

Red Clay Community Financial Review Committee
Monday, April 12, 2010

Meeting Minutes:

The Community Financial Review Committee met on Monday, April 12, 2010 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

Members in Attendance:

Paul Lloyd – Committee Chair
Jill Floore– Red Clay Chief Financial Officer
Kelly Krapf – Teachers Union Representative
Larry Miller – Community Member
Kim Williams – Board of Education

Others in Attendance

Leah Davis – Board of Education
Bill Doolittle – Parent/Community Member
Steve Horgan – Parent/Community Member
Deborah Roberts – Red Clay Supervisor of Accounting

I. Introduction and Opening Comments:

Mr. Lloyd welcomed everyone to the meeting and the members introduced themselves.

II. New Business

Mr. Doolittle offered hand outs on IDEA tuition funding and regular expense funding supporting the special education students. He wanted the committee to be aware he had filed a complaint on funding policies with the Department of Education. It is a state-wide complaint.

Ms. Roberts gave a presentation of Federal Funding close out reports. This is a follow up to the presentation Ms. Roberts gave last year. Ms. Roberts distributed a handout; the first page of the handout shows the timeline of the consolidated grant. The consolidated grant was awarded in 2008. We receive word of the final grant award usually around October of the year it is awarded. If we utilize the funding prior to actually receiving the new grant, we can then change the coding once the funding is received if the start date is earlier. On a monthly basis, she sends a packet to the program managers showing each grant's expenditures. Ms. Roberts meets with Red Clay management quarterly to keep everyone apprised of the funding and make sure they are within compliance of the grant. These meetings involve making amendments if the program methodology has changed.

Ms. Floore explained the definition of the consolidated grant. Each year it changes, but includes federal and sometimes state funds that the district applies for through the State Department of Education. There is also federal funding that does not fall within the consolidated grant funding but are separate applications; 1003(G) School Improvement is

just one example. Ms. Roberts explained that federal funding closes at the end of the calendar year so encumbrances must be made by that time, but we have the first quarter through March to pay invoices and close out the grant.

Ms. Roberts explained the topic of her presentation was the consolidated grant. Other grants can run on other time lines- some as short as 60 days. The consolidated grant is, however, the bulk of our federal funding.

We give a fiscal year report to the Department of Education as of June 30 and then a final grant report. Our goal is to expend every cent. If we do not, the funding will revert back to the DOE. Ms. Roberts explained that when we submit a payment, the funding is then placed in our account overnight to cover that payment.

Ms. Roberts also submits all amendments received with the final reports. We are allowed to expend beyond \$5,000 in a category without an amendment but with an explanation. When you over spend in one category, you must under spend in another. No additional funding is given to cover your expenditures. Ms. Floore explained that the amendments we make are made to the state as we are the sub grant from the state.

Ms. Roberts explained one other grant that had an end date of September 30th. We did have funds that reverted back to the state. The purchase order was made, but when the invoice came in, it was lower than the original pricing. The invoice came in after September 30th, so those funds could not be allocated elsewhere.

Ms. Roberts gives a monthly report to Red Clay's management. A copy is in the handout. This gives a summary of every grant's status for their information.

Mr. Lloyd asked about "off the streets". This is a 21st century grant – a high school level program aimed to keep the students off the streets and giving them an educational or career path. Ms. Williams asked about 1003G. Ms. Roberts explained that it is Title 1 School Improvement money awarded this year to Baltz and Warner. Ms. Floore explained that this is where our social workers at those schools are funded through. We are getting to apply for additional funding this year. Ms. Williams asked if that was for Warner. Ms. Floore stated yes. Ms. Davis asked regarding the amounts of the grant. Ms. Floore explained that there are limits to the grant request depending on what tier you are in. Tier 1 schools have the potential for \$2 million over three years.

Mr. Lloyd asked how the federal report tracks or differs from our financial report. Ms. Floore explained that the monthly expenditure report is driven by IBUs. Ms. Roberts' report is driven by appropriation. For example, on the monthly report we break out the Title I appropriation into two IBUs for public and non-public. The two together equal the appropriation. Under IBU 25, Title II some of our eMINTS grant has been charged to IBU 25 which is a different appropriation so in that case one IBU is combining multiple appropriations. Off the Streets would fall into IBU 75. That grant is over at this time but we have applied for a continuation which has been granted. We applied for several more new 21st Century grants but we did not receive. It is a competitive grant application.

Ms. Williams asked about appropriation 1139. Ms. Roberts stated that IBU 72 which is our catchall for all federal grants we receive throughout the year. Ms. Floore stated that we have limited IBUs and cannot make more so for a collection of grants we may use one IBU. Ms. Williams asked with the new system, can we have more. Ms. Floore explained that it is actually fewer. Ms. Williams stated that the Board should have training on the new system. Ms. Floore will inquire with DOE regarding the training of BOE members. Ms. Roberts explained that the new system has standardized the IBUs across the state so we are all limited to the same set.

Ms. Floore explained that every district now has to have a CFRC and requires training. A copy of the legislation is in tonight's packet. Ms. Floore is requesting the current CFRC be grandfathered in by the state.

Ms. Williams asked about Title III. Ms. Floore stated that is IBU 20 as it is ELL and falls under our tuition programs. ELL has the most varied number of sources for funding. It is on Page 6 under IBU 20 in the expenditures packet. Ms. Krapf asked if these are two different fiscal years. Ms. Floore stated that federal funds are under IBU 20. There is also state funding and tuition funding. Ms. Roberts' report is only the federal funding which is why the fiscal years don't match- one is closing out FY09 while the other is currently in FY10.

Mr. Lloyd asked as every grant has money taken out for an audit. Who does the audit; what is the scope, and where do the reports reside. Ms. Roberts stated that the state auditor's office contacts us informing us of an audit. The email lets us know when it will be, how much it will cost, etc. The reports are on the state website. Ms. Floore also brings the findings for our Red Clay portion to the CFRC meeting. The audit encompasses everyone in the state who receives federal funds, i.e., Del Tech, Medicaid, Minner Teachers, etc. It is a very comprehensive audit. Ms. Floore stated we received an engagement letter for a stimulus readiness audit. She will bring the findings back to the meeting when they are released.

Mr. Lloyd thanked Ms. Roberts and Ms. Roberts stated that she can be contacted for further questions.

Mr. Lloyd asked if everyone has had a chance to review the meeting minutes from last month. Ms. Williams moved to approve the minutes and Ms. Krapf seconded. The minutes were approved as amended.

III. Old Business

Ms. Floore reported on the audit reports in the packet. The Independent Accountant's Report on Agreed Upon Procedures audited State Vocational Education Funds (which we call 0265), September 30th unit count and position entitlement. We have over 15,000 students and this count is how they are categorized and how they are counted. It is what funds our district from the state. The third part is the position units and how they are

utilized. September 30th's findings for Red Clay are included. We are very comfortable with the findings. These findings are taken into account for the next year's process. Authorized positions stated that we are living within the units we are given. Our internal regulations stated that we do not reference the code. We are answering that we do, but it wasn't referenced in writing. Mr. Miller stated he felt that these were minimal internal references. Ms. Floore explained when calculating the salaries, we did a few things incorrectly. On September 30th, when the enrollment number is certified, school has already begun with a principal in the building. The state gives you a principal unit and the amount of state funding can vary slightly depending on enrollment. The state formula for how much is paid for the principal out of state funds goes by education, experience and the size of the building. Every principal makes the same salary in Red Clay by the salary schedule. No one's salary was affected. The discrepancy found that we didn't charge the state for the amount changed by the September 30th count. Ms. Floore met with Mr. Ken Schilling, Payroll Manager, to rectify those charges. We have changed our internal process and will make those changes each year. Ms. Williams asked how the audit didn't catch the employee down state who paid himself for an extended time. Ms. Floore stated it was a payroll glitch and not something the auditors were looking for in total compensation. There was no check on those extra funds. Red Clay has a different checks and balances due to the size of our district. The changes have been made now for the entire state in the payroll system and the loophole no longer exists.

New Business

The School Board's Policies were given to each CFRC member. The Board policies govern how we operate fiscally. Red Clay then has additional administrative memos which are procedures for that fiscal structure. Ms. Floore asked to postpone the discussion until next month as Mr. Buckley was the member who requested these policies be presented and he is not present tonight. All of the policies have been passed at this time. The committee agreed. Ms. Davis asked if Ms. Floore has reviewed these policies. Ms. Floore explained that she did have the opportunity to review and make changes.

Mr. Lloyd raised the question on reporting and investigating fraud and noted that policy states the superintendent has 30 days to conduct the investigation. Mr. Lloyd was concerned where there might be a conflict of interest. Ms. Floore clarified the policy requires the supervisor and HR Manager also be notified of the investigation.

Mr. Lloyd asked if any Board members have travelled on school business. Ms. Floore stated that she believed that they had but not within the last year. Mr. Lloyd stated that is to be announced publicly at a board meeting and then reported on at a public meeting. This is policy 6006.

Moving on, Ms. Floore distributed the back up for previous budget year expenditures for Division 54. She had Division 32 and 58 on hand as well. Everything in the budget is based on the current year. However state appropriations are listed in the year in which they were given. This details what is in that number on the report. The capital outlay campaign was funded in 2004/2005 but is still paying out in the projects nearing

completion. Any appropriation beginning with a 7 is major capital. Mr. Lloyd stated that the committee and BOE were criticized for not tracking this funding in the past. Ms. Floore stated that due to federal end dates, that information is also listed.

Ms. Floore spoke on the ERP update. FMS, the report itself will remain the same. The object codes are changing to operating codes and the entire chartfield string is changing. Operating codes and program codes have replaced IBU and MBU. The intention is for the state to be consistent between districts. The largest change is now the paper that is sent from school to administrator to the business office is now electronic rather than a piece of paper through district mail though the system won't be entirely paperless. Attached lists will have to be scanned to a document. Red Clay is developing "cheat sheets" for training and use and employees are attending dozens of trainings held throughout the state. Ms. Floore explains that the first year will be a learning curve. We were informed that any purchase order under \$1,000 will be closed prior to start of the new system. We will have to re-encumber those funds when the system is initiated 19 days later on July 20th and as mentioned at the last board meeting, she anticipates seeing fluctuations with end of year available balances and those encumbrances are changed.

Ms. Floore passed around the profit and loss statement from Nutrition. Nutrition operated as a stand alone operation. They are now being placed in the new system. Every quarter they do a P&L statement. They are not on our monthly financial report. Ms. Floore asked the committee to review and report back how they would like to see this report in the future- monthly, quarterly, etc.

Ms. Floore then explained the monthly financial reports. She stated not much has changed since last month. We are at 99% of our local revenue due to our tax bills being paid on time. One item she would like to point out CCRSP (Medicaid expenditures) is low as we are expecting them to cut their funding in the future. State Division III states that we received \$5.7 million and the board approved budget stated a \$6.1 million. We were not incorrect by \$324,000. Revenue appears to have disappeared but in fact it was cause by a transfer back to the state. Last year, districts got together and agreed to contribute a share of the state test. We budgeted that in IBU 97 listed on the last page, MBU 07 assessment, a one time payment. We paid that bill. The state asked that we not pay them but instead transfer the money. When they pay the testing company, and we pay the state, it would reflect as a double payment. So we took the funding out of Division III and gave it back to the state. Therefore, it shows as a revenue reduction. Mr. Lloyd stated it appears as a decline in revenue in local funding. Ms. Floore stated it is the same scenario. When the state payroll pays our local benefits, it shows as an expense and then again as an expense when we pay the bills. We then have to back one of those expenses out manually. The new system will not have this procedure.

In IBU 01, we recognize a coding error read as 101.6%. There was a school expense charged to the superintendent's budget that will be changed to where it was to be charged, the Director of Schools budget. IBU 39 is school improvement money. The state gave it as 2007 funding even though we are spending it this fiscal year so every month in the report will appear off as it is being spent out of a prior year appropriation.

Mr. Lloyd stated that we should be 75% expended. Anything 105% expended needs to be reported to the BOE. We have nothing at this time.

Page 6, Tuition Programs. The only one over is the consortium, the students expelled from Red Clay that attend Kingswood and Parkway. We expect a reimbursement for transportation costs that will lessen that amount but Ms. Floore believes it will remain over.

In IBU 97, we have a \$5,000 overage in Tuition Reimbursement. Tuition reimbursements were eliminated for teachers and administrators. However, if you had a previous approval, that commitment was honored.

Ms. Floore asked if we would want to keep ELL on the schedule for May. We have skipped school improvement and curriculum & instruction. Ms. Floore would like to give curriculum & instruction more than a month notice. Mr. Lloyd suggested that we keep ELL on as scheduled.

Mr. Lloyd will be stepping down from the committee in August. The new Chair should be making the schedule for the new year in July. Only community members are allowed to be chair. Ms. Floore explained to Mr. Horgan that if he was ready to become a new committee member it has to go to the Board for approval.

Mr. Lloyd had a question regarding the object code reports. Starting last month some OEC costs (2000 series) were moved over into the category for Contractual Services (5000 series). What drove the decision and why is it different from the 2000 series? Ms. Floore explained that the state of DE requires us not to encumber salaries or employment costs. We encumber our payments to Met Life and other local benefits. At the directive of the state, we had to move them to the 5000 series.

IV. Public Comments

There were no public comments at this time.

V. Announcements

The next CFRC meeting will be held Monday, May 10, 2010 in the Brandywine Springs Teachers Lounge at 6:30 PM.

VI. ADJOURNMENT

The meeting adjourned at 9:13 PM.

Respectfully Submitted,
Laura Palombo
Recording Secretary

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