

September 1, 2017

Financial Emergency Board
School District of Jefferson County
Meeting Record
August 9, 2017

Chairman Philoron Wright convened the meeting of the Financial Emergency Board for the School District of Jefferson County (board). In addition to Chairman Wright, board members John Newman and Jim Parry were present. A quorum of the board was noted.

Chairman Wright proposed a motion to approve the August 9, 2017, meeting agenda. The motion was seconded and approved unanimously by the board.

The next item on the agenda for approval was the May 19, 2017, meeting record. A motion was made and seconded to approve the meeting record as presented. The motion was approved unanimously by the board.

Chairman Wright called on Deputy Commissioner Linda Champion for opening remarks about issues that have been encountered related to the financial management of the School District of Jefferson County (district). Issues should be resolved before the final 2017-18 budget is adopted by the Jefferson County School Board (school board). Problems continue to persist with the budget and accounting records. The original plan was to contract with the School District of Wakulla County for accounting services. Wakulla district staff determined that the scope of work was beyond their capacity to assist. Therefore, a certified public accountant (CPA) firm was identified to fix 2016-17 accounting records so that a valid ending balance will be determined for the base for the 2017-18 budget for the district. The plan continues to be to identify and contract with a school district that can manage the budget and accounting functions for the district.

The school board continues to make decisions that are in the best interest of students. At its last meeting, the school board directed Superintendent Marianne Arbulu to transfer \$291,000 in food service funds to the general fund for Somerset Charter School (Somerset), to spend for nutritional services for students. That adjustment was not made in the 2017-18 fund balance. In addition, the transfer of funds for the staff terminal leave payments of \$551,000 from the 1.5 mill capital improvement millage, as authorized in section 29, Chapter 2017-116, Laws of Florida, should be included as revenue in the 2017-18 financial statement.

Chairman Wright then called on Assistant Deputy Commissioner Mark Eggers to report on the 2016-17 district operating budget as of June 30, 2017. The projected year-end balance reflects the budget reductions that were made by the superintendent and school board, which resulted in an unassigned fund balance of \$599,354. However, the fund balance did not include the staff terminal leave liability of \$551,000. Adjusting the budget for the \$291,000 food service transfer and the \$551,000 terminal leave payment, the unassigned fund balance is negative \$190,772 or a negative financial condition ratio of 2.37 percent.

Mr. Eggers then reported on the district's 2016-17 capital outlay budget as of June 5, 2017. During the review of the budget line items, a question was asked about the \$200,000 used for the repairs and upgrades to the Heating, Ventilation and Air Conditioning (HVAC) systems. It was reported that the system was operating properly and no further repairs are required. Further clarification about the HVAC repairs and upgrades was provided by Ms. Champion; she said Florida Department of Education (FDOE) staff reported to her that the system was operating properly and ready for school to open.

Randy Beach, Chief Financial Officer for the School District of Wakulla County, provided technical assistance to the district with the preparation of information required by the Truth in Millage (TRIM) law, section 200.065, Florida Statutes. He assisted in informing the public about the 2017-18 budget. The 2017-18 advertised budget was provided to the board. Mr. Beach indicated that before a final budget is adopted, adjustments will need to be made to the budget. The most significant adjustment will be the \$551,000 terminal leave payment revenue that will have to be listed. Based on the information available for the advertised budget, the district would have a general fund balance of \$950,000. With the adjustments that need to be made, the unrestricted general fund balance would be \$392,000. Because student transportation services will be provided by Somerset, the transportation line item will be reduced. Other changes will have to be incorporated into the final 2017-18 fund balance. Mr. Beach's summative estimation of the potential June 30, 2018, unrestricted fund balance would be about \$400,000.

Board member Newman asked whether the projected \$392,000 unrestricted general fund balance was a sustainable amount with recurring revenue. Mr. Beach observed that the source of revenue and the expenditures of the available revenue would determine whether the fund balance is recurring revenue or not. Mr. Newman then asked what the fund source would be for district operations when the 5 percent Florida Education Finance Program source did not appear to cover the district line item expenses cited in the advertised budget. Mr. Beach indicated that the district has other sources of revenue, such as pari-mutuel funds and rent, in addition to the 5 percent set aside. It was noted by Mr. Newman that district expenses still appear to exceed available revenue. The board needs to take a long-term analysis of the district line item expenses and whether the projected revenue stream results in a sustainable budget. Mr. Newman was concerned that the district may not be aware of all the expenditures that the district may have to make during the 2017-18 fiscal year.

Chairman Wright then called upon the superintendent to respond to information that was discussed concerning the district operating and capital budgets. The superintendent indicated that a net budget was created that dealt with the issues raised by Mr. Newman. The goal of the net budget is to maintain or increase an appropriate fund balance for the district. Mr. Newman indicated that he would like the board to review the net budget and have the information extended for a three-year window. The superintendent indicated that such a plan was doable.

The superintendent indicated that the school board had recently discussed the disposition of properties owned by the district. She cited properties that may be sold, leased or repurposed as discussed by the school board.

Mr. Newman made a motion for FDOE staff to prepare a template for a school district facilities plan that would include the current status and utilization of the properties owned by the district. The template is to include costs for upkeep and maintenance of the properties and the potential long-term use or disposal of the properties. During the discussion of the template, the superintendent was asked what actions the district can take to maintain vacant facilities. She indicated that the district was trying to establish and maintain a 5 percent fund balance and that it is difficult to make investments in the vacant facilities. The completed template is to be submitted to the board on or before August 28, 2017. The motion was seconded and approved unanimously.

During the discussion of the due date for facilities plan, it was reported that September 11, 2017, is the date for the next school board meeting to discuss the final district 2017-18 budget. The next meeting date for the board was set for September 14, 2017, which would be after the district adopts the 2017-18 final budget.

The advertised TRIM budget has little detail and does not include several adjustments that the board would like to see reflected in a more detailed final budget. Mr. Newman asked whether the final budget will make the fiscal responsibilities of Somerset and the district clear. The superintendent indicated that Somerset is doing a good job, but she has limited staff assistance to do the analysis. It was noted that the board does not exercise fiscal oversight over Somerset; that is the responsibility of the school board.

Again, the superintendent cited that she is handicapped to do the analysis cited above without fiscal staff assistance. The plan to contract with another district for fiscal services to date has not happened, and she wants help with fiscal matters. Ms. Champion updated the board on the status of fiscal services for the district. Wakulla has offered to assist the district with services through the TRIM budget process. A CPA firm has been retained by the Florida Association of District School Superintendents to review the 2016-17 accounting records for the district to establish an accurate base to be brought forward for 2017-18. She cautioned the board that there are known 2017-18 expenses for the district that were not reflected in the TRIM budget that will impact what appears to be a good fund balance. The plan for fiscal services continues to be to contract with a district for fiscal services beyond the TRIM commitment from Wakulla. Board member James Parry summarized the discussion by stating that he observed there are three parts to the process: (1) determining an accurate 2016-17 budget to be carried forward to 2017-18; (2) facilities issues that require a plan; and (3) working through the transition with Somerset to determine if there are any unanticipated issues. There needs to be clarity about who is doing what, and the board needs assurances that the work will get done.

Ms. Champion asked the chairman if the meeting could proceed to the report regarding the implementation of the facilities consolidation plan. She highlighted the activities that have been completed or are near completion. It is anticipated that the necessary facility enhancements that are required for the opening of school on August 14, 2017, will be completed.

Ms. Champion cited several issues about which that the board should be informed: (1) release of federal funds; (2) delay of FEFP payments to Somerset; (3) delayed approval for a memorandum of understanding (MOU) for a bus lease with Wakulla; (4) access to district accounting records; and (5) delayed payments to facility consolidation vendors. She indicated that the parties involved in this process need to exercise patience, but she believes that the process is on the right track.

Mr. Newman indicated that he believed the financial emergency law requires the district to provide access to accounting records. Ms. Champion indicated that the school board had directed the superintendent to make the district accounting records available to FDOE staff. The FDOE now has access to the records.

Chairman Wright reminded everyone that the board has been established to provide guidance and not to impugn the district. The board has the responsibility to ask hard questions with the purpose of assuring that the financial resources are available to educate the students enrolled.

Mr. Wright then asked the superintendent to respond to the issues presented above. She again expressed her concern that she has limited staff assistance to get some fiscal tasks done in a timely manner. The first cited issue regarding the delayed FEFP payments to Somerset were caused by technical problems with banks and the required coding. The superintendent is confident that the technical problems have been solved and the payment issue will not recur. The second issue regarding the general ledger related to the federal fund release is still pending, but the appropriate audit report indicated that the necessary restoration of funds had occurred. Mr. Newman asked whether the pending financial services agreement with a cooperating district will help to solve the accounting problems. The superintendent indicated that such an agreement would be welcomed.

Mr. Beach then explained why Wakulla was unable to provide the fiscal services to the district. He explained that the 14 Panhandle Area Education Cooperative districts are in the process of implementing a new accounting system, resulting in a significant workload for participating districts, and this event would not permit Wakulla to cooperate. In response to the general ledger documentation of transactions related the federal fund release issue, Mr. Beach indicated that the previous district administration did not maintain adequate general ledger records; therefore, the auditor general had to reconstruct accounting records. The auditors attested to an \$180,000 transaction, but the standard documentation was lacking. The CPA firm should address the general ledger issues.

Further, Mr. Beach indicated that there is very limited detail available about the 2017-18 budget. He can provide only the detail that is available.

Regarding the third issue, the school bus lease MOU was delayed because the superintendent was awaiting a response from the school board attorney. As of August 9, 2017, she was still awaiting a response from the attorney.

For the fourth issue, the superintendent indicated that there was miscommunication related to access by the FDOE staff. Mr. Newman observed that it would appear that some of the problems cited above could be solved when an accounting services agreement is in place. He asked when that agreement is likely to happen. Ms. Champion indicated that no district wants to enter into an agreement with the 2016-17 district accounting records in their present condition. The CPA firm is likely to have the accounting records cleaned up in four weeks. FDOE staff needs full access rather than “read only access” to the accounting records. The superintendent asked that she be provided with information about the person(s) with the CPA firm and the FDOE, and the degree of access needed for full access to the accounting records.

Ending with the fifth issue, the voucher payments to vendors involved in the facility consolidation will be made as soon as possible with limited staff assistance.

Chairman Wright requested that the board be briefed about the issues cited above and their resolution at the next board meeting. He also recognized the presence of Gladys Roann-Watson, the district’s school board chair.

Chairman Wright then called on Mr. Eggers to report about student transportation for the schools. The superintendent asked FDOE staff to review the district’s bus fleet. The review determined that the buses would require more than one mechanic to complete needed repairs on the buses to bring them up to code. Wakulla, Gadsden and Liberty School Districts agreed to inspect and repair the buses. An MOU was signed, authorizing the cooperating district to complete the work before the start of the district’s schools. FDOE staff inspected the work completed by the cooperating districts. Eight of the 10 buses in the district’s fleet were up to code. Two of the buses need further repair. In order to have spare buses, Wakulla agreed to loan the district four additional buses. Mr. Eggers reported that the district has in excess of 20 buses and that the district has 11 bus routes. The district’s four newest buses are 2012 models. Ms. Champion reminded the board that all of the capital improvement funds from the 1.5 mill levy will provided to Somerset. This will allow Somerset to purchase needed new buses.

With clarification provided by Judy Bone, FDOE Deputy General Counsel, Mr. Newman moved that the board’s and the commissioner’s original fiscal oversight that was put in place for 2016-17 apply to 2017-18 expenditures. Planned expenditures by the district, including but not limited to, personnel expenditures, must be approved by the commissioner for the district until there is an approved budget for the district. Mr. Newman observed that the continuation of the 2016-17 budget oversight policy should facilitate better accounting records moving forward for the entity that cooperates with the district about

fiscal accountability matters. The restated motion was that all expenditures by the district be submitted through the FDOE for approval and execution. The motion was approved unanimously by the board.

Mr. Parry stated he believes that all parties are doing the best that they can, despite some hiccups along the way. He reiterated Chairman Wright's earlier comment, which recognized that the parties have the interest of the district's students at heart.

Chairman Wright recognized Mr. Hightower for comments.

Chairman Wright thanked the board members and others who were in attendance. He repeated that the next scheduled meeting will be Thursday, September 14, 2017.