



## **Community Financial Review Committee**

**October 21, 2009**

Volume 10-4

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 Red Clay Community Financial Review Committee's (CFRC) monthly meeting took place on Monday, October 12<sup>th</sup> at Brandywine Springs School. Everyone on the committee was present, except one community member. Also in attendance that evening were Board of Education President Jack Buckley; District Superintendent Dr. Merv Daugherty; Principal of the Conrad Schools of Science, Mark Pruitt; and District Financial Analyst, Eric Loftus. During the meeting we covered the following topics:

- Mr. Pruitt gave a presentation on Conrad's finances
- The CFRC members reviewed:
  - The list of contracts negotiated by the district for goods and services
  - The monthly financial reports
- The Committee also had a preliminary discussion on some minor changes to our financial report layout, which will be discussed in greater detail at our next meeting

During opening comments at the meeting I spoke briefly about the need to fill the vacant community representative position on the committee as soon as possible. Ideally, we are looking for someone with an accounting or finance background that lives in the district and wants to volunteer their time to assist with the financial oversight of Red Clay's budget. Anyone interested in serving on the CFRC can contact the committee at our email address, which is [rccfrc@redclay.k12.de.us](mailto:rccfrc@redclay.k12.de.us).

The detailed minutes from our last meeting on September 14, 2009, were approved and posted on our website at: [http://www.redclay.k12.de.us/boardcfrc0910/minutes/CFRC\\_MM\\_2009-09-14.pdf](http://www.redclay.k12.de.us/boardcfrc0910/minutes/CFRC_MM_2009-09-14.pdf).

## CONRAD SCHOOLS OF SCIENCE FINANCIAL PRESENTATION

Mr. Mark Pruitt, the Principal of the Conrad Schools of Science was kind enough to take time out of his busy schedule to make a presentation on his school's finances. He discussed the school's accomplishments, current initiatives, and the two budget lines he is responsible for managing. The first budget item is Division 32/IBU84, which is Conrad's operating budget of \$223,294. He provided a cost breakout of those dollars by Micro Budget Unit (MBU), that allowed the committee to see in detail the funding levels for the school's programs this year.

The second budget line Mr. Pruitt oversees is for Conrad startup costs. The funding for this account can be found in the District Wide Services budget (Division 32/IBU 97/MBU 84) and this year it is earmarked at \$150,000. It is a onetime cost that allows Conrad to restore high school programs. Most of that money will be spent on science supplies, athletics, and textbooks.

## CONTRACT REVIEW

The Business Office supplied the committee with a detailed spreadsheet of most of the goods and services that are contracted by the district. The document listed, among other things: the vendor's name, the purpose of the contract, the contract cost, plus the start and expiration dates that the contract will be in force. Included in this coverage were discussions on what policies are in place for contract approval and sole source designation. It was suggested that when the CFRC reviews this subject again, that the previous year's document be included for us to compare.

## MONTHLY FINANCIAL REPORT REVIEW

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

### September 30<sup>th</sup> Monthly Expenditure Report Highlights

September 30<sup>th</sup> marks the end of the first quarter for FY10. At the divisional level the district's operating revenue is well ahead of budget estimates, while expenditures are very close to targets set by the committee. Ideally, we would like to see revenue and expenditures at 25% of budget, since we are 1/4 of the way through the fiscal year. Specific concerns with the budget are covered in the Variance Report (see below).

Other things to note as of September 30<sup>th</sup>, are that local school tax revenue has not been received yet and normally arrives at the end of October. Also, at this point in the fiscal year schools are typically only allowed to spend up to 1/3 of their budget to help prevent cost overruns.

Highlights from the *Monthly Financial Report* include:

General Operating Revenue as of September 30, 2009				
DIV 32 - FY10	Preliminary Budget	Actual	Difference	% Actual to Budget
Total Revenue	\$174,978,481	\$97,823,841.69	(\$77,154,639.31)	55.91%
General Operating Expenditures as of September 30, 2009				
DIV 32 - FY10	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$161,705,846	\$41,701,305.69	\$120,004,540.31	25.8%
Meadowood School Operating Expenditures as of September 30, 2009				
DIV 54 - FY10	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$9,080,247	\$2,620,300.82	\$6,354,791.18	28.9%
Intensive Learning Centers Operating Expenditures as of September 30, 2009				
DIV 58 - FY10	Preliminary Budget	Expended & Encumbered	Remaining Balance	% Expended & Encumbered
Total Expense	\$10,537,826	\$2,761,322.76	\$7,671,322.76	26.2%

A copy of the *September 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\\_2009-09-30.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_MFR_2009-09-30.pdf)

### September 30<sup>th</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 September 30<sup>th</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.

Most of the cost savings this year in the report that includes prior year appropriations 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.

Totals expenditures for the entire district:

<b>YTD Total Expenditures and Encumbrances Report as of September 30<sup>th</sup> For All Divisions (Excludes Prior Year Appropriations)</b>				
	<b>FY09</b>	<b>FY10</b>	<b>Difference</b>	<b>% Change</b>
Salaries	\$25,422,825.82	\$26,404,942.94	\$982,117.12	3.9%
OEK	\$10,491,486.16	\$11,318,653.66	\$827,167.50	7.9%
Government Services	\$7,931,456.93	\$9,114,087.12	\$1,182,630.19	14.9%
Travel	\$5,170.90	\$9,297.08	\$4,126.18	79.8%
Contractual Services	\$7,379,281.45	\$8,225,352.75	\$846,071.30	11.5%
Supplies & Materials	\$2,072,704.60	\$1,812,417.21	(\$260,287.39)	-12.6%
Capital Outlay-Equipment	\$0.00	\$23,255.80	\$23,255.80	N/A
Capital Outlay-Property	\$0.00	\$5,197.05	\$5,197.05	N/A
Total	\$53,302,925.86	\$56,913,203.61	\$3,610,277.75	6.8%

<b>YTD Total Expenditures and Encumbrances Report as of September 30<sup>th</sup> For All Divisions (Includes Prior Year Appropriations)</b>				
	<b>FY09</b>	<b>FY10</b>	<b>Difference</b>	<b>% Change</b>
Salaries	\$26,860,463.45	\$28,034,621.87	\$1,174,158.42	4.4%
OEK	\$11,704,434.35	\$13,132,502.10	\$1,428,067.75	12.2%
Government Services	\$8,319,036.78	\$9,405,993.28	\$1,086,956.50	13.1%
Travel	\$19,649.28	\$31,331.55	\$11,682.27	59.5%
Contractual Services	\$13,900,206.15	\$13,602,922.39	(\$297,283.76)	-2.1%
Supplies & Materials	\$4,668,297.72	\$4,442,744.45	(\$225,553.27)	-4.8%
Capital Outlay-Equipment	\$2,324.44	\$60,732.74	\$58,408.30	2512.8%
Capital Outlay-Property	\$18,280,644.76	\$3,214,245.12	(\$15,066,399.64)	-82.4%
Total	\$83,755,056.93	\$71,925,093.50	(\$11,829,963.43)	-14.1%

Copies of both September *YTD Total Expenditures and Encumbrances Reports* are posted on the CFRC website and provide a detailed breakout of each category. The reports in their entirety can be found at:

[http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC\\_OCR\\_WPYA\\_2009-09-30.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_OCR_WPYA_2009-09-30.pdf) (includes prior year appropriations)

[http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC\\_OCR\\_WOPYA\\_2009-09-30.pdf](http://www.redclay.k12.de.us/SchoolBoard/CFRC/0910/Rpt/CFRC_OCR_WOPYA_2009-09-30.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 September that would be 25% + 30 = 55% expended. Four budget items fall within this range (see chart on pg 6) .

<b>Division/IBU</b>	<b>Preliminary Budget</b>	<b>Expended</b>	<b>Remaining Balance</b>	<b>% Expended</b>
32/IBU 07 - Director of Curriculum & Instruction	\$49,980	\$29,161.35	\$20,818.65	58.3%
Reason: Costs are associated with providing professional development for the implementation of the Scott Foresman Reading Program.				
32/IBU 13 - Board of Education	\$44,155	\$24,269.26	\$19,885.74	55.0%
Reason: Most expenditures for this IBU occur at the beginning of the fiscal year and should self correct as we move closer to June.				
32/IBU 45 - Summer School	\$70,428	\$78,270.30	(\$7,842.30)	111.1%
Reason: Expenditures exceeded tuition and the Business Office is studying why this problem occurred so it can be prevented next year.				
32/IBU 07/MBU 98 - District Wide Services Prior Year Payables	\$50,000	\$28,121.00	\$21,879.00	56.2%
Reason: Most expenditures for this IBU occur at the beginning of the fiscal year and should self correct as we move closer to June.				

## UPCOMING MEETING / DATES AND TIME

Our next meeting will be held on November 9, 2009, starting at 6:30 PM in the Teacher's Lounge at Brandywine Springs School . Scheduled to be covered that night will be a presentation on the budget pertaining to maintenance and minor capital improvement.

Respectfully submitted,

*Paul Lloyd*

Paul Lloyd, Committee Chair