year.

Looking at total expenses and encumbrances for Division 32 (see Chart #2 below) the budget (dark green columns), total expenditures (light green columns), and total expenditures and encumbrances (medium green columns) have remained relatively flat the last two years. The budget target for this point should be 75% expended and the district is currently at only 70%.

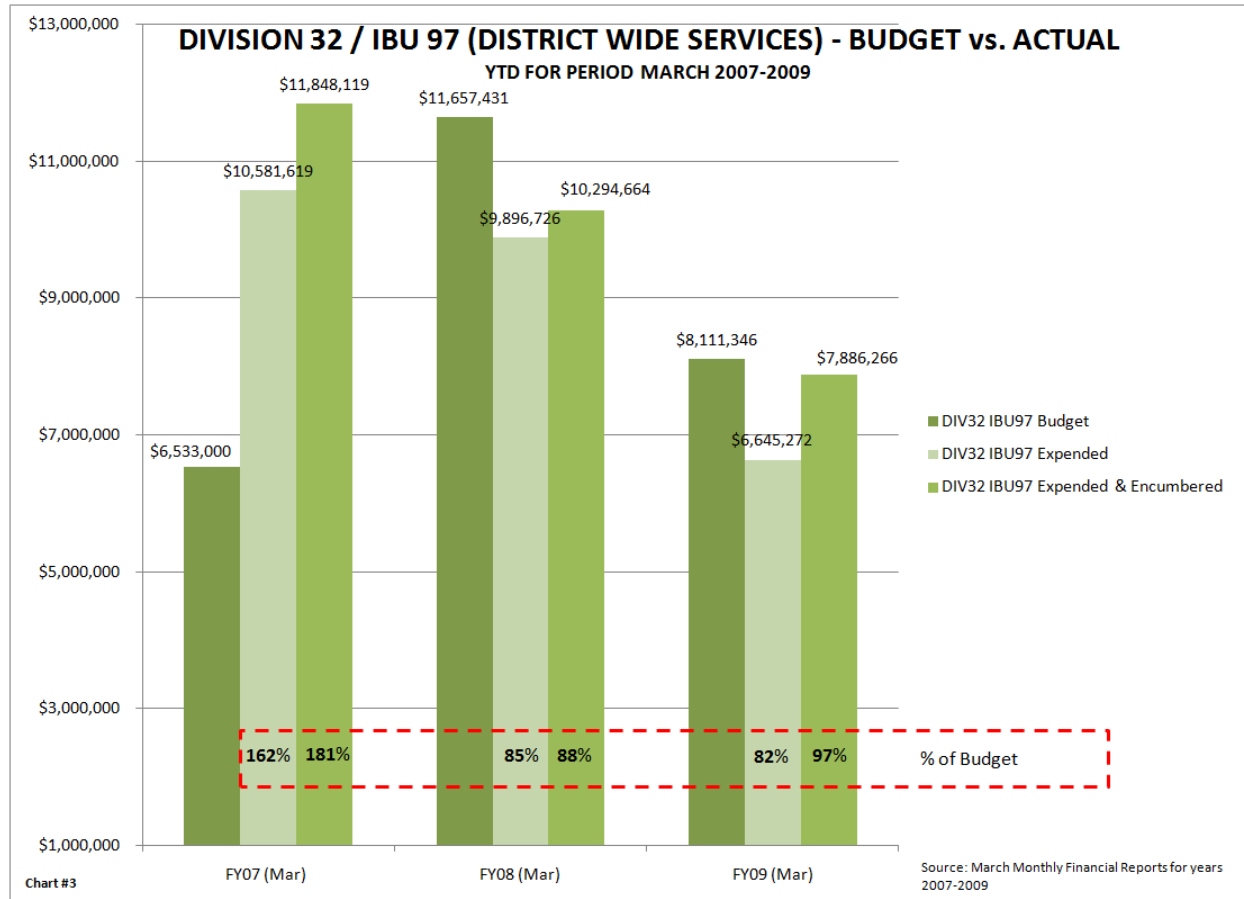


One problem when using a metric such as budget targets is that it can possibly be misleading. In FY07 the district went over budget, but when looking at total expenditures of only 76% of budget it would not have triggered any cause for concern at the end of the third quarter for that year. This is one reason that the committee looks closely at the individual Intermediate Budget Units (IBUs) that make up Division 32 for specific problems.

One area that was problematic in FY07 was IBU 97 - District Wide Services in Division 32. As the name implies, the IBU covers expenditures for items utilized throughout the district, such as:

- Lease payments
- Insurance costs
- Data Service Center costs
- Substitute teachers
- Tuition payments

By looking at chart #3, you can clearly see that in FY07 expenses far exceeded the budget of \$6.5M (dark green column). Expenditures were at \$10.5M at this point in the fiscal year, or 162% of budget (light green column). Things only became worse when you factored in encumbrance costs that drove the IBU to 181% of budget (medium green column). Last year while the budget increased significantly to cover costs related to the FY07 overrun the expenditures still managed to stay well within budget and were at 85% on March 31, 2008. This year the situation has improved dramatically as many of those costs were discharged. The budget for this IBU decreased by \$3M+, as well as its expenditures and encumbrances. The IBU has encumbered much of its costs out through the end of the fiscal year and should end the year on, or near budget.



Division 54 is the Meadowood Program, a school for students with special needs. Chart #4 (see next page) shows that the budget has increased over the past three years,

while expenses and expenditures at the end of the third quarter for each of the years tracked has remained relatively flat. Currently, expenditures are below budget targets.

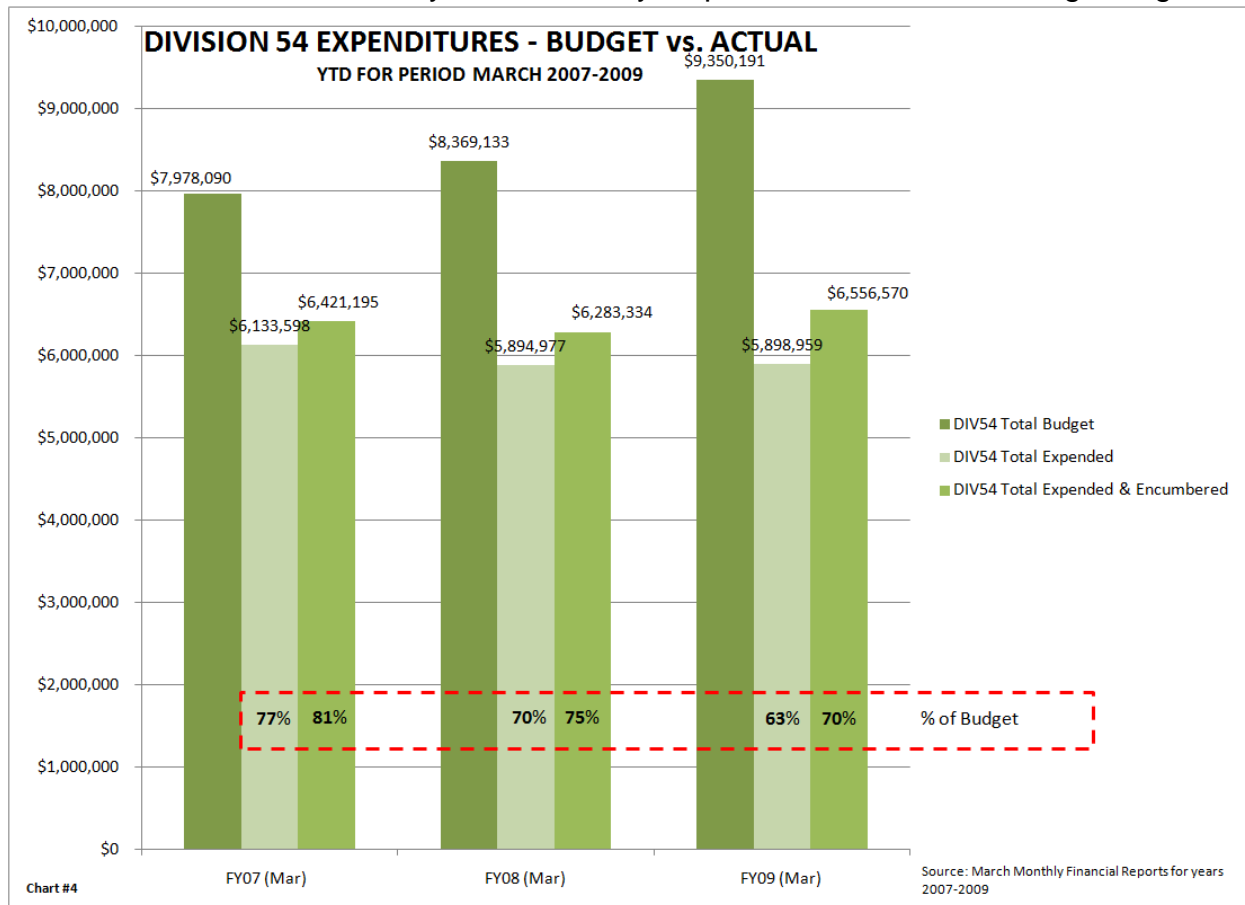
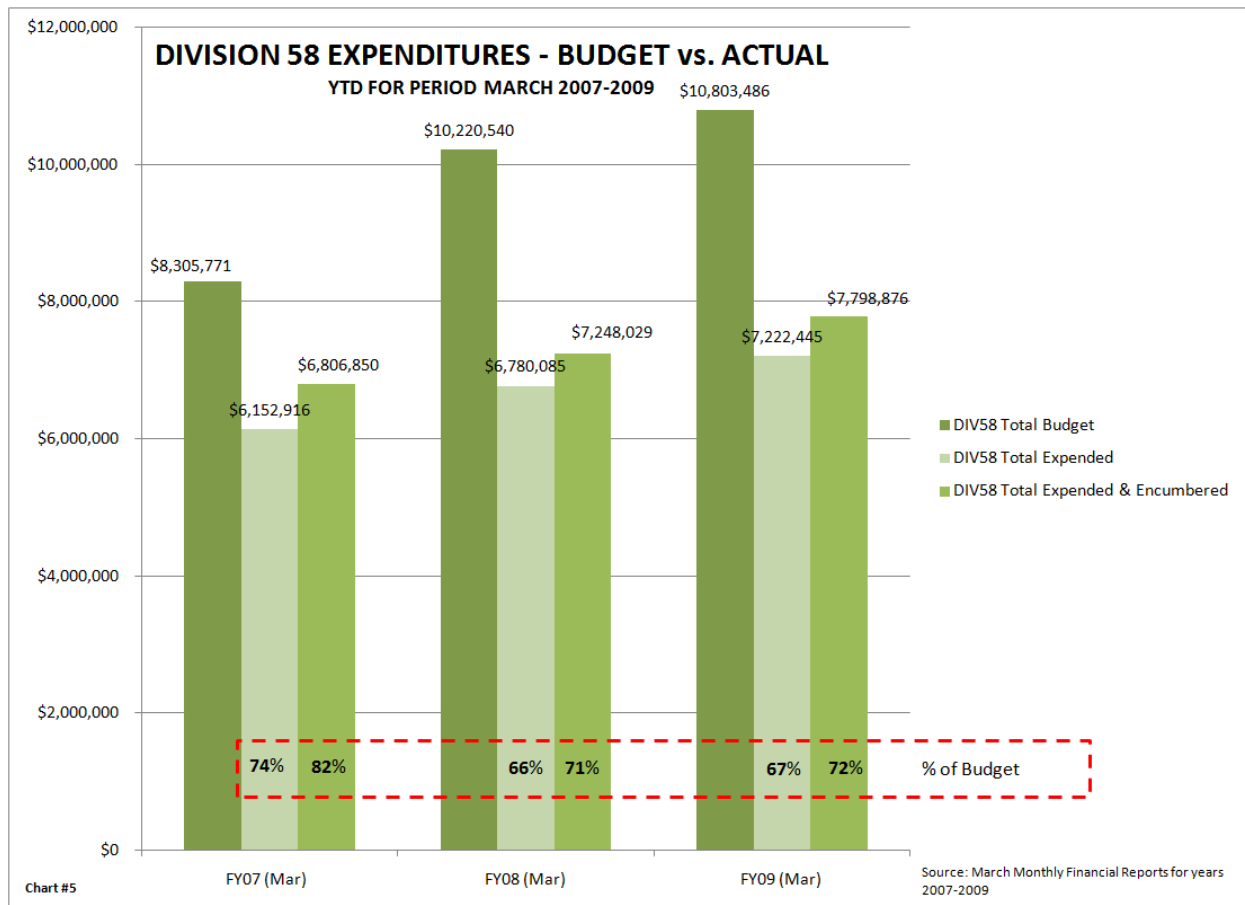


Chart #5 (see next page) highlights fiscal activity for Division 58, which is the District's intensive learning program for children requiring special education. Like Division 54, the budget for this program has also increased over the last three years. The snapshot of the close of the third quarter for FY07 to FY09 show expenditures and encumbrances have increased somewhat over that period. At 67% expended this IBU is currently below the budget target for FY09.



Highlights from the *Monthly Financial Report* include:

DIV 32 - FY09	Final Budget	Actual	Difference	% Actual to Budget
Total Revenue	163,074,545	161,226,383.60	(1,842,161.40)	98.87%

DIV 32 - FY09	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	155,107,351	117,874,538.29	37,232,812.71	76.0%

DIV 54 - FY09	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	9,350,191	6,556,570.02	2,793,620.98	70.1%

DIV 58 - FY09	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	10,803,486	7,798,875.55	3,004,610.45	72.2%

A copy of the *March Monthly Expenditure Report* is posted on the CFRC website and can be found at: [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC\\_MFR\\_2009-03-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_MFR_2009-03-31.pdf)



## Variance Report

For an item to appear on the *Variance Report* expenses must exceed budget targets by 30 points. For April that would be  $75.0\% + 30 = 105.0\%$  expended. Again, no budget items meet that criteria for this month.

## March 31<sup>st</sup> YTD Total Expenditures and Encumbrances Report Highlights

The tables below compares the major line item expense categories from FY08 and this year, as of March 31<sup>st</sup>, 2009. The dollar amounts are a combination of all three Divisions in the Red Clay School District. The District reports this information two ways - excluding prior year appropriations, which factors out money from previous years that can be carried over and spent in the current fiscal year. The table that includes prior year appropriations provides a more complete look at the total expenditures incurred by the district this year.

Totals for all three Red Clay Divisions:

<b>Fiscal Year 2008</b>	
<b>Excludes Prior Year Appropriations</b>	
Salaries	\$75,295,657.12
OEC	\$35,208,988.75
Government Services	\$19,223,323.55
Travel	\$60,278.30
Contractual Services	\$24,640,518.84
Supplies & Materials	\$3,047,977.38
Capital Outlay-Equipment	\$25,700.63
Capital Outlay-Property	\$57.79
Total \$157,502,502.36	

<b>Fiscal Year 2009</b>	
<b>Excludes Prior Year Appropriations</b>	
Salaries	\$75,728,884.73
OEC	\$33,673,521.37
Government Services	\$23,133,548.64
Travel	\$51,860.42
Contractual Services	\$25,550,780.10
Supplies & Materials	\$4,691,859.75
Capital Outlay-Equipment	\$56,784.23
Capital Outlay-Property	\$365,616.90
Total \$163,252,856.14	

<b>Fiscal Year 2008</b>	
<b>Includes Prior Year Appropriations</b>	
Salaries	\$78,052,948.97
OEC	\$36,287,041.05
Government Services	\$19,333,921.33
Travel	\$85,943.92
Contractual Services	\$33,613,083.96
Supplies & Materials	\$4,272,796.01
Capital Outlay-Equipment	\$25,700.63
Capital Outlay-Property	\$39,095,972.03
Total \$210,767,407.90	

<b>Fiscal Year 2009</b>	
<b>Includes Prior Year Appropriations</b>	
Salaries	\$78,411,026.75
OEC	\$35,283,217.86
Government Services	\$23,519,744.59
Travel	\$97,721.18
Contractual Services	\$32,284,879.19
Supplies & Materials	\$8,094,123.62
Capital Outlay-Equipment	\$59,108.67
Capital Outlay-Property	\$19,288,626.90
Total \$197,038,448.76	

Copies of both March YTD *Total Expenditures and Encumbrances Reports* are posted on the CFRC website and provide a detailed breakout of each category. The reports in their entirety can be found at:

[http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC\\_OCR\\_WPYA\\_2009-03-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_OCR_WPYA_2009-03-31.pdf) (includes prior year appropriations)

[http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC\\_OCR\\_WOPYA\\_2009-03-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_OCR_WOPYA_2009-03-31.pdf) (excludes prior year appropriations)

## Referendum Initiatives Report

During the run-up to the last referendum, the District had requested a tax increase to fund the restoration of specific programs and the implementation of new initiatives. The report below was requested by the CFRC and shows the budget and YTD expenditures for these items. It provides the local taxpayer with a detailed breakout of how the referendum money is being utilized.

Referendum Initiatives						
Expenditures and Encumbrances through February 28, 2009						
Program	Budgeted Amount	Expenditures	Encumbrances	Balance	% Expended & Encumbered	IBU Location
Full Day K Salaries	1,052,787.00	477,506.81	-	575,280.19	45.36%	96 Local Salary and Benefits
Full Day K Start Up	725,000.00	536,662.00	17,760.00	170,578.00	76.47%	68 Full Day K
Textbook	250,000.00	143,723.00	9,804.00	96,473.00	61.41%	IBU 02 Curriculum and Instruction
Library	150,000.00	80,627.00	20,482.00	48,891.00	67.41%	IBU12 Library Services
Technology	250,000.00	58,416.00	130,729.00	60,855.00	75.66%	IBU 58 Technology Replacement
Security	100,000.00	26,173.00	49,809.00	24,018.00	75.98%	IBU19 Security
EPER	407,413.00	320,575.00	-	86,838.00	78.69%	IBU96 Local Salary and Benefits
After School Transportation	150,000.00	122,480.00	79,720.00	(52,200.00)	134.80%	IBU 77 Transportation
Instructional Budget Increases - includes schools, performing arts and athletics	774,353.00	within IBU budgets				various
Operating budget Increases - includes maintenance, custodial service and utilities	447,872.00	within IBU budgets				IBU 19 Maintenance and IBU 38 Utilities

A copy of the latest *Referendum Initiatives Report* is posted on the CFRC website and can be found at: [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC\\_RIR\\_2009-02-28.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0809/Rpt/CFRC_RIR_2009-02-28.pdf)

### **UPCOMING MEETING / DATES AND TIME**

The CFRC will hold its next meeting at the Brandywine Springs School on Monday, May 11, 2009, starting at 6:30 P.M.

Below is a calendar for the remainder of the fiscal year that lists the special topics to be discussed at our upcoming meetings.

#### **MAY 2009 -**

- May 1<sup>st</sup> Financial Position Report
- Transportation Presentation w/George Middleton

#### **JUNE 2009 -**

- Tax warrant review

Respectfully submitted,

*Paul Lloyd*

Paul Lloyd, Committee Chair