



## Community Financial Review Committee

**January 20, 2010**

Volume 10-6

By: Paul Lloyd

## **Report to the Board of Education**

**Prepared by the CFRC Committee Chair**

### Committee Members

- Jill Floore, Red Clay Chief Financial Officer
- Kelly Krapf, Red Clay Education Association Representative
- Paul Lloyd, Community Representative
- Larry Miller, Community Representative
- Eric Randolph, Board of Education Representative
- Jane Rattenni, Community Representative
- Kim Williams, Board of Education Representative

For more information, visit the CFRC website at <http://www.redclay.k12.de.us/boardcfr/cfrcindex.shtml>

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## INTRODUCTION

The January meeting of the Red Clay Community Financial Review Committee (CFRC) was held on the 11<sup>th</sup> of this month and took place at Brandywine Springs School. All members of the committee were present except for one community member. Guests in attendance that evening were District Superintendent Dr. Merv Daugherty; Red Clay Chief Technology Officer, Ted Ammann; School Board Candidate, William Doolittle; and District Financial Analyst, Eric Loftus. During the meeting we covered the following topics:

- Mr. Ammann gave a presentation on intermediate budget units IBU 09 & IBU 58 that pertain to technology spending
- The CFRC members then reviewed the monthly financial reports and discussed the need to become familiar with the School Board's financial policies

Again, at the beginning of the meeting I spoke briefly about the need to fill the vacant community representative position on the committee as soon as possible. My three year term ends in October of this year and I would like to step down from the CFRC at that time. I believe that the current community representatives on the CFRC have other commitments that will prevent them from taking leadership positions on the committee. This is why I believe it is important to name someone quickly to fill the current vacancy and that they must be willing to take over as Chair of the CFRC in October. It takes many months to become comfortable with the nuances of school finance, and the person selected should have as much time as possible to gain experience in this role. Ideally, the candidate would have an accounting or finance background, must reside in the district, and have a willingness to volunteer their time to assist with the financial oversight of Red Clay's budget.

The detailed minutes from our last meeting on December 14, 2009, were approved and posted on our website at: [http://www.redclay.k12.de.us/boardcfr0910/minutes/CFRC MM 2009-12-14.pdf](http://www.redclay.k12.de.us/boardcfr0910/minutes/CFRC_MM_2009-12-14.pdf).

## TECHNOLOGY PRESENTATION

Mr. Ted Ammann, the Chief Technology Officer for the Red Clay School District made a presentation on his department's activities. He is responsible for managing the budgets for IBU 09 Technology and IBU 58 Technology Replacement. The Technology Department provides the following services for the Red Clay School District:

- Technology Support
- Hardware & Software Acquisition
- Maintain and Managing Student Data
- Document Management
- Copiers
- Phones, Fax, Cell Phones, and Voicemail

The revenue needed to fund this work comes from a number of sources:

• eRate (a cell phone tax)	\$162,000
• State Stabilization	\$113,134
• Local Operating Funds	\$1,662,843
Total	\$1,937,977

The major expenditures in IBU 09 Technology include:

• Salaries	\$453,022	• Contractors - Support	\$100,000
• Projector & Smart Board Installs	\$300,000	• Server Leases	\$96,311
• Phones	\$217,000	• Phone Support	\$55,000
• SchoolNet (Instructional Mgmt System)	\$128,000	• Copier Leases	\$50,000

IBU 58 which is Technology Replacement is funded primarily through money earmarked from the last referendum. The money is spent on the following major categories:

- Instructional Refresh ( replacing existing computers) \$357,000
- Technology Supplies \$140,000
- Technology Expansion (buying additional equipment, beyond the current allotment) \$0

## MONTHLY FINANCIAL REPORT REVIEW

At each meeting the CFRC looks at two different monthly reporting formats that are prepared by Jill Floore, the Chief Financial Officer and her staff. We use both formats 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.

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

December 31<sup>st</sup> marks the end of the second quarter and the halfway point in FY10. The committee sets budget targets based on the percentage of months into the fiscal year. December is six months into the fiscal year, so if divided by 12, would give a budget target of 50%. We then compare those numbers against the percentage of revenue collected and money expended in the budget. Ideally, revenue should be above target, while the percentage expended should be below target. A quick overview of the budget at a high level shows the following:

Budget Item	Target	% Actual to Budget	Status
Div 32 Total Revenue	50%	88.3%	Good – Above Target
Tuition Revenue	50%	96.4%	Good – Above Target

Budget Item	Target	% Expended Actual	Status
Div 32 % Expended	50%	44.9%	Good – Below Target
Div 54 % Expended	50%	48.0%	Good – Below Target
Div 58 % Expended	50%	47.4%	Good – Below Target

Any specific cost overruns in the budget are covered in the Variance Report (see below).

Highlights from the *Monthly Financial Report* include:

General Operating Revenue (DIV 32) as of December 31, 2009				
DIV 32 - FY10	Final Budget	Actual	Difference	% Actual to Budget
Total Revenue	\$174,304,807	\$153,829,733.90	(\$20,475,073.10)	88.3%

  

General Operating Expenditures (DIV 32) as of December 31, 2009				
DIV 32 - FY10	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$160,975,359	\$85,955,076.53	\$75,020,282.47	53.4%

**Tuition Revenue (DIV 32, 54, & 58) as of December 31, 2009**

DIV 32/54/58 - FY10	Final Budget	Actual	Difference	% Actual to Budget
Total Revenue	\$21,974,228	\$21,178,001.10	(\$796,226.90)	96.4%

**Meadowood School Operating Expenditures (DIV 54) as of December 31, 2009**

DIV 54 - FY10	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$8,877,746	\$5,076,946.43	\$3,800,799.57	57.2%

**Intensive Learning Centers Operating Expenditures (DIV 58) as of December 31, 2009**

DIV 58 - FY10	Final Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$10,428,601	\$6,021,145.76	\$4,407,455.24	57.7%

A copy of the *December Monthly Expenditure Report* is posted on the CFRC website and can be found at: [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC\\_MFR\\_2009-12-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_MFR_2009-12-31.pdf)

**December 31<sup>st</sup> YTD Total Expenditures and Encumbrances Report Highlights**

The tables below are a side-by-side comparison of the major line item expense categories from FY09 and this year, as of December 31<sup>st</sup>. The dollar amounts shown are a total 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 was unspent, but can be carried over and utilized in the current fiscal year and a report that includes prior year appropriations and provides a complete look at the total expenditures incurred by the district this year.

A majority of the cost savings this year in the prior year appropriations report can be attributed to a reduction in spending in the category of Capital Outlay for Property, as the major capital improvement project is coming to an end.

Total expenditures for the entire district:

**YTD Total Expenditures and Encumbrances Report as of December 31<sup>st</sup> For All Divisions (Excludes Prior Year Appropriations)**

	FY09	FY10	Difference	% Change
Salaries	\$48,145,358.11	\$53,240,568.26	\$5,095,210.15	10.6%
OEC	\$22,293,470.94	\$24,883,642.63	\$2,590,171.69	11.6%
Government Services	\$10,158,485.50	\$10,474,236.32	\$315,750.82	3.1%
Travel	\$22,157.05	\$39,655.59	\$17,498.54	78.9%
Contractual Services	\$20,696,523.54	\$19,741,611.52	(\$954,912.02)	-4.6%
Supplies & Materials	\$3,709,290.95	\$3,808,065.16	\$98,774.21	2.7%
Capital Outlay-Equipment	\$56,666.64	\$80,013.08	\$23,346.44	41.2%
Capital Outlay-Property	\$150.84	\$36,983.69	\$36,832.85	24,418.5%
Total	\$105,082,103.57	\$112,304,776.25	\$7,222,672.68	6.9%

**YTD Total Expenditures and Encumbrances Report as of December 31<sup>st</sup> For All Divisions  
(Includes Prior Year Appropriations)**

	<b>FY09</b>	<b>FY10</b>	<b>Difference</b>	<b>% Change</b>
Salaries	\$50,669,588.05	\$56,235,480.08	\$5,565,892.03	10.9%
OEC	\$23,858,988.09	\$26,990,485.40	\$3,131,497.31	13.1%
Government Services	\$10,546,065.35	\$10,766,142.48	\$220,077.13	2.1%
Travel	\$56,618.01	\$80,026.38	\$23,408.37	41.3%
Contractual Services	\$27,465,485.49	\$26,010,655.06	(\$1,454,830.43)	-5.3%
Supplies & Materials	\$7,085,478.08	\$6,987,551.76	(\$97,926.32)	-1.4%
Capital Outlay-Equipment	\$58,991.08	\$117,489.81	\$58,498.73	99.2%
Capital Outlay-Property	\$18,692,952.88	\$3,489,788.90	(\$15,203,163.98)	-81.3%
<b>Total</b>	<b>\$138,434,167.03</b>	<b>\$130,677,619.87</b>	<b>(\$7,756,547.16)</b>	<b>-5.6%</b>

Copies of both December *YTD Total Expenditures and Encumbrances Reports* are posted on the CFRC website and provide a detailed breakout of each category listed above. The reports in their entirety can be found at: [http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC\\_OCR\\_WPYA\\_2009-12-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_OCR_WPYA_2009-12-31.pdf) (includes prior year appropriations)

[http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC\\_OCR\\_WOPYA\\_2009-12-31.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_OCR_WOPYA_2009-12-31.pdf) (excludes prior year appropriations)

**Variance Report**

The variance report looks at items significantly over budget targets for the current fiscal year. For an item to appear on the *Variance Report* expenses must exceed budget targets by 30 points. For December that would be 50% + 30 = 80% expended. For this exercise we do not consider encumbrances, because some managers can encumber those costs, especially fixed expenses well out into the fiscal year. The goal of the committee is to encourage good fiscal planning, so encumbering of expenses is promoted. Six budget items exceeded 80% expended this month (see chart below).

<b>Division/IBU</b>	<b>Final Budget</b>	<b>Expended</b>	<b>Remaining Balance*</b>	<b>% Expended</b>
32/IBU 05 – Research & Data Analysis	\$143,257	\$118,569.60	\$23,131.43	82.8%
Reason:	A large annual onetime expense for the NWEA testing contract hit in December, which caused the variance. This should self correct as we move closer to the end of the fiscal year.			
32/IBU 45 - Summer School	\$78,294	\$78,293.67	\$0.33	100.0%
Reason:	The IBU ended on budget and no more expenses are anticipated this fiscal year.			
32/IBU 67 - Consortium	\$302,975	\$323,275.47	(\$20,300.47)	106.7%
Reason:	The District is billed annually for alternative student placement in the Kingswood & Parkway schools. No further expenses are anticipated this fiscal year. Higher than expected transportation costs caused the budget overrun.			
54/IBU 63 – State Stabilization	\$105,153	\$105,153	\$0	100.0%
Reason:	A financial decision was made to use these stimulus funds first, before utilizing other money such as interest bearing local funds.			

\*Includes any encumbrances (not shown) in the calculation

Division/IBU	Final Budget	Expended	Remaining Balance*	% Expended
58/IBU 63 – State Stabilization	\$178,086	\$178,086	\$0	100.0%
	Reason: A financial decision was made to use these stimulus funds first, before utilizing other money such as interest bearing local funds.			
32/IBU 97/MBU 98 - District Wide Services Prior Year Payables	\$55,000	\$47,255.60	\$4,274.29	85.9%
	Reason: Most expenditures for this MBU occur at the beginning of the fiscal year and no further costs are anticipated. This will self correct as we move closer to June.			

\*Includes any encumbrances (not shown) in the calculation

## NEW BUSINESS

The committee had a brief discussion on the School Board's policies as they pertain to financial matters. In a future meeting the district will provide the CFRC with a copy of this policy and we will make sure all members are familiar with these guidelines.

## UPCOMING MEETING / DATES AND TIME

Our next meeting will be held on Monday, February 8, 2010, starting at 6:30 PM in the Teacher's Lounge at Brandywine Springs School. Originally planned for that night was to be a presentation on School Improvement (IBU 49), but it will be rescheduled sometime in the future in order to accommodate a presentation on the financial statement audit by the Barbacane Thornton Company.

Respectfully submitted,

*Paul Lloyd*

Paul Lloyd, Committee Chair