

Red Clay Community Financial Review Committee
Monday, January 7, 2008
Special Budget Meeting

Our Meeting Minutes:

The Community Financial Review Committee met on Monday, January 7, 2008 at 6:00 P.M., at the Linden Park Offices.

Members in Attendance:

Paul Lloyd, John Allison, Jane Rattenni, Michael Bank-RCEA, Jill Floore-Red Clay Financial Director, James Buckley-Red Clay Board, Gary Linarducci-Red Clay Board, Dorcell Spence-DOE, and Frank Rishel-DOE.

Members Absent:

Tom Shopa

Public Attendance:

(13) parents, community members, local press, Irwin Becnel-Red Clay Board President, Charles Cavanaugh-Red Clay Board, and State Representative Nick Manolakos.

The purpose of the meeting was to review the FY2008 Final Budget.

I. Introduction and Opening Comments:

Meeting started at 6:15 P.M.: Chairperson Paul Lloyd called meeting to order. The committee members introduced themselves to the community.

II. Meeting Minutes Approval:

Last month's minutes were reviewed and accepted.

III. Resignation of Tom Shopa:

Chairman Paul Lloyd announced the resignation of committee member Tom Shopa. The Delaware State Auditor had advised Mr. Shopa to resign from the Financial Review Committee in order to avoid an appearance of a conflict of interest. Currently, there is an audit underway at the Red Clay School District by the Delaware State Auditor, as a result of the findings presented in the Department of Education Financial Recovery Team's (DOE FRT) recent report. Mr. Shopa, a public accountant, has performed paid auditing services in the past for Red Clay Consolidated School District. The chairman accepted Tom Shopa's resignation with regret.

Tom Shopa was Vice-Chairman for the Financial Review Committee and Chairman of the Financial Report Subcommittee. Chairman Lloyd will address the vacancies pertaining to Mr. Shopa's departure and leadership positions on the February Community Financial Review Committee meeting's agenda.

IV. FY2008 Final Budget Review:

Jill Floore provided the committee with the FY2008 Final Budget. The committee reviewed the budget in detail and asked numerous questions.

The purpose of this special meeting was to review the FY2008 Final Budget. However, because all Red Clay Community Financial Review Committee meetings are open to the public, many people in the audience focused their comments on issues surrounding last year's financial crisis in the District. Also, the community raised concerns about potential future financial cutbacks. The FY 2008 Budget Reductions totaled \$10,122,399.00 in expenditure cuts this year.

The DOE FRT and the District concur that two significant accounting errors were made last year, which were \$5 million in Division III money being counted twice and \$2.8 million dollars spent for substitute teacher contractual services that was not budgeted. However, the accounting errors were not totally responsible for the financial crisis, as the FRT Report indicated, deficit spending occurred for the last few years at the District. Also, it was determined that the application of State funding for units could have been more effectively allocated to maximize the financial benefit to the district.

It was confirmed that the Delaware State Auditor is in the process of preparing an audit of Red Clay. Due to certain findings in the DOE FRT report, the Department of Education was required by state law to report those findings to the State Auditor. One such finding centered on the bid process between Red Clay and an outside contractor named *A Friend of the Family, Inc.*, which provided services at the Central and Community Schools. The DOE Financial Recovery Team's primary duties are to help Red Clay throughout their financial recovery process and the State Auditors follow up by addressing any violation in laws or procedures. There was a comment made by a member of the public in regards to the Delaware State Attorney General's involvement in the process. By law, if the State Auditor finds any violation of State laws and regulations, he is required to forward his findings to the Delaware State Attorney General.

There was further discussion brought up by the members of the public about the upcoming referendum and concerns about the community's confidence in the District.

V. Next Meeting:

Tuesday, January 15, 2008, 6:30-8:30 P.M. at the Linden Park Offices

VI. Adjournment

8:45 P.M.

Respectfully submitted,

John Allison, Recording Secretary