

**Red Clay Community Financial Review Committee**  
**Monday, April 11, 2011**

**Meeting Minutes:**

The Community Financial Review Committee met on Monday, April 11, 2011 at 6:30 PM in the Brandywine Springs School Teachers Lounge.

**Members in Attendance:**

Jane Rattenni – Committee Chair  
Jill Floore– Red Clay Chief Financial Officer  
Bill Doolittle – Community Member  
Kelly Krapf – Teachers Union Representative  
Les Hendrix – Community Member  
Lynne McIntosh – Community Member

**Others in Attendance**

Deborah Roberts – Red Clay Supervisor of Accounting  
Kari Peysner - Teachers Union

**I. Introduction and Opening Comments:**

Ms. Floore opened the meeting and welcomed the Committee and Deborah Roberts. Ms. Roberts attended tonight's meeting to give a presentation on Federal Funding. Ms. Floore explained that the month end reports were not available until early this morning. Therefore, they were not sent out prior to the meeting for review. The same will be true next month.

**II. Presentation**

Ms. Roberts distributed 2 packets regarding federal funding. The first packet depicted the timeline of the federal grants. The timeline is 18 months which includes the clean up period. During that clean up time, payments are made on previously encumbered funds but no new funds can be encumbered during this time. She meets with each program manager after meeting with the superintendent and CFO. This allows them to review the components of the grant and answer their concerns. Ms. Floore explained that although a single close out report is required on the state side, but these management documents have been developed and incorporated into our internal monthly review process. Ms. Roberts explained that it tracks and helps the managers know where they are within the program expenditures. Each manager has to spend within the grant categories or apply for an amendment to change expenditures within categories. Ms. Floore explained that that the new system is controlled by category. Expenditures are entered into the system and must fit into the budgeted categories.

Mr. Hendrix asked for an explanation of 1501 which is a \$4.1 million grant of stimulus funding. It was not budgeted by categories, but we expended it that way. The program listing for ARRA funds is still ongoing. It does not close until September. Ms. Roberts

also mentioned that the reports in the packets are as of February 28<sup>th</sup> due to the closing of March funding last Saturday. The summaries of March 31<sup>st</sup> will not match these reports. In the past, there were many lines of budget, yet the new ones have 3 or 4 lines of budget as reflected in the Perkins Grant, also in the packet. Fixed charges in salaries are benefits, FICA, etc. Fixed charges in indirect charges are overhead; in FY11 is 7.05% of the grant. Mr. Hendrix asked what if we need 12% or 3% based on expenditures? Ms. Roberts answered regardless we still only get 7% based on a predetermined rate established by formula with DOE prior to the grant. Ms. McIntosh asked if it was higher at one time. Ms. Roberts explained that yes it was 8% at one time which is the maximum amount. Title III is different as the maximum is 3%; this is the English Language Learners grant. For Indirect, we do not charge the grant monthly; we recoup that cost quarterly by using a purchase order back to Red Clay. We encumber the funds so the funds cannot be used prior to being paid. Ms. Roberts spends a great deal of time making sure that every cent of the grant is expended for Red Clay Students.

Ms. Roberts spoke on the reconciliation process with the new financial system. Ms. Floore explained that the requirements are enormous compared to what was expected in the past. Ms. Roberts stated that in the first week of March we were told to reconcile everything from July 1, 2010 to March 31, 2011 by April 15, 2011. Each document needs to be closed even though it has been paid through the penny. Purchase orders paid down to 0 must be manually closed. That was not done in the previous system. The reconciliation of the vouchers is something new. Vendors may call telling us they were never paid. We see that we placed the payment in the system, but for one reason or another, did not go through. Now they have provided us with a report of those we need to research. The First State Financial group is also learning as they finish the first year with the system. They didn't know what they needed until now either. This puts into question how quickly year end closeout will occur. Ms. Roberts stated that the volume of data push the month out closeouts to a weekend so the system will not be shut down during business days. Now that we will be reconciling monthly, that will perhaps make it easier for Dover to do month end close out.

Payroll also has reconciliation. It's the way the payroll converted into the new system. There is unfunded payroll, a negative appropriation, and other portions of funding that need to be reconciled. "Unfunded" means there was no funding charged for that pay cycle. It could mean the grant was closed that the payroll was charged against. Ms. Roberts then has to find where that payroll was to be charged against and complete a PFA (Payroll Fund Adjustment). No payroll checks are slowed by this process. We have been aware of this process from the start and have been keeping up with it from the beginning. We also have a negative appropriation. If an appropriation has been listed as "valid" and current/open, the system will allow it to go negative. We are required to clean that as well. Mr. Hendrix asked if Peoplesoft has been providing training. Ms. Floore stated that we had a team of support but that has been whittled down to one person, but that support is good. Mr. Rowell spent several days with our staff, including one last week answering questions and helping with the processes. We have received support from his office and FSF staff.

Ms. McIntosh asked about encumbrances for the new fiscal year. Ms. Roberts stated that we are not encumbering for the next year at the program levels. This would require massive training for every secretary to input as well as changing their access to the systems tasks. Ms. Floore explained that most of the schools will have a carryover, so they can order using these funds to prepare for the next school year. We are now in the process of closing completed purchase orders. In order to close a purchase order, you must also close the requisition that created the purchase order, or the requisition will then create a new purchase order.

Ms. Floore explained that Barbacane has asked for time in May to talk about the next phase of our financial audit. Mr. DeFroda would like to see the new system and what he will need in order to do this next phase. Ms. Roberts explained that it is all electronic but we do have copies of the invoices sent and processed. Ms. McIntosh, as a former auditor, finds that frustrating. Ms. Roberts explained that the information is in the document in the system, but it does not all print out on the purchase order that gets sent to the vendor. If the system is down, we cannot get the information.

Mr. Hendrix asked about Title II Money being expended. Ms. Roberts explained that we are currently asking for the grant to be reopened to expend that funding.

Ms. Floore explained the federal funding and the programs they serve. A committee is convened yearly to prepare the grant application. Malik Stewart came to the committee to present the consolidated grant process earlier in the year.

As we have known, much of the stimulus funding is going away. As the stimulus funding ends, the intention was to use Ed Jobs money to continue the positions, however the state budget assumed the EdJobs money would be used to support cuts made in the state budget so in essence the stimulus funding is ending earlier than anticipated because you can't spend it twice. Next year, there will likely be lay offs of the positions that funding supported. Ms. Krapf asked if Race to The Top would then take over. Ms. Floore answered no, RTTT is a separate application and grant. RTTT uses different criteria providing for programs not presently in existence. That funding expires in 2014.

In order to expend grant funds, a great deal of planning is involved. Planning is also required for when the funding is completed.

Mr. Hendrix asked if the government shut down, as was reported in the national news, would that have affected us. Ms. Floore explained that our processes would flow rather seamlessly. Ms. Rattenni, working for the County Government, explained that they were told that the funding wouldn't stop and they still needed to complete their work, but could not contact the government offices for any questions.

Ms. Roberts asked for any questions. There were none at this time. The committee thanked Ms. Roberts for her presentation.

### **III. Minutes**

After a review of the March meeting minutes, Mr. Doolittle moved to accept them and Mr. Hendrix seconded. Ms. Floore explained that for Ms. Peyser to be a member of the committee, a recommendation will need to be provided to the Board of Education. They will confirm the nomination prior to Ms. Peyser becoming a member of the committee. Ms. Krapf asked for a copy of the committee bylaws. Ms. Rattenni explained that they are on our website. Mr. Hendrix asked about new member training. Ms. Rattenni explained that, unfortunately, it has not been scheduled at this time due to a death in the state training team.

#### **IV. Financial Reports**

Ms. Floore distributed the financial reports for the month of March. The financial reports closed on Saturday, April 9<sup>th</sup>. Reviewing the revenue portion, on state division salaries, we are at 104% funded. This does not mean we have an extra \$3.4 million. It is the state's estimate of their share of salaries. If it is lower as we expect it is, the money reverts back to the state.

We are 75% through our fiscal year. Add a variance to that of 15% which sets the target at 90%. There are still a few lines we are watching such as cost recovery and transportation. We have one more allocation coming that will bring us closer to 95%. Mr. Hendrix asked where we find the extra 5% if it doesn't come from the state. Ms. Floore explained that sometimes the expenses don't come through so it's not that high, but we must balance so the funding would come from our carry forward balance.

Last year the charter payments showed as an expense. Now they are a revenue reduction. You can see this in comparing our revenue last year vs. this year at this time. This year's appears much lower. However, the difference is the way we made the charter payment. This is a good example of looking at numbers and not always understanding where that difference comes from.

Mr. Hendrix questioned Curriculum is only at 13%. Ms. Floore explained that there are 2 major text book purchases coming. The process is extensive and a vendor has not been chosen at this time. The process is currently working through the Curriculum Council. When a vendor is chosen, the encumbrance will be made.

Mr. Hendrix asked about utilities. Due to the system, we have been more tentative encumbering funds. Also, we had a carryover of encumbrance of last year we spent down.

We have superintendent's council/cabinet and principal meetings over the next two weeks. They will receive this report explaining where they are and what their next steps should be.

In local salaries it appears that we spent \$5 million over from last year. We need to look at state stabilization funding at the same time and add the two lines together. Last year

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we spent \$4 million out of state stabilization at the same time, yet this year we have spent 0. Combining the two lines we are \$1 million higher than last year. Next year, that combination line will be Ed Jobs. The \$1 million increase is due to the furlough days being replaced into our schedule as well as 2% increase in salaries. Next year will be the result of contract negotiations.

As we discussed, the governor's budget is out. The finance committee will make their mark up of the budget and passed through legislature. It must be in placed by June 30<sup>th</sup>. The biggest outstanding items are Tax Relief which we use as local salaries, the transportation cut, and the 27<sup>th</sup> pay issue.

Ms. Krapf asked about drivers' education at 106%, line 76. Ms. Floore stated that it was over encumbered, for simulators. This is state allocation per secondary unit. This is over encumbered yet not over spent. Mr. Hendrix asked about professional development. Ms. Floore explained that professional development comes at heavy summer use.

In Division 54, State stabilization the state discovered they had credited us for Sussex Tech's for \$60,000. The original allocation was too high. We are not losing anything we were expecting, but it will show as a negative for the remainder of the year.

Tuition billing has been sent out and we expect that revenue to begin coming in.

ELL is at 101% expended. The same applies as in the local salaries. Part of the ELL budget from the state was funded through state fiscal stabilization funds so those two lines must be added together.

Mr. Hendrix asked about debt service. Ms. Floore explained that it is on a 20 year calendar. Debt service is calculated as July 1<sup>st</sup> through the next October, an 18 month cycle. We make a sizable debt service payment in October. They are on a fixed repayment schedule.

Mr. Hendrix asked about any new bonds. Ms. Floore stated there have been discussions regarding the need for renovations and the possibility of a new school. There is a state and local portion of bonds, but it is a lengthy process that includes a Certificate of Necessity (CN) through the state and then the voters have to approve it through a referendum. The state then sells the bonds on the district's behalf. There are two parts; elementary schools as Linden Hill, Brandywine Springs, North Star and Heritage Elementary are all full with growth over the next 10 years going further over capacity. If the state agrees to the CN, the state will fund 60% for a new school building through the bond bill, though the timeline is uncertain. There are also significant infrastructure needs for the older buildings. The Board will vote on it this summer if we receive approval for the CN. It will be less expensive than before, as we own the land on Graves Road. Ms. Peyser asked if that would be a new feeder and would they get trailers in the mean time at Linden Hill. Ms. Floore stated that there would have to be trailers if the enrollment exceeded capacity, which it is likely to do. Ms. McIntosh asked if it was due to growth or a return to public school. Ms. Floore answered it was due to both. Mr. Hendrix asked

if the Committee had any responsibility to the board on these decisions. Ms. Floore answered that the decision was a policy decision rather than financial decision, but that the committee would be provided the detailed financial information. Mr. Doolittle explained that making sure our referendum rate covers the bond is our only responsibility. Mr. Hendrix asked if the 60% rate is guaranteed. Ms. Floore explained it is based on a formula out of DOE and Red Clay's rate is 60%. Mr. Hendrix asked about district consolidation legislation. Ms. Floore stated the current bill is related to the Vo Techs, but that there were still a lot of discussions.

Looking at Meadowood expenditures, Division 1 salaries: It is 100%, but this also must be added to the state stabilization line which is expended at 0. The state stabilization funds may never be tied together on the line. If we take it out of local salaries and show it as state stabilization, it may be misunderstood as a decrease when looking from report to report on salaries. It gives a truer picture on what the cost is from local salaries.

The last page is a break down of IBU 97. Mr. Loftus made a note on the miscellaneous. The state had us pay charter schools one way and then reversed it to pay another way. Mr. Loftus found one the state had not reversed and is working with the state to correct that. Also, postage is a program not previously budgeted. Gate receipt is funding received at the gate at sporting events. Mr. Hendrix asked why substitutes are under miscellaneous. Ms. Floore explained this is district wide services, not miscellaneous.

Next month we will not have a presentation, but a discussion on budget layout. Mr. Doolittle asked if there was a framework for next year. Ms. Floore explained that there is no framework. She would like a discussion on how the budget would be presented, the format, not the actual numbers themselves.

## **V. Old business**

Last month we talked about meeting night changes. We will not change it at this time. In years past we skipped meetings in June and July.

## **VI. Public Comments**

There were no public comments at this time.

## **VII. Announcements**

The next CFRC meeting will be held Monday, May 9, 2011 in the Brandywine Springs Teachers Lounge at 6:30 PM.

## **VIII. ADJOURNMENT**

The meeting adjourned at 8:35 PM.

Respectfully Submitted,

Laura Palombo

Recording Secretary