

## **Budget and Finance Committee**

### **April 16, 2008**

Members present: Amanda Ferguson, Rodney Jackson, Ellen Quinn, Julane Mullins, Melodee Parker, Mary Browning, Scott Hawkins, Kent Pleasants, Debbie Boian, and Kim Lyon.

Meeting was called to order at 3:40 p.m. by Mary Browning.

She reported that the budget in Frankfort has just been finalized. The district will begin working on the tentative budget that will be presented to the board in May. The committee will review it before it is given to the board.

Rodney began the discussion of the bank Requests for Proposals (RFP). A committee was put together with people from Financial Services, purchasing, technology, a principal and a bookkeeper to develop the RFP in January. Previously the district had including in the last RFP a provision for a four year term. However statute limits it to two years, with the opportunity for a two year extension (after board review). The RFP for 2008 for school funds stipulates that bank branch must be at least 5 miles from the school or provide a bonded courier. They must also offer some kind of mechanism to deal with money at the schools. In pre-bid conference there were 13 banks that attended the conference for primary bank and three institutions that came to the school bank conference. Many of those at the first conference asked questions about the school bank RFP and it is assumed they did not feel the need to attend the second conference.

Notable additions to the RFP included some language to protect the district from technology based theft. A few corrections to bid were made and those sent to the banks that attended the conferences. All banks had to acknowledge receipt of the pre-bid documents by submitting a signed form to financial services in order to be eligible to bid.

There being no questions about the RFP Rodney then moved to discussion of the audit SAS 112 – which requires auditors to identify inefficiencies, lowers the level of significance for audit findings and creates a tighter timeline for the audit process. To prepare, Financial Services employees are attending a number of training modules through the summer. He stated that these changes will also impact audit fees. Kent reported that he had heard the standard increase could be as much as 20-25%. Rodney received information from the district's current audit company that fees would be increasing 9.8%.

There will be auxiliary audits at schools that had findings last year, which is also included in the increase.

Question (Mary): Are we still asking auditors to go in when we have an administration turnover in a school? Yes, we are preparing a list now.

Question (Amanda): When they say lowering the threshold of significance? What had it been previously? In the past it had been \$75,000, we are currently in discussions with the auditors to find out exactly what the other thresholds may be. They are going to be bound to report things that they weren't bound to report before. Reporting standards are much more definitive. Rodney also shared some case studies with the group.

Question (Amanda) – With the tips you have sent out, are we doing those things too? Yes. On the schools with interim principals do we do audits on those schools too? Yes, there is also a rotating order that we do with all schools and additionally where we have a new principal and/or a new bookkeeper we add those to the list too. It gives the incoming principal a clean slate to work with.

Question (Kent): Has the district ever had at any time a full or part time internal audit function? At one time we did but it didn't truly function as an internal auditor. (Kent) I'm wondering if hiring at least a part time internal auditor might offset the higher fees. It might be a better use of the district's money to have someone who works in that capacity. It might give the district an opportunity to do more things and with audit fees going up and up it may provide opportunities to do things the district is not doing now.

Question (Mary): Could that be contracted out? (Kent) Yes. Some firms will hire an auditing company to come in and do the prep work that the main auditing firm cannot do, without stretching the staff.

Question (Kim): Could we discuss combining the internal auditor and compliance officer? Perhaps we could look into that.

Rodney followed up with a report on last year's audit comments – finance department looks at management comments and does benchmarks throughout the year to make sure those issues are addressed. The financial services staff meets regularly to ensure everything is being addressed.

Rodney concluded with the procurement Card update – the department is getting signatures for the first phase (board approved two months ago). First phase will begin in May, second phase in September, finalize in March/April next year. He will report results back to the committee.

Question (Amanda): What group are you starting with? Schools with after school programs and Family Resource Centers, they will use the cards for clothing purchases for students and after school snacks. The Professional Development Department will use them to replace travel loans. The PD department will now do all travel arrangements for the district through their office using the cards.

Julane presented a budget update. The legislature adjourned yesterday, as of this morning the governor had not signed the budget, but she will take the last draft of the state budget posted for approval and move forward. The budget did include a 1% across the board salary increase for each year in the coming biennium. In addition to next year, the Budget Department will be doing some forecasting into the next. They are trying to look at forecast data and see what it means for the district. They do not anticipate any problems, and feel that the district is on very strong footing since moving to biennium budgeting process.

Mary – we are becoming increasingly concerned about transportation and the rise in diesel prices, especially in regards to special program transportation needs (Title I, Activity busses, NCLB, etc.). The district will need to be very strategic in how we structure the special programs so that transportation fees do not eat up the entire budget for the program.

Rodney reported that his department has also been monthly tracking trends in revenues area (tax office). So far the only decline they are seeing is in interest rate and miscellaneous revenue. Tax revenues have been following projected trends except for the occupational license tax where there are dips and peaks. The district seems to be currently in a dip, but expect overall for it to be level.

If any Budget & Finance Committee members, would like to review the trend analysis report please contact Rodney.

Question (Amanda): Do we have the numbers for diesel use for the year? Yes John Kiser is tracking it. We will forward that information.

Rodney commented that the district will continue to see cost increases in other areas which are being impacted by the cost of diesel fuel. Food service will need to increase school lunch prices, extra travel fees are being added in Professional Development, asphalt prices are increasing, and playground mulch (another petroleum product) is increasing. Things that are very tied to petroleum prices will need constant monitoring and reviewing.

Next meeting: May 5 at 4:00 p.m. IAKSS to discuss results of the bank bid and tentative budget.

Meeting adjourned at 4:20.