

**Red Clay Community Financial Review Committee**  
**Monday, June 2, 2008**

**Our Meeting Minutes:**

The Community Financial Review Committee met on Monday, June 2, 2008 at 6:30P.M. in the Skyline Middle School library.

**Members in Attendance:**

Paul Lloyd – Committee Chair  
Jane Rattenni – Chair of the Organizational Subcommittee  
Michael Bank – Red Clay Education Association Representative  
Jill Floore – Red Clay Finance Director  
Gary Linarducci – Red Clay School Board Member  
Larry Miller – Community member  
Doug Suiter – Community member

**Members Absent:**

Jack Buckley – Red Clay School Board Member

**Public Attendance:**

There were two members of the community in attendance.

The purpose of this meeting was to review the May 2008 monthly financial reports.

**I. Introduction and Opening Comments:**

The meeting was called to order at 6:40 P.M. Committee Chair Paul Lloyd announced that committee member John Allison resigned from the committee in May. Mr. Lloyd said this would be committee member Gary Linarducci's last meeting as his school board term expires at the end of the month. Mr. Lloyd welcomed new committee members Larry Miller and Doug Suiter and introduced Taylor Green, who has replaced Dot Beeson (now retired) as Recording Secretary.

Finance Director Jill Floore addressed Mr. Allison's accusation that she withheld information from him. Ms. Floore stated that she did not withhold information from Mr. Allison. The exchange of the report to which he refers occurred at a Report Subcommittee meeting with several other committee members present. Ms. Floore said she has not heard from Mr. Allison directly but has heard from others he is repeatedly making the accusation. She said she hopes to resolve the disagreement with Mr. Allison and added that she remains committed to answering questions and providing information for every member of the committee.

Mr. Lloyd outlined the meeting agenda and handouts were distributed. Mr. Lloyd said he would like to review the revised budget variance policy, which shall establish a set of guidelines to define the purpose and content of his monthly board reports. Mr. Lloyd said he would like to have the policy in place for the next fiscal year. Committee member Jane Rattenni suggested that the committee develop a board report format and asked Mr. Lloyd for clarification about what he currently includes in his reports. Mr. Lloyd said sometimes he is unsure about what to include, but he often meets with Ms. Floore for guidance. Mr. Lloyd said his reports do not usually include anything outside of what is discussed at committee meetings. Ms. Rattenni said she thought the purpose of the reports is to represent what the committee discusses at their meetings. Ms. Rattenni said she would like to see Mr. Lloyd's reports before they are presented to the board. Mr. Lloyd said he could email the report to the committee the week before the board meeting at which he will present it. Mr. Lloyd reiterated the need for a policy that clearly defines such procedures.

Ms. Rattenni also requested that Mr. Lloyd indicate which parts of his report were not covered in the committee's meeting. Ms. Floore asked the committee if they prefer shorter, less detailed minutes or if they are satisfied with the current length. Mr. Lloyd said he prefers the current length. Mr. Lloyd clarified that in his reports, he usually includes only financial information and not committee discussions.

## **II. Meeting Minutes Approval:**

A motion was made and seconded to accept the May 5, 2008 minutes as written.

## **III. Old Business:**

### Subcommittee reports

Mr. Lloyd asked Ms. Rattenni, Chair of the Organizational Subcommittee, to report for the committee. Mr. Lloyd explained that the subcommittee is charged with setting up the committee's bylaws and other organizational matters. Ms. Rattenni said the subcommittee has two openings: Vice Chair (due to Mr. Shopa's resignation) and Recording Secretary (due to Mr. Allison's resignation). Ms. Rattenni asked Mr. Miller and Mr. Suiter to consider those positions.

Ms. Rattenni reported that the subcommittee finalized the bylaws at its last meeting. She said there was not enough time at the last board meeting for the board to review the committee's bylaws, but the board plans to vote on them next month. Mr. Lloyd said he will send the bylaws to the new committee members.

Ms. Floore spoke for the Report Subcommittee. Ms. Floore said Mr. Buckley, Mr. Allison, Mr. Lloyd, and she met to discuss moving forward with a companion report to the monthly financial report for object codes. She said the report is being developed with the Data Service Center and she hopes to have it ready for the new fiscal year. She also reported that the subcommittee reviewed the monthly report and decided to add revenue and specific breakouts to the report template that the DOE requires of all districts.

Mr. Lloyd said the subcommittee will meet again soon. He welcomed members to serve on the subcommittee and said the goal of the subcommittee is to provide different types of information in a reader-friendly format. Ms. Rattenni asked if the subcommittee's work is for the purposes of the committee or if it is needed to satisfy DOE requirements. Ms. Floore said the subcommittee is not needed to satisfy DOE requirements; rather, it is intended to address Mr. Lloyd's concern that the public has additional questions. Ms. Floore stressed that the subcommittee's report is not a validation of the existing report; it merely reports the same expenditures in a different way- by object code breakout as opposed to cost center.

## **IV. New business:**

### Monthly Financial Reports

Ms. Floore discussed the validation issue and said the committee has questioned how they can trust the numbers she presents in the monthly report. Ms. Floore said the monthly report is populated based on the district's accounting system (FMS that pulls information from DFMS, the state's accounting system). She said she creates the revenue report using the daily validity report, which shows how much money has been spent and how much remains. She clarified that this report is appropriation driven by cost center and does not reflect object codes. Those can be found in any detailed examination of a cost center. Ms. Rattenni said the daily validity report is updated immediately when information is entered into the system. Ms. Floore added that there are two version of the report: one that is updated monthly ("Monthly

Appropriation Balance”) and one that is updated daily. Ms. Floore said she uses whichever version will provide information from as close to the end of the month as possible.

Mr. Lloyd expressed concern about the purpose of his report to the board. He said he cannot verify the accuracy of the data itself; he can only verify that his report reflects the data with which the committee is provided. Ms. Floore said it is the district’s responsibility to ensure the accuracy of the data and it is the committee’s responsibility to review the data as compared to budget targets. Ms. Rattenni suggested that Mr. Lloyd change the wording in his report to reflect that it confirms the data as it has been presented to the committee. Mr. Lloyd asked where the fault would lie if there were ever a problem with the accuracy of the data. Ms. Floore said it would lie with her. Mr. Bank said the committee was charged with examining the data, expressing any concerns about it, and getting clarification if needed. Ms. Rattenni added that the committee is not responsible for doing the job of the Business Office. Ms. Floore said Mr. Lloyd could meet with her to review how she prepares the report and Mr. Lloyd indicated an interest in doing so. Mr. Miller said he understands Mr. Lloyd’s concern but agreed that the responsibility for managing and tracking the data does not lie with the committee.

Ms. Floore reported that the district will, in fact, have the carry forward balance that was anticipated. Ms. Floore said that in a comparison of FY07 to FY08, the district is at \$9 million less at this time than it was last year. Ms. Floore stated that at the end of May, the district was at 99.46% of revenue. She said there are some categories in which she is still anticipating income. Ms. Floore explained that one outstanding area is tuition receivable, which covers the loan repayment. She said the plan is to repay the loan over time instead of all at once. Ms. Floore said she is very pleased to be at 99.46% at this time. She clarified that these figures reference state and local funds. Ms. Floore discussed expenditures and said the Assistant Superintendent recoded her expenditures, which used to appear in Mr. Lloyd’s report due to a coding issue. Ms. Floore said none of the other expenditures is different from what the committee has discussed in the past. Mr. Miller said it may be misleading to show categories in isolation because that does not capture the full picture. Ms. Floore agreed with Mr. Miller’s ideas but explained that when she came to the district she was limited in changing the budget format because doing so would have complicated matters for the Financial Recovery Team (FRT).

Ms. Floore said there are no other categories “outside the warning zone.” She said she pays particularly close attention to the salaries category (state salaries and local salaries) and IBU 97. She said last year, the district was approximately \$5 million over budget in IBU97; the district is not over budget in that area right now.

Mr. Bank asked Ms. Floore to add to her monthly report title the date through which the report is “preliminary.” Ms. Floore agreed to do so.

Mr. Miller asked for an explanation of “district-wide services.” Ms. Floore distributed a handout about the category and explained the items included in it. Mr. Lloyd asked her about the lease, which used to be tracking on budget but now is not. Ms. Floore said the leasing company erroneously overcharged the district and the district is currently challenging the error. Mr. Bank asked if some of the items listed would not exist next year. Ms. Floore said Baltz will not but Conrad and Brandywine Springs will be listed for one more year because they will each be adding another grade. She said she will probably put a placeholder in for the FRT although they are no longer onsite.

Mr. Suiter asked about the contingencies listed in the report. Mr. Suiter asked if the \$500,000 contingency in IBU 99 was solely for utilities. Ms. Floore explained that the budget represents an aggressive energy plan and than an excess energy contingency was budgeted because, at the time, there was a “very good

possibility” that it would be needed. Ms. Floore said the other contingency presented in the report is the general contingency, which appears three times because it comes from three separate budgets (i.e., Agencies 32, 54, and 58). Mr. Suiter said the contingencies total almost \$1 million. Ms. Floore said that is correct, but the contingencies cannot be added together because they do not come from the same funds (Division 32 is local and Divisions 54 and 58 are tuition). Ms. Floore said she tries to limit contingencies, but they are needed in case unforeseen things come up. Mr. Suiter asked if the excess energy contingency has been used yet; Ms. Floore said it will be used in full. Mr. Bank asked Ms. Floore if anyone has been able to predict how much the construction taking place in the district will add to energy costs. Ms. Floore said George McDowell, the district’s energy specialist, would have that information. Ms. Floore said she would like to see time for presentations at the committee’s meetings so that Mr. McDowell, for example, could share such information with the committee.

At this point, Mr. Lloyd announced that community member Tim Reis was present and would be recording the meeting.

Mr. Lloyd asked Ms. Floore if the preliminary report was as of May 27, 2008. Ms. Floore said she believed so.

Mr. Suiter expressed concern about the adult education category. Ms. Floore explained that it is a tuition-based program and while in the report it appears to be over budget, it actually is not. She said the board-approved budget is a prediction and there was more revenue collected than originally anticipated (which is captured in the report). She said state minigrants and summer school are other categories for which this is true. Ms. Rattenni asked for further clarification about the adult education figures. Ms. Floore explained that FMS is a management tool, so it does not show the board-approved budget; instead, it shows the program manager exactly how much money is available to spend. Ms. Floore said this means that regardless of where the budget is, the program manager can only spend what he/she raises. Ms. Rattenni asked how this information will be presented next year and said the way appears now (i.e., over budget) raises flags and requires explanation. Ms. Floore agreed that the budget process can be clearer but said she is still going to base it on the prior year. Ms. Floore said her office works with the program managers to determine what programs will be offered and what revenue is estimated.

Ms. Rattenni asked Ms. Floore if she is considering reallocating some of these programs in the next budget cycle and monitoring them separately to ensure appropriate spending. Ms. Floore said she is trying to build a two-year plan and mentioned the changes that will come with an Enterprise Resource Planning (ERP) system (e.g., statewide IBU numbering system). Ms. Rattenni asked if the contingencies in IBU 97 and 99 were the same. Ms. Floore said the one in IBU 99 is not designated for energy. Ms. Rattenni asked Ms. Floore if she will transfer the IBU 97 contingency to IBU 38 Utilities to cover the shortfall. Ms. Floore said the expenditures will remain in IBU 38, but she cannot move it in the way Ms. Rattenni described because it is not its own revenue source.

Mr. Lloyd asked Ms. Floore for clarification about the meaning of “previous budget year expenditures.” Ms. Floore used discipline (HB247) as an example to explain the term. The appropriation starts July 1 but expires on December 31 of the following fiscal year so it is an 18 month appropriation. There are multiple appropriations where this occurs. Mr. Lloyd asked Ms. Floore if this year’s payments are coming out of last year’s revenue which she answered yes, depending on the appropriation and carry-over funds. Ms. Floore stated for the purposes of the report to monitor budget year, they are shown two ways: prior year appropriations are shown in the prior year category and current budget year are shown in the body of the report. She said the report is intended to focus on FY08 money. Ms. Rattenni asked if there are remaining balances for any categories. Ms. Floore said there are some cases, such as minor capital,

which operates on a three-year period. Ms. Floore explained that the Business Office uses the daily validity report to manage multiple years, but the focus of the monthly committee report is to track the budget for this year. Mr. Lloyd expressed concern that the public may not understand the prior year expenditures. Ms. Floore asked if there was another way she could phrase it to make the report clearer. Mr. Miller suggested adding a reference to the June 30<sup>th</sup> report to explain that some items close on June 30<sup>th</sup> but some remain open. Mr. Suiter said a person could read the report and not understand that a funding source may be from a couple years ago. The committee agreed that beginning in the coming year, the report would include a reference to the June 30<sup>th</sup> report in order to help the public understand the information. Mr. Suiter added that the state and federal sources operate on different calendars and it is difficult to coordinate the two.

Mr. Bank asked why the encumbrance and expenditures columns do not always add up to the amount listed in the "total encumbered and expended" column. Ms. Floore said she would research Mr. Bank's question but a possible explanation is that purchase orders often "encumber for more" but "pay out for less." Mr. Suiter asked if it is common practice for a purchase order to be left open until the project is complete and Ms. Floore said yes. Mr. Miller explained that in his experience, projects are allowed a "purchase order maximum." Ms. Floore said she could add a footnote in the report to explain this for the public. Mr. Bank said the reports may require several footnotes, but once they are in place they may save a lot of questions from both the committee and the public.

Ms. Floore discussed federals, explaining that the percentages differ because they have different end dates. Ms. Rattenni suggested that Ms. Floore indicate the fiscal year to which the federal refers.

Ms. Floore reviewed pages 6 through 8 of the report, which outlined Divisions 32 (other tuition programs), 54 (Meadowood), and 58 (RPLC). She explained that the Extra Time figures shown for Meadowood are misleading because the school principal separates it from IBU 96. Ms. Floore said she will ask the principal to combine them as they should be and Mr. Miller said that if they are not lumped together, there appears to be a variance. Ms. Floore discussed IBU 97. She said it is incorrect because it is not technically "unbudgeted"; rather, it is unassigned. She said she is watching this and other categories closely but is not recoding them because she wanted to monitor closely.

Mr. Bank asked if the final report will be available in time for the committee's next meeting. Ms. Floore said she will not have the preliminary budget done until August. She said she may be able to have some information for the committee in July but she will not have a close-out report by that time. Mr. Lloyd expressed concern that the committee may not have a meeting or a report to present to the board in July. Ms. Floore said her first task is to put the budget together for the board by August 15<sup>th</sup>. Mr. Miller said the committee cannot review something the board has not approved, so there may not be a need for a committee meeting in July. The committee considered what information would be available in July and August. Mr. Lloyd said the next meeting will be tentatively scheduled for July 28<sup>th</sup> and the purpose will be to review June's expense report. He said the following meeting could be August 25<sup>th</sup>.

Ms. Rattenni made a motion to accept the reports as presented and as on target. The motion passed unanimously.

#### Revised Budget Variance Policy

Mr. Lloyd decided to discuss the policy at another time because the meeting was running late.

Auditor's Email

Ms. Floore explained that the auditor's office sent out an inappropriate response regarding a special investigation and a performance audit of the district. Ms. Floore said the response contained factual errors and breeched protocol. Ms. Floore said she could not provide further comment as the issue is a legal matter. She explained that the audit has been completed and the district will have 10 days to respond once they receive the final report.

**V. Public comment and discussion:**

Mr. Reis asked why the representatives from the FRT who were assigned to the committee have not been present at committee meetings for the past several months. Ms. Floore said she cannot speak for them but said they are included on the meeting invitations. She stated they communicate with her regularly and continue to monitor progress. She believes they feel Red Clay is making adequate progress since they released the on-site consultant.

Mr. Reis asked questions about the plan for the relocation of the district office to Baltz. He asked Ms. Floore who was responsible for putting together the budget for the relocation. Ms. Floore said Brain Moore (Manager of Facilities), Ted Ammann (Manager of Technology), and Diane Dunmon (Deputy Superintendent) collaborated on the plan. Mr. Lloyd said the plan is subject to change. Ms. Floore agreed and said there is a project support document that provides additional informational about the plan.

Community member Jack Wells asked about the revenues and expenditures that Ms. Floore includes in her report. Mr. Wells said he was told that the board decides what is shown in the report. He said there is a Division of Accounting report which is different from the committee's monthly report. Mr. Wells said the object expenditures in the state's report show all expenditures for all years. Mr. Wells asked about per student costs and said the district shows one cost and the state shows another. Ms. Floore said his comment was incorrect because the district produces a local per pupil cost that matches that of the state. She said the state has its own per pupil cost, which includes items the district does not have. Mr. Wells said his question was about total, not local, per pupil costs. Ms. Floore added that the report she provides is intended to address the degree to which the district is on track with this year's budget, not to present the total per pupil cost which is calculated by the state each year. Mr. Wells asked that the board consider his suggestions.

Mr. Lloyd stated that because the committee serves the public, he is concerned if the public has difficulty understanding the committee's reports. Mr. Miller said he thought the suggestions discussed earlier in the meeting would reduce confusion for the public. Mr. Wells said his main point is that he is recommending that all expenditures be reported in the way that the state reports them. Ms. Floore said the report does match state reports, but that the state has many reports. Mr. Wells clarified and said the state's object of expenditure report does not match that of the district. Ms. Floore agreed and said the committee report will never match the object of expenditure report because it differentiates prior year expenditures versus current year. Ms. Floore said the sub-committee decided they will add a new report by object code that should address Mr. Wells' concerns. Once reviewed, the committee will be able to decide if her report meets their needs and Mr. Lloyd said the issues raised by Mr. Wells are "a work in progress."

Mr. Reis asked why the committee's agendas list the FRT representatives as "committee members" but the meeting minutes do not list them in the "members in attendance" or "members absent" sections. Mr. Lloyd asked if the FRT representatives are voting members which Ms. Floore answered they are not. The committee expressed a need for clarification about how the FRT representatives were appointed/assigned to the committee. Mr. Bank suggested putting this issue on hold until Ms. Floore was able to get in touch

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with them. Ms. Floore said the bylaws do not define their membership so she will contact them for an answer.

Mr. Lloyd acknowledged committee member Gary Linarducci and thanked him for his service on the committee. Mr. Linarducci wished Mr. Miller and Mr. Suiter success in their service on the committee. Mr. Linarducci expressed confidence in the ability of Ms. Floore and the committee to lead the district in the right direction.

**VI. Announcements**

The next meeting is on Monday, July 28, 2008 at 6:30P.M. at Baltz.

**VII. Adjournment**

The meeting adjourned at 8:53P.M.

Respectfully submitted,

Taylor Green  
Recording Secretary