



**Auditor of State  
Betty Montgomery**

# CLOVERLEAF LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

NOVEMBER 9, 2004



## Auditor of State Betty Montgomery

To the Residents and Board of Education of the Cloverleaf Local School District:

On December 31, 2003, Cloverleaf Local School District (Cloverleaf LSD) was placed in fiscal caution because of the possibility of ending the 2004 fiscal year in a deficit, as well as the potential for deficits in future years. Cloverleaf LSD was subsequently placed in fiscal watch on March 30, 2004. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in Cloverleaf LSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist Cloverleaf LSD in eliminating the conditions which brought about the declarations of fiscal caution and watch.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Cloverleaf LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the performance audit, Cloverleaf staff worked with the Board of Education to decrease expenditures in several areas.

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution, watch and emergency designations; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Cloverleaf LSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 9, 2004

# **Executive Summary**

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## **Project History**

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the state superintendent of public instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of that school district's five-year forecast. According to ORC §3316.042, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced services can be achieved. Cloverleaf Local School District (Cloverleaf LSD) was placed in fiscal caution on December 31, 2003 because of expected deficits in FY 2003-04 and FY 2004-05. Subsequently, AOS placed the District in fiscal watch on March 30, 2004. On June 7, 2004, the Ohio Department of Education (ODE) approved the District's May 28, 2004 fiscal watch financial recovery proposal, but stated that it could need amendment should the incorporated operating levy fail on the November ballot.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Cloverleaf LSD. Based on a review of Cloverleaf LSD information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities; and
- Transportation.

## **District Overview**

Cloverleaf LSD encompasses 119 square miles and operates within the Villages of Chippewa Lake, Gloria Glens, Lodi, Seville, and Westfield Center; and the Townships of Chatham, Guilford, Harrisville, Lafayette, and Westfield in Medina County. In FY 2003-04, Cloverleaf LSD had an average daily membership (ADM) of 3,457 students and a total of 333.3 full-time equivalent (FTE) employees, including 151.5 regular teacher FTEs. Cloverleaf LSD has seven school buildings and a recreation center. Five buildings house the elementary students (grades K-

6 in three buildings, grades K-2 in one building, and grades 3-6 in one building), one building houses the middle school (grades 7-8), and one building houses the senior high school (grades 9-12). Chatham (grades 3-6) and Lafayette (grades K-2) elementary schools were closed at the end of the 2003-04 school year.

In FY 2002-03, Cloverleaf LSD met 19 of the ODE's 22 performance standards, resulting in a designation of effective as defined by ODE. The District's total per pupil operating expenditures for all governmental funds of \$7,340 in FY 2002-03 was higher than each of the three peer school districts used in this performance audit.

During the course of this performance audit, Cloverleaf LSD management worked with the Board of Education (BOE or Board) to address its financial difficulties by establishing a recovery plan, identifying schools to close at the end of the school year, reducing transportation costs, approving staffing reductions, and controlling discretionary expenditures. The District also placed a five year, 9.7 mill emergency operating levy on the March 2004 ballot that would have generated \$4.2 million annually. However, this levy was defeated by District voters. Subsequently, the Board voted to place a \$3.8 million, 8.75 mill emergency operating levy on the November 2004 ballot.

In May 2004, the District was forecasting deficits from FY 2003-04 through FY 2007-08. Cloverleaf LSD projects a deficit of approximately \$9.8 million by FY 2007-08. Therefore, the District should consider implementing the recommendations in this performance audit and continue to identify additional cost savings to avoid future financial difficulties. See **R2.7** and **Table 2-9** in the **financial systems** section of this report for the proposed financial recovery plan that includes the impact of the performance audit recommendations on the General Fund ending balance.

## **Scope, Objectives & Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between January and September 2004. The goal of the performance audit process was to assist Cloverleaf LSD management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declarations of fiscal caution and watch. The ensuing recommendations comprise options that Cloverleaf LSD can consider in its continuing efforts to improve and stabilize its financial condition. This performance audit assessed the key operations of Cloverleaf LSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- Cloverleaf LSD's financial forecast, including its underlying financial data and accompanying notes and assumptions, were assessed for reasonableness.

- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the **facilities** section.
- Key operational statistics, such as staffing and average costs per bus and student, were reviewed to identify potential efficiency improvements and cost savings for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with Cloverleaf LSD personnel, and assessed requested information from selected comparison (peer) districts. The peer districts included Highland Local School District (Highland LSD), Lake Local School District (Lake LSD) and Louisville City School District (Louisville CSD). These districts were selected as peers based on their ranking as comparable districts as defined by ODE, reviews of various demographic information, and input from Cloverleaf LSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership (ADM), socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings about identified audit areas and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to Cloverleaf LSD and the peer school districts for their cooperation and assistance throughout this audit.

## **Noteworthy Accomplishments**

The performance audit report identifies the following noteworthy accomplishments made by Cloverleaf LSD.

- Cloverleaf LSD administration has worked proactively with the Board to decrease expenditures and increase revenues to improve the District's financial condition. Specific

actions include reducing staff, closing schools, reducing spending for supplies and materials, maintaining control over discretionary expenditures, and adjusting various fees.

- Cloverleaf LSD's regular education high school teachers complete 289 instructional minutes in a day, which is greater than two of the peers. In addition, middle school teachers complete 300 instructional minutes, which is greater than all three peers.
- The District maintains more square feet per maintenance FTE than the American School and University (AS&U) benchmarks. In addition, Cloverleaf LSD has one groundskeeper who maintains 137 acres, which exceeds both the AS&U benchmark and the peer average.
- Cloverleaf LSD included its transportation staff in making decisions regarding routes to eliminate during the school year to reduce transportation costs.

## **Key Recommendations**

The performance audit report contains a number of recommendations pertaining to Cloverleaf LSD. The following are key recommendations:

- Cloverleaf LSD should analyze and use the financial recovery plan outlined in **Table 2-9** to evaluate the recommendations presented in this performance audit. Cloverleaf LSD should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its projected deficits. In addition, Cloverleaf LSD should update the financial recovery plan on an ongoing basis as critical financial issues are addressed, change or emerge. Although passage of the 8.75 mill levy that will be placed on the November 2004 ballot and implementation of the performance audit recommendations would eliminate the projected deficits, the District should carefully monitor expenditures and further review its operations to identify additional savings, thereby improving its financial condition and minimizing the tax burden on its local residents.
- The treasurer should identify all of the costs related to operating the recreation center. Subsequently, the treasurer should charge the Recreation Center Enterprise Fund for expenditures paid from the General Fund by developing an appropriate allocation methodology for combined expenses, such as utilities, insurance and employee benefits. Cloverleaf LSD should also consider transferring monies from the General Fund to the Recreation Center Enterprise Fund to account for the District's use of the recreation center. In addition, the recreation center's operating agreement should be updated to reflect current practices, and expanded to specify the allocation of charges and address other pertinent operational and financial issues. Developing an allocation methodology could save the General Fund approximately a net \$33,000 annually.

- During future contract negotiations, Cloverleaf LSD should seek changes to its health insurance coverage so that all employees working seven hours or more contribute 10 percent towards the monthly health care insurance premium. The contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs. In addition, Cloverleaf LSD should periodically compare rates between the consortium and other providers through a competitive bidding or request for proposal process. A 10 percent employee contribution would save approximately \$234,000 per year in health care costs.
- Cloverleaf LSD should adjust its graduated scale for part-time employee contributions to health care premiums by increasing contribution levels according to the number of hours worked by part-time employees. By doing so, health care premium costs could be reduced by approximately \$59,000 annually.
- During future contract negotiations, Cloverleaf LSD should seek to decrease the maximum number of sick leave days paid out at retirement for its certificated and classified employees from 75 days to the peer average of 63 days. This could save the District approximately \$31,000 annually.
- During future certificated contract negotiations, Cloverleaf LSD should seek to minimize cost of living increases (COLAs) to be consistent with the treasurer's forecasted COLA increases, or alter the certificated salary step schedule. Doing so would bring salary levels more in line with peer districts and improve the District's financial condition.
- Building capacity and utilization should be reviewed periodically in conjunction with an enrollment projection process to determine the appropriate number of school buildings and classrooms needed to house the current and projected student population. During the course of this performance audit, Cloverleaf LSD decided to close Chatham and Lafayette elementary schools, which will reduce operating costs and avoid proposed renovation costs. If the reconfiguration is not as effective as originally planned and/or the Districts needs to further reduce costs, it should review other viable options to restructure the remaining buildings, such as housing grades K-5 in the elementary schools and grades 6-8 in the middle school. This option would optimize facility utilization rates, avoid potential over-crowding at some buildings, and minimize transportation costs. Closing the two elementary schools will save the District approximately \$328,000 annually.
- In addition to the reduction of 2.5 custodial FTEs due to closing two elementary schools, Cloverleaf LSD should reduce staffing by an additional 4.2 FTE custodians. This would save the District approximately \$117,000 annually and increase the District's square footage maintained per custodian, making it more comparable to the peer and AS&U standards.

When selecting positions to reduce, attention should be given to balancing the custodial workloads between the facilities.

- Cloverleaf LSD should consider reducing either the assistant director position or support staff dedicated to buildings and grounds by pooling and sharing administrative staff with other departments, and appropriately reassigning duties. Doing so would reduce salary and benefit expenditures by \$57,600 annually, while still providing higher administrative staffing levels than the peers.
- Cloverleaf LSD should develop a formal written energy policy to maximize the use of its computerized energy management system. Additionally, the District should adjust cooling temperatures to 78 degrees and heating temperatures to 68 degrees. Manual temperature overrides should be limited to emergencies. Training should also be provided to all staff on energy saving techniques in order to increase awareness and reduce energy consumption. By taking these steps to effectively manage energy, the District could save approximately \$57,000 annually in utility costs.
- Cloverleaf LSD should strive to make as many purchases as possible through consortia and group purchasing agreements. Because Cloverleaf LSD is a member of the Ohio Schools Council (OSC), the District should first review pricing for supplies and materials with OSC to maximize the advantages of group purchasing. Purchasing from state contracts should also be considered when appropriate, to allow Cloverleaf LSD to receive established discounts. The Board should also amend the District purchasing policy to further help control and reduce costs. If Cloverleaf LSD fully participated in group purchasing for facility related supplies and materials with the OSC, it could save approximately \$48,000 annually.
- Cloverleaf LSD should increase the use of the Education Logistics (Edulog) routing software system currently in place, and upgrade the system to the most current version. Training should be provided by the County as required to ensure employees have the knowledge to operate the software efficiently and to improve the accuracy in radius configurations. Cloverleaf LSD should also work with Medina County's Educational Service Center (MCESC) to create greater efficiencies within the District's current routing software system. If the District uses routing software and is subsequently able to reduce one bus, it would save approximately \$33,000 annually.
- Cloverleaf LSD should use competitive bids or requests for proposals (RFPs) when purchasing fuel to ensure accountability for District funds and reduce transportation costs. If this is unsuccessful, the District should consider installing an above ground storage tank that meets the Ohio Environmental Protection Agency's (OEPA) requirements. Doing so would enable the District to use the Ohio Schools Consortium (OSC) or the state contract offered by



the Ohio Administrative Services Department (ODAS) to purchase fuel at a reduced cost per gallon. Approximately \$22,000 could be saved annually.

## **Additional Recommendations**

The remainder of this executive summary highlights additional recommendations from the audit report.

### *Financial Systems*

- In order to present a conservative estimate of future revenues, the District should include the 5.9 mill renewal levy that expires in 2006 in its forecast and exclude the effect of a new levy. Since renewal levies historically pass in the District, forecasting the renewal of the 5.9 mill levy rather than passage of a new levy would provide a more reliable projection of future revenues. However, if the new levy passes in November 2004 and Cloverleaf LSD implements a portion of the performance audit recommendations, the District should determine the need to renew the 5.9 mill levy in 2006.
- The District should review its property tax allocation methodology to use the historical ratio of property tax allocation receipts to real estate property tax receipts. Using historical ratios should be more accurate than using the current year's estimate as the basis for projections, assuming the relationship between the two variables has not fundamentally changed. As a result, projections for property tax allocation would decrease by an annual average of approximately \$16,000 over the forecasted period.
- The District should encourage and provide the resources for the treasurer to annually attend the Ohio Association of School Business Officials (OASBO) training to continually update forecasting skills using the forecast spreadsheet program. The annual cost for this training is \$475.
- Cloverleaf LSD should closely examine the spending patterns indicated in **Table 2-8** and should consider reallocating its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results.
- Cloverleaf LSD should review the athletic program and implement procedures to reduce the reliance on transfers from the General Fund to the athletic fund by reviewing its pay-to-play policy and considering a gender-equitable reduction in the number of sports offered. Furthermore, the District should carefully review the athletic department's budget to identify potential cost savings that may not affect student participation and the number of sports offered, and could minimize pay-to-play fees charged to students.

### *Human Resources*

- Cloverleaf LSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS) managed by ODE. The District should require that someone independent of the data gathering process reviews the information to ensure data accuracy prior to submission.
- Cloverleaf LSD should consider reducing the telephone operator position by using the current automated system and reassigning duties to other clerical positions. This would save the District approximately \$25,000 annually in salary and benefits.
- Cloverleaf LSD should strive to reduce the amount of sick leave used by its classified employees by establishing a sick leave policy and negotiating its inclusion in the next classified contract, along with a provision requiring physician's statements for extended absences. If classified staff reduced sick leave usage by 1.5 days per FTE, the District would save approximately \$11,500 annually.
- During future contract negotiations, Cloverleaf LSD should seek to decrease the vacation accrual rate for classified employees. Doing so would increase productivity and could reduce overtime and substitute costs.
- During future contract negotiations, Cloverleaf LSD should seek to decrease the number of holidays paid for classified employees from 12 days per year to 10 for 12 month employees, and from 8 days per year to 7 for employees working less than 12 months. Decreasing the number of paid holidays could save the District approximately \$1,500 annually.

### *Facilities*

- Cloverleaf LSD should develop and implement a comprehensive master facilities plan. This plan should consist of an update to the facilities planning study completed in 1991, the preventive maintenance (PM) program for all facilities, and a capital improvement schedule identifying how the District plans to use its funds. In addition, the District should use its computerized work order system and PM program to help guide decisions about capital and permanent improvements. Cloverleaf LSD also should consider establishing a Board committee to address facilities and operations needs. The committee should meet regularly (more than once a year) and consist of the director of building and grounds, superintendent, treasurer, and at least one Board member.

*Transportation*

- Since the District will not be renewing the transportation director's contract, it should reassign the position's duties in a manner that reduces staff dedicated to managing and supporting the transportation department. Doing so would result in staffing levels that are more comparable to the peers.
- Cloverleaf LSD should continue to investigate strategies to reduce its special needs transportation costs, such as actively promoting the formation of parent/guardian contracts, and periodically reviewing the possibility of contracting for transportation services and partnering with neighboring districts. In addition, the District should actively promote and establish payment-in-lieu of transportation agreements to reduce regular needs transportation costs. Cloverleaf LSD could save approximately \$2,700 annually by increasing the number of parent/guardian contracts and payment-in-lieu of transportation agreements.
- Cloverleaf LSD should develop a formal bus replacement plan and include it in the District's capital plan and financial forecast. Furthermore, moving older buses to routes with fewer miles, implementing a rotating system, and optimizing the efficiency of its current routes could enable the District to extend the useful life of its fleet. If the District decides to maintain transportation services according to State minimum standards for the long-term, it should assess the need to maintain a spare fleet of 18 buses and determine which buses can be retired and not replaced. In conjunction with the bus replacement plan, Cloverleaf LSD should develop a formal bus preventive maintenance (PM) program. A documented PM program will provide the transportation department and Cloverleaf LSD administrators a management tool to monitor and schedule bus maintenance, thereby extending the useful life of its fleet. In addition, Cloverleaf LSD should use computer software to record and track all bus maintenance activities and individual bus mileage.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Cloverleaf LSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref. No.	Recommendations from all Sections	Estimated Annual Revenues	Estimated Annual Cost Savings	Estimated Annual Costs
	<i>Financial Systems: Revised Assumptions<sup>1</sup></i>			
R2.1	Revise real estate and personal property tax		\$794,000	
R2.2	Revise property tax allocation receipts		(\$16,400)	
	<i>Total Impact of Revised Assumptions</i>		<b>\$777,600</b>	
	<i>Financial Systems</i>			
R2.3	Provide OASBO training for Treasurer			\$475
R2.6	Reimburse costs for recreation center	\$33,000		
	<i>Human Resources</i>			
R3.2	Reduce clerical staff by 0.8 FTEs		\$25,300	
R3.4	Increase employee health care contribution		\$234,000	
R3.5	Increase part-time employee health care contribution		\$59,000	
R3.6	Reduce classified employee sick leave use		\$11,500	
R3.8	Reduce classified sick leave paid at retirement		\$31,000	
R3.9	Reduce number of paid holidays		\$1,500	
	<i>Facilities</i>			
R4.1	Close Chatham and Layette Elementary Schools		\$328,000	
R4.2	Reduce custodial staff by 4.2 FTEs		\$117,000	
R4.3	Reduce Assistant Director position		\$57,600	
R4.5	Reduce energy costs		\$57,000	
R4.6	Increase group purchasing participation		\$48,000	
	<i>Transportation</i>			
R5.2	Reduce one bus		\$33,000	
R5.3	Establish parent/guardian contracts and payment-in-lieu of transportation agreements		\$2,700	
R5.4	Renegotiate fuel prices		\$22,000	
	<i>Total Financial Implications (Excludes Revised Assumptions)</i>	<b>\$33,000</b>	<b>\$1,027,600</b>	<b>\$475</b>

Source: Performance audit: **financial systems, human resources, facilities, and transportation** sections.

<sup>1</sup> Reflects annual average change of revised assumptions over the forecasted period.

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the status of implementation.

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# Financial Systems

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## Background

This section focuses on the financial systems within Cloverleaf Local School District (Cloverleaf LSD or the District). The objective is to analyze the current financial condition of Cloverleaf LSD and develop recommendations for improvements and efficiencies. Cloverleaf LSD's five-year forecast is also analyzed to ensure that the projections accurately represent future operational and financial conditions.

The Auditor of State (AOS) recommended the establishment of fiscal oversight laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility and to provide technical assistance to help school administrators restore fiscal stability. The Ohio Revised Code (ORC) § 3316.03 sets forth conditions and procedures for declaring fiscal watch and emergency for Ohio school districts, and ORC § 3316.031 addresses conditions and procedures for declaring fiscal caution. The difference between fiscal caution, fiscal watch, and fiscal emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

On December 31, 2003, ODE declared Cloverleaf LSD to be in fiscal caution, due to expected deficits in FY 2003-04 and FY 2004-05. As a result, Cloverleaf LSD was required to submit a financial recovery plan proposing changes that would eliminate these deficits. The District submitted a fiscal caution financial recovery proposal to ODE, consistent with ORC § 3316.031(C), on February 18, 2004, assuming the passage of a 9.7 mill emergency operating levy on the March 2004 ballot. However, registered voters defeated the levy on March 2, 2004 and ODE submitted a formal request to AOS to elevate the fiscal oversight status to fiscal watch on March 16, 2004. On March 30, 2004, AOS placed the District in fiscal watch. On June 7, 2004, ODE approved the District's May 28, 2004 fiscal watch financial recovery proposal, but stated that it could need amendment should the incorporated operating levy of 9.7 mills fail on the November ballot. Subsequently, the Cloverleaf LSD Board of Education (BOE or Board) voted to place a \$3.8 million, 8.75 mill emergency operating levy on the November 2004 ballot.

### Financial Operations

**Table 2-1** presents Cloverleaf's LSD's five-year forecast as of May 28, 2004. The forecast was developed by the Cloverleaf LSD treasurer through a computer spreadsheet program. This program is recognized by the Ohio Association of School Business Officials (OASBO) as a comprehensive financial modeling tool for five year forecasting.

**Table 2-1: Cloverleaf LSD Financial History & Five-year Forecast (in 000's)**

	Actual FY 00-01	Actual FY 01-02	Actual FY 02-03	Forecast FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07	Forecast FY 07-08
Real Estate Property Tax	\$7,471	\$7,818	\$7,927	\$8,253	\$8,368	\$8,598	\$8,328	\$7,992
Tangible Personal Property Tax	1,818	1,756	1,646	1,665	1,655	1,655	1,601	1,473
Unrestricted Grants-in-Aid	9,956	10,780	10,493	10,517	10,209	10,300	10,300	10,300
Restricted Grants-in-Aid	92	273	496	58	58	90	90	90
Property Tax Allocation	1,178	1,218	1,248	1,296	1,347	1,400	1,386	1,368
Other Revenues	474	324	229	400	401	401	401	401
<b>Total Operating Revenues</b>	<b>20,989</b>	<b>22,169</b>	<b>22,039</b>	<b>22,189</b>	<b>22,038</b>	<b>22,444</b>	<b>22,106</b>	<b>21,624</b>
Personal Services	13,232	13,773	14,212	14,394	13,638	14,177	14,737	15,319
Employees Retirement & Insurance Benefits	4,224	4,471	4,716	5,054	5,151	5,599	6,094	6,641
Purchased Services	2,072	2,072	2,252	2,313	2,381	2,452	2,526	2,601
Supplies & Materials	932	1,123	800	944	973	1,002	1,032	1,063
Capital Outlay	359	464	282	28	178	184	189	195
Other Objects	330	328	347	391	399	407	415	424
<b>Total Operating Expenditures</b>	<b>21,149</b>	<b>22,231</b>	<b>22,609</b>	<b>23,125</b>	<b>22,720</b>	<b>23,821</b>	<b>24,993</b>	<b>26,243</b>
Operating Transfers/Advances In	370	425	119	38	0	0	0	0
Operating Transfers/Advances Out	465	700	189	57	85	85	85	85
All Other Financing Sources/ (Uses)	77	11	331	37	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>(18)</b>	<b>(265)</b>	<b>262</b>	<b>18</b>	<b>(85)</b>	<b>(85)</b>	<b>(85)</b>	<b>(85)</b>
<b>Results of Operations (Loss)</b>	<b>(178)</b>	<b>(326)</b>	<b>(309)</b>	<b>(918)</b>	<b>(767)</b>	<b>(1,462)</b>	<b>(2,972)</b>	<b>(4,704)</b>
Beginning Cash Balance	2,095	1,917	1,591	1,281	363	(404)	(1,866)	(4,838)
<b>Ending Cash Balance</b>	<b>1,917</b>	<b>1,591</b>	<b>1,281</b>	<b>363</b>	<b>(404)</b>	<b>(1,866)</b>	<b>(4,838)</b>	<b>(9,542)</b>
Outstanding Encumbrances	661	437	310	300	300	300	300	300
<b>Unreserved Fund Balance June 30<sup>th</sup></b>	<b>840</b>	<b>1,154</b>	<b>970</b>	<b>63</b>	<b>(704)</b>	<b>(2,166)</b>	<b>(5,138)</b>	<b>(9,842)</b>
New Levy (9.7 mills) (Cumulative Effect) <sup>1</sup>	0	0	0	0	2,103	6,303	10,503	14,703
<b>Unreserved Fund Balance</b>	<b>840</b>	<b>1,154</b>	<b>970</b>	<b>63</b>	<b>1,399</b>	<b>4,137</b>	<b>5,365</b>	<b>4,861</b>

Source: Cloverleaf Treasurer

<sup>1</sup> The District included the impact of a 9.7 mill levy in the May 2004 forecast submitted to ODE. Subsequently, the Board voted to place a \$3.8 million, 8.75 mill emergency operating levy on the November 2004 ballot.



The financial projection in **Table 2-1** presents the expected revenues, expenditures and fund balances for each of the fiscal years through June 30, 2008. Historical information is presented for fiscal years ending June 30, 2001, 2002, and 2003. Based on Cloverleaf LSD's projections, the District would operate with losses in each fiscal year through FY 2007-08 without passage of a new levy, resulting in deficits throughout the forecast period. The assumptions disclosed herein are those submitted by the District's treasurer. The treasurer uses the spreadsheet forecasting tool to project items based on historical figures, tax information and other data formulated into over 30 spreadsheets, which are linked together to generate the forecast. The treasurer adjusts spreadsheets for information as needed to reflect district operations and expectations.

The District's methodology and the major assumptions used to develop the five year forecast are presented below, and include AOS comments regarding the reasonableness of its methodologies and assumptions.

### **Revenues**

- Projections of local tax revenues from FY 2003-04 to FY 2007-08 are based upon the Medina County Auditor's Amended Official Certificate of Estimated Resources for FY 2003-04.
- According to the Medina County Auditor, real estate tax receipts are expected to increase from FY 2003-04 through FY 2005-06, primarily due to new construction. The District is forecasting real estate tax receipts in FY 2006-07 and FY 2007-08 to decrease, as a 5.9 mill operating levy expires. The District assumes that the passage of a new levy will not require the renewal of the 5.9 mill levy in 2006. However, since renewal levies historically pass in the District and considering that voters rejected a new levy in March 2004, forecasting the renewal of the 5.9 mill levy rather than passage of a new levy would provide a more reliable projection of future revenues (see **R2.1**).
- Tangible personal property tax revenue decreased slightly from FY 2001-02 to FY 2002-03, and is estimated by the Medina County Auditor's Amended Official Certificate of Estimated Resources to increase slightly in FY 2003-04. Tangible personal property tax receipts decreased in FY 2001-02 due to a decrease in the taxable rate of underlying property value classifications. According to the Ohio Department of Taxation, effective January 2001, the taxable rate of public utilities was reduced to 25 percent of true value, rather than 88 percent of depreciated value. While revenue losses were reimbursed by the State, these reimbursements were recoded as unrestricted grants-in-aid, which partially explains the FY 2001-02 increases in unrestricted grants-in-aid receipts. Revenues further decreased in FY 2002-03, which appears to be due to reductions in the taxable rate of underlying assets, as stipulated in ORC Section 5711.22(E).

Additional inventory reduction percentages subject to meeting receipt level thresholds established in ORC § 5711.22(E) could lead to further reduced revenues since listed values of business furniture and fixtures not held for sale will be assessed at continually reduced rates until ultimately eliminated. However, this is offset by the nature of underlying property values, such as business inventories, which can fluctuate significantly with economic conditions. Therefore, projecting a slight decrease in FY 2004-05 and holding revenues constant thereafter presents a conservative and overall reasonable forecast of tangible personal property tax revenue. The decreases reflected in FY 2006-07 and FY 2007-08 are due to exclusion of the 5.9 mill renewal levy (see **R2.1**).

- Cloverleaf LSD has projected unrestricted grants-in-aid consistent with ODE foundation settlement reports for FY 2003-04. Significant changes from past funding formulas include decreasing the appreciation of base funding factors, using current year Average Daily Membership (ADM) figures rather than a three year average, and changes in weighted special education aid, parity aid funding formulas, and state reimbursement from personal property tax revenue losses. Unrestricted grants in aid decreased approximately \$300,000 from FY2001-02 to FY 2002-03, mainly due to reductions in State funding. As enrollment has remained relatively constant, State funding reductions appear to be due to increases in the District's property valuation and ODE's overall reductions in State foundation funding for all school districts. The phase-in of parity aid funding contributes to the slight increase in FY 2003-04.

The treasurer forecasts unrestricted grants-in-aid to decrease by approximately \$308,000 in FY 2004-05. State revenues are forecasted to decrease by approximately \$202,000, based on data from the ODE foundation settlement report available at the time of this forecast. Since State funding has been reduced the last two years, the treasurer anticipates reductions in FY 2004-05. Additionally, the treasurer excludes approximately \$106,000 from FY 2004-05 projections because it represents a one-time public utility tax loss reimbursement that was realized in FY 2003-04. From FY 2005-06 to FY 2007-08, the District projects unrestricted grants-in-aid at approximately \$10.3 million annually. The treasurer's belief that the economy will improve and result in increases in restricted grants-in-aid appears to support the slight increase projected in unrestricted grants-in-aid for FY 2004-05. Due to the uncertainty in State funding beyond FY 2004-05, and considering that enrollment has been historically stable, forecasting revenues to remain constant thereafter appears to be a reasonable assumption.

- Cloverleaf LSD has projected restricted grants-in-aid consistent with ODE foundation settlement reports for FY 2003-04. The increase in restricted grants-in-aid in FY 2002-03 is partially explained by the phase in of parity aid. The 88.2 percent decrease in FY 2003-04 receipts is a result of parity aid being reclassified as an unrestricted grant-in-aid. The District projects increased funding in FY 2005-06 for bus reimbursements because the treasurer anticipates the economy improving, thereby increasing State funding. See **R5.5** in the

**transportation** section for further information on bus replacements. Similar to unrestricted grants-in-aid, the District forecasts restricted grants-in-aid to remain constant thereafter.

- Cloverleaf LSD projects property tax allocation receipts to appreciate approximately 3.9 percent annually from FY 2003-04 levels, which is the estimated increase in FY 2003-04. Property tax allocations for FY 2006-07 and FY 2007-08 are projected to decrease due to the loss of millage from possible non-renewal of a levy (see **R2.2**). However, this assumption excludes this line item's relationship with real estate property tax receipts (see **R2.2**).
- Reductions in investment income contributed significantly to the historical decreases in other revenues. Investment income decreased from approximately \$219,000 in FY 2000-01 to \$34,000 in FY 2002-03. The large projected increase in FY 2003-04 is primarily explained by a change in accounting policies that includes tuition receipts on a gross basis, rather than the historical practice of recording these receipts on a net basis. While the District projects a reduction in return on investments of approximately \$20,000 to reflect current interest rates and a lack of available funds for investment, it forecasts an increase in materials and supplies of approximately \$67,000 in FY 2003-04 as a result of increasing the amount of supply charges to students. Thereafter, the District forecasts these receipts to remain constant with its estimates for FY 2003-04. Since decreases in investment income primarily contributed to the historical decreases and are projected to be immaterial in the future, the District's assumption appears reasonable.

### Expenditures

- Cloverleaf LSD projects personal services expenses, comprised primarily of staff salaries, to increase only slightly in FY 2003-04 due to staff reductions. They are forecasted to decrease in FY 2004-05 due to a wage freeze negotiated with the certificated collective bargaining unit and staffing reductions including 22 teaching positions, which are partially attributed to the closing of two schools (see the **human resources** and **facilities** sections). Thereafter, personal services are projected to increase 4.0 percent annually: 1.9 percent for step increases based on the average step increase in the certificated contract, and 2.1 percent for cost of living adjustments (COLA). Although a 2.1 percent COLA is lower than prior years, the District's certificated salary step schedule is higher than the peers. Therefore, coupled with the District's current financial situation, forecasting a 2.1 percent COLA increase appears reasonable. See **R3.3** in the **human resources** section for further discussion on COLAs.
- Excluding health insurance expenditures, Cloverleaf LSD estimated future retirement and insurance benefits at 15.5 percent of forecasted salary costs, based on a four year historical average. Current health insurance benefit costs are estimated to appreciate 12.0 percent each year, based on historical trends. Since the health insurance consortium received an insurance holiday the past several years equivalent to one month of premiums yielding a net 10.5 percent annual increase, this provides a conservative projection of future health care costs.

Furthermore, reductions in benefit costs are included for FY 2003-04 and 2004-05 as a result of staff reductions.

- Purchased services are projected to increase 2.7 percent in FY 2003-04, based on actual expenditures from July 2003 to May 2004. The increase is due, in part, to repairs for aging buildings. From FY 2000-01 to FY 2001-02, purchased services remained fairly constant. The 8.5 percent increase in 2003 is explained by a change in accounting practice that reflects gross tuition payments rather than net payments as in the past, and outsourced special education services along with the associated transportation costs. Purchased service expenses from FY 2004-05 to FY 2007-08 are expected to increase 3.0 percent annually for inflation, which seems reasonable based on historical trends.
- Supplies and materials expenditures are expected to increase approximately 18.0 percent in FY 2003-2004 to replenish supply reductions from the prior year. Funding constraints and subsequent inventory depletion primarily contributed to the fluctuations in historical expenditures. Future supply and material expenses are expected to increase 3.0 percent annually for inflation from FY 2003-04 expenditure levels. Additionally, the forecasted supplies and materials will be within the spending requirements for instructional materials (ORC § 3315.17), since there is a large set aside carryover.
- Capital outlay expenditures assume only necessary improvement items during the forecast. Due to spending restrictions and based on actual expenditures from July 2003 through May 2004, the District projects capital outlay expenditures to significantly decrease in FY 2003-04. Historically, the General Fund paid for most of the bus purchases until FY 2002-03, when the Permanent Improvement (PI) Fund paid \$206,000 for bus purchases. From FY 1997-98 through FY 2000-01, the General Fund financed approximately \$150,000 per year in bus purchases. The District spent over \$200,000 for buses from the General Fund in FY 2001-02. In addition, the Ohio Department of Job and Family Services recently donated computers to the District, which relieved the burden of purchasing new ones.

The District projects capital outlay expenditures to increase by \$150,000 in FY 2004-05 to provide funding for some level of capital improvements that were delayed in prior years. Thereafter, the District assumes a three percent annual increase for inflation. As bus purchases accounted for the majority of prior year expenses which are now supported by the PI fund, forecasting a 3.0 percent increase in expenditures from FY 2005-06 to FY 2007-08 seems reasonable. However, developing a comprehensive master facilities plan that links to a budget, and using its computerized work order system and preventive maintenance (PM) program to help guide decisions about capital and permanent improvements would improve the reliability of the District's projections for capital outlay (see **facilities**). Lastly, all set aside requirements (ORC § 3315.18) will be supported by the Permanent Improvement Fund and therefore, will not impact the forecast.

- Other object expenditures consist mainly of dues, fees, and insurance. The overall increase in FY 2002-03 is a result of new software licenses purchased for middle school students to assist them in preparing for state testing, and increases from 2001 in membership fees for the superintendent and principals. Cloverleaf LSD consistently paid approximately \$105,000 for services to the county and paid an additional \$160,000 for audit services and treasurers fees. The treasurer stated that this area has a lower inflationary rate since audit fees, treasurer fees and dues historically increase at a lower than inflationary rate. Therefore, following FY 2003-04, the treasurer projects other object expenditures to appreciate at 2.0 percent annually.
- Transfers in and out have decreased substantially since FY 2001-2002 due to the elimination of the requirement to maintain a reserve fund, and tighter controls over spending mainly for professional development because of the District's financial condition. According to the treasurer, transfers in are unpredictable and therefore, are not forecasted from FY 2004-05 to FY 2007-08. This provides a conservative and reasonable assumption since transfers in have decreased from \$425,000 in FY 2001-02 to only \$38,000 in FY 2003-04 to account for professional development. Based on historical trends, transfers out for FY 2003-04 include \$27,000 for food service and \$30,000 for athletics. For FY 2004-05 to FY 2007-08, the treasurer is forecasting transfers out at \$85,000 annually, consisting of \$50,000 to the athletic fund and \$30,000 to the food service fund. The projected increase in transfers to the athletic fund in FY 2004-05 is due to the increase in the athletic department's budget. While the District received funding from boosters to offset subsidies from the General Fund in FY 2003-04, the treasurer forecasts transfers of \$5,000 to the band fund because of the unpredictability of funding from boosters.
- All other financing sources historically represents a refund of prior year expenditures. The amounts are immaterial and difficult to project. Therefore, the District does not forecast future refunds.
- Outstanding encumbrances are payment obligations from the prior year. They decreased by approximately 53 percent from FY 2000-01 to FY 2002-03. According to the treasurer, this was due to reduced spending because of the District's financial condition. As a result, the treasurer forecasts encumbrances at \$300,000 during the forecast period. Although this is slightly less than the FY 2002-03 levels, this provides a conservative and overall reasonable assumption considering that actual encumbrances decreased significantly from FY 2000-01 to FY 2002-03.

**Table 2-2** compares the District's and peers' discretionary expenditures.

**Table 2-2: FY 2002-03 General Fund Discretionary Expenditures  
As a Percent of Total General Fund Expenditures**

	Cloverleaf	Highland	Lake	Louisville	Peer Average
Prof. and Technical Service	1.2%	2.4%	1.2%	1.3%	1.6%
Property Services	2.9%	2.0%	1.6%	1.1%	1.6%
Mileage/Meeting Expense	0.2%	0.1%	0.5%	0.1%	0.3%
Communications	0.4%	0.3%	0.4%	0.3%	0.3%
Contract, Craft or Trade Service	0.0%	0.1%	0.1%	0.1%	0.1%
Pupil Transportation	0.0%	0.4%	0.0%	0.0%	0.2%
Other Purchased Service	0.0%	0.0%	0.0%	0.2%	0.1%
General Supplies	1.1%	1.6%	0.9%	0.7%	1.1%
Textbooks/Reference Materials	0.3%	0.3%	0.3%	2.0%	0.9%
Plant Maintenance and Repair	0.6%	0.7%	0.4%	0.4%	0.5%
Fleet Maintenance and Repair	1.1%	1.2%	0.5%	0.9%	0.8%
Other Supplies & Materials	0.0%	0.2%	0.0%	0.0%	0.1%
Land, Building & Improvements	0.0%	4.4% <sup>1</sup>	0.0%	0.4%	1.6%
Equipment	0.9%	2.2%	1.9%	1.0%	1.7%
Buses/Vehicles	0.4%	1.0%	0.9%	0.3%	0.7%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	1.4%	1.5%	1.3%	1.3%	1.4%
Insurance	0.1%	0.1%	0.2%	0.1%	0.2%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.1%	0.0%
<b>Total</b>	<b>10.5%</b>	<b>18.6%</b>	<b>10.4%</b>	<b>10.3%</b>	<b>13.1%</b>

**Source:** 4502 reports exhibit II and statement P

<sup>1</sup> Highland LSD's building purchase is excluded in the assessment since the anomaly skews the assessment.

As shown in **Table 2-2**, Cloverleaf LSD's discretionary spending as a percent of all General Fund expenses (10.5 percent), is similar to Lake EVSD and Louisville CSD. Highland LSD's discretionary spending is higher due to the purchase of a new building and related equipment. In FY 2002-03, Cloverleaf LSD was higher than the peer average in four of the 20 categories: property services, communications, plant repair, and fleet maintenance and repair. See the **facilities** section for additional information on property services and plant repair, and the **transportation** section for fleet repair. Communication expenses were higher than the peer average because of increased printing and mailing costs associated with placing a levy on the ballot. In addition, Cloverleaf was the second highest when compared to the peers for

mileage/meeting expenses, general supplies, and dues and fees. See the **facilities** section for information on general supplies. According to the treasurer, mileage/meeting expenses consisted primarily of reimbursements for certificated staff professional development, and dues and fees expenses were primarily for new software licenses. Mileage/meeting expenses should decrease in FY 2003-04 because transfers from the General Fund for professional development decreased from approximately \$188,000 in FY 2002-03 to \$37,000 in FY 2003-04.

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, assessments were conducted on several areas within the financial systems of Cloverleaf LSD that did not warrant changes and did not yield any recommendations. These areas include the following:

- Forecast methodologies and assumptions for grants-in-aid, other revenues, personal services, benefits, purchased services, supplies and materials, capital outlay, transfers, and encumbrances appear reasonable.
- Food service staffing reductions related to the building closures recommended in the **facilities** section would result in annual savings of approximately \$33,000, thereby offsetting the forecasted annual transfers of \$30,000 from the General Fund to the food service fund. For FY 2002-03 and FY 2003-04, the food service fund averaged approximately \$26,300 in operating deficits. Although not readily quantifiable, the District could achieve additional savings in food services due to the building closures, such as inventory and supply costs.

## Recommendations

### Financial Forecast

**R2.1** In order to present a conservative estimate of future revenues, the District should include the renewal levy in its forecast and exclude the effect of a new levy. Since all renewals have passed in the last 30 years, it is likely that the renewal levy would again pass in 2006. However, if the new levy passes in November 2004 and Cloverleaf LSD implements a portion of the performance audit recommendations, the District should determine the need to renew the 5.9 mill levy in 2006 (see R2.7 for more information about the new levy proposal in November 2004).

Cloverleaf LSD excludes revenues from the 5.9 mill levy which expires in 2006 because the District assumes that the passage of a new levy will not require the renewal of the 5.9 mill levy in 2006. However, since renewal levies historically pass in the District, and considering that voters rejected a new levy in March 2004, forecasting the renewal of the 5.9 mill levy rather than passage of a new levy would provide a more reliable projection of future revenues. **Table 2-3** presents the effect of the renewal of the 5.9 mill levy on real estate and personal property projections.

**Table 2-3: Revised Tax Revenues from Passage of Renewal Levy**

	FY 2006-07	FY 2007-08
Cloverleaf LSD's Projected Real Estate Tax Receipts	\$8,328,421	\$7,992,274
AOS Revised Real Estate Tax Receipt Projections	\$8,789,039	\$8,883,082
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$460,618</b>	<b>\$890,808</b>
Cloverleaf LSD's Projected Personal Property Receipts	\$1,600,818	\$1,472,738
AOS Revised Personal Property Tax Receipt Projections	\$1,654,967	\$1,654,967
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$54,149</b>	<b>\$182,229</b>
<b>Total Net Effect Upon Fund Balance</b>	<b>\$514,767</b>	<b>\$1,073,037</b>

**Source:** Cloverleaf LSD and AOS Calculations

**Note:** See R2.2 and Table 2-4 for the effect of including the 5.9 mill levy on property tax allocation projections.

**Table 2-3** shows that the effect on the fund balance of including the 5.9 mill levy in real estate and personal property projections would be approximately \$515,000 and \$1.2 million in FY 2006-07 and FY 2007-08, respectively.

**R2.2** The District should review its property tax allocation methodology to use the historical ratio of property tax allocation receipts to real estate property tax receipts. Using historical ratios should be more accurate than using the current year's estimate as the basis for projections, assuming the relationship between the two variables has not fundamentally changed.



Cloverleaf LSD uses information obtained from the county auditor to project FY 2003-04 receipts. Because the FY 2003-04 estimate is 3.9 percent higher than FY 2002-03, the treasurer appreciates property tax allocation receipts throughout the remainder of the forecast at 3.9 percent annually, until the expiration of the 5.9 mill levy in FY 2006-2007. This is higher than the appreciation rates for real estate revenues of 1.4 and 2.75 percent in FY 2004-05 and FY 2005-06.

Property tax allocation receipts are the District's reimbursement for a property tax rollback granted to the citizens of Ohio as established by ORC § 319.302 and ORC § 323.152(B). This rollback grants a percentage credit for all property tax owners in the state. The State remits payments to the taxing entity for these credits. Therefore, these receipts are largely determined based upon property valuations and should maintain a stable relationship with real estate property tax receipts. This is consistent with AOS bulletin 98-015, which states that property tax allocation projections may be calculated as a fixed percentage of property tax receipts. This fixed percentage may be calculated as an average of the past three year's ratios of property tax allocation receipts to real estate tax receipts. In this manner, growth in property tax allocation receipts will parallel the anticipated growth (or decline) in real estate property taxes.

As a result, the District's current methodology of projecting this line item appears to be too aggressive. Property tax allocations comprised 15.8 percent, 15.6 percent, and 15.7 percent of real estate property tax revenue for FY 2000-01, FY 2001-02, and FY 2002-03, respectively. By averaging the last three years' ratios, an averaged a rate of 15.7 percent of real estate tax receipts can be used to project future property tax allocation receipts, consistent with AOS bulletin 98-015.

**Table 2-4** presents the net effect of the difference in forecast methodology for property tax allocation on the fund balance.

**Table 2-4: Revised Property Tax Allocation Receipts**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Cloverleaf LSD's Projected Property Tax Allocation Receipts	\$1,346,803	\$1,399,597	\$1,385,634	\$1,367,739
AOS Revised Property Tax Allocation Receipt Projections	\$1,312,810	\$1,348,887	\$1,378,912	\$1,393,667
<b>Net Effect Upon Forecast Fund Balance</b>	<b>(\$33,993)</b>	<b>(\$50,710)</b>	<b>(\$6,722)</b>	<b>\$25,928</b>

**Source:** Cloverleaf LSD forecast and AOS calculations.

**Note:** As property tax allocation projections are based on AOS revised real estate projections, **Table 2-3** includes the effect of renewing the 5.9 mill levy for FY 2006-07 and FY 2007-08.

### **R2.3 The District should encourage and provide the resources for the treasurer to annually attend the Ohio Association of School Business Officials (OASBO) training**

**to continually update forecasting skills using the forecast spreadsheet program. This will enable the treasurer to provide accurate financial detail to support Board financial decisions and provide the public with a better understanding of the district's financial condition.**

The treasurer at Cloverleaf LSD uses a five year forecasting software package provided through OASBO. The software enables the treasurer to better monitor cash flows and operations by using graphs and historical data to account for changes and trends. The school fiscal officers who created the software continually update it to reflect changes in laws and ODE requirements.

Cloverleaf's fiscal challenges have restricted travel and professional development for staff. The treasurer's inability to attend training in March 2004 caused him to miss training that included software package updates to correct prior formula errors, including the formula for forecasting the property tax allocation based on the three year historical relationship to real estate property tax receipts (see **R2.2**). Additionally, changes in tax laws affecting school district funding, such as tangible personal property tax laws decreasing the revenue from business inventory and public utilities, are integrated into the software update.

Keeping abreast of the latest software updates will allow the treasurer to record historical information to help explain trends and aberrations, enabling more accurate forecasting and incorporating trend analysis in fiscal reporting.

*Financial Implication:* The District would incur an annual fee of \$475 for the treasurer to attend the annual training seminar.

### *Revenue & Expenditure Analysis*

**R2.4 Cloverleaf LSD should closely examine the spending patterns indicated in Table 2-8 and identify activities and functions that have an opportunity for cost reductions without impacting the quality of education. Cloverleaf LSD should reallocate its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results. Combined with a close examination of the performance of educational activities, the District could improve its performance index score and meet additional ODE performance standards while reducing its operating expenditures.**

**Table 2-5** compares Cloverleaf LSD's General Fund revenue sources and expenditures by type to that of the peer school districts. These figures are adjusted on a per ADM basis to account for student population differences.

**Table 2-5: Comparison of General Fund Revenues by Source and Expenditures by Object per ADM**

	Cloverleaf FY 2003	Highland	Lake	Louisville	Peer Average
<b>Average Daily Membership (ADM)</b>	<b>3,348</b>	<b>2,525</b>	<b>3,280</b>	<b>3,042</b>	<b>2,949</b>
Property & Income Tax	\$2,859	\$5,161	\$2,654	\$2,142	\$3,193
Intergovernmental Revenues	3,655	2,513	3,828	3,892	3,475
Transfers In	36	0	687	0	255
Other Revenues	167	306	76	84	144
<b>Total Revenue</b>	<b>\$6,717</b>	<b>\$7,980</b>	<b>\$7,244</b>	<b>\$6,122</b>	<b>\$7,068</b>
Wages	\$4,245	\$4,378	\$3,928	\$4,081	\$4,109
Fringe Benefits	1,408	1,244	1,139	1,203	1,191
Purchased Service	463	507	451	311	419
Tuition	210	101	365	170	223
Supplies & Textbooks	239	287	152	253	225
Miscellaneous	104	122	105	93	106
<b>Expenses before Capital Outlays and Financing</b>	<b>\$6,669</b>	<b>\$6,639</b>	<b>\$6,140</b>	<b>\$6,111</b>	<b>\$6,273</b>
Capital Outlays	\$84	\$560	\$204	\$102	\$270
Debt Service	0	0	28	0	11
Other Financing Uses	56	92	708	18	295
<b>Total Expenditures</b>	<b>\$6,810</b>	<b>\$7,291</b>	<b>\$7,081</b>	<b>\$6,231</b>	<b>\$6,849</b>

Source: SF-3 reports, 4502 reports- exhibit II and statement P

In FY 2002-03, Cloverleaf LSD received 5.0 percent less General Fund revenue per student than the peer average, primarily attributed to Highland's substantially higher local funding (property and income tax) per pupil and Lake's higher level of transfers in per pupil. When compared to the peers, Cloverleaf LSD received the second highest amount of local funding per pupil, and the second lowest amount of State (intergovernmental) funding per pupil.

Cloverleaf LSD spent 0.6 percent more per student than the peer average in FY 2002-03 from the General Fund. Excluding capital outlay, debt service, and financing, the District spent 6.3 percent more per student than the peer average, primarily explained by the higher wage and fringe benefit expenses. Wage and benefit expenses are discussed in more detail in the **human resources** section of this report, including staffing levels. In addition, staffing levels for **facilities** and **transportation** are assessed in those sections of this report. Purchased services expenditures per student were second highest when

compared to the peers (see the **facilities** section). Tuition expenditures per student were also second highest, due to special education needs (see the **human resources** section).

While Cloverleaf LSD spent more per student in expenses before capital outlay and financing than peer districts, it meets fewer educational performance standards. Each school district is required to receive a performance accountability rating based on 22 performance standards. These 22 standards are minimum performance goals for public education in Ohio. ODE also compiles proficiency testing information into performance index scores. The performance index score is based upon the average scores in five subject areas of fourth and sixth graders on the proficiency tests. This information encapsulates the student's level of achievement as opposed to simply tracking whether a standard was met.

**Table 2-6** presents the number of performance standards met by Cloverleaf LSD and the peers in FY 2000-01, FY 2001-02, and FY 2002-03.

**Table 2-6: ODE Performance Standards Comparison**

	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average
<b>Number of 27 Performance Standards Met</b>					
<b>FY 2000-01</b>	21	27	22	23	24
<b>Number of 22 Performance Standards Met</b>					
<b>FY 2001-02</b>	15	22	21	19	21
<b>FY 2002-03</b>	19	22	20	20	21

Source: ODE Report Cards

Note: The Ohio Department of Education (ODE) ceased administrating 12<sup>th</sup> grade proficiency tests in FY 2001-02, which was the basis of five performance standards. This table presents the districts' performance against the relevant performance standards for each year.

**Table 2-7** summarizes Cloverleaf LSD's performance index scores for FY 2000-01 through FY 2002-03 and compares these scores to the peer school districts.

**Table 2-7: Comparison of District Performance Index Scores**

Comparison of Performance Index Scores	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average
<b>FY 2000-01</b>	84.5	100.2	88.0	88.9	92.4
<b>FY 2001-02</b>	85.8	98.6	90.4	92.7	93.9
<b>FY 2002-03</b>	93.2	99.2	93.2	92.4	94.9

Source: ODE Report Cards

Cloverleaf LSD has met fewer performance standards than the peer average in FY 2000-01, FY 2001-02, and FY 2002-03. Furthermore, Cloverleaf LSD's performance index score was lower than the peers in FY 2001-01 and FY 2001-02, although it has improved in each of the last three years and is the same or higher than two of the peers in FY 2002-03. As peer school districts are able to meet more ODE performance standards with less funding per student, it appears that there is an opportunity to reduce operating expenditures, without negatively impacting the academic achievement of its students.

The allocation of resources between the various functions or activities of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. An analysis of the spending patterns between the various functions should indicate where the priorities of the school board and management are placed, and illustrate where there are opportunities for expenditure reductions. **Table 2-8** illustrates the governmental expenditures posted to the various Uniform School Accounting System (USAS) function codes for Cloverleaf LSD and the peer school districts for FY 2002-03. Function codes are designed to report expenditures by nature or purpose.

**Table 2-8: Governmental Funds Operational Expenditures by Function for FY 2002-03**

USAS Function Classification	Cloverleaf		Highland		Lake		Louisville		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$4,256</b>	<b>58.0%</b>	<b>\$3,980</b>	<b>55.2%</b>	<b>\$4,028</b>	<b>59.6%</b>	<b>\$4,318</b>	<b>64.1%</b>	<b>\$4,114</b>	<b>59.8%</b>
Regular Instruction	\$3,498	47.7%	\$3,058	42.4%	\$3,113	46.0%	\$3,227	47.9%	\$3,137	45.6%
Special Instruction	\$543	7.4%	\$812	11.3%	\$551	8.1%	\$810	12.0%	\$714	10.4%
Vocational Education	\$59	0.8%	\$83	1.2%	\$110	1.6%	\$112	1.7%	\$103	1.5%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$3	0.0%	\$0	0.0%	\$1	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$156	2.1%	\$28	0.4%	\$251	3.7%	\$169	2.5%	\$159	2.3%
<b>Support Service Expenditures:</b>	<b>\$2,852</b>	<b>38.9%</b>	<b>\$2,937</b>	<b>40.7%</b>	<b>\$2,440</b>	<b>36.1%</b>	<b>\$2,072</b>	<b>30.7%</b>	<b>\$2,455</b>	<b>35.7%</b>
Pupil Support Services	\$394	5.4%	\$349	4.8%	\$251	3.7%	\$280	4.2%	\$289	4.2%
Instructional Support Services	\$322	4.4%	\$492	6.8%	\$374	5.5%	\$266	4.0%	\$371	5.4%
Board of Education	\$7	0.1%	\$8	0.1%	\$20	0.3%	\$25	0.4%	\$18	0.3%
Administration	\$508	6.9%	\$597	8.3%	\$570	8.4%	\$510	7.6%	\$557	8.1%
Fiscal Services	\$146	2.0%	\$251	3.5%	\$133	2.0%	\$125	1.9%	\$164	2.4%
Business Services	\$98	1.3%	\$21	0.3%	\$19	0.3%	\$51	0.8%	\$30	0.4%
Plant Operation & Maintenance	\$829	11.3%	\$619	8.6%	\$602	8.9%	\$494	7.3%	\$570	8.3%
Pupil Transportation	\$525	7.2%	\$524	7.3%	\$423	6.3%	\$319	4.7%	\$416	6.0%
Central Support Services	\$22	0.3%	\$77	1.1%	\$47	0.7%	\$2	0.0%	\$40	0.6%
<b>Non-Instructional Services Expenditures</b>	<b>\$24</b>	<b>0.3%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$85</b>	<b>1.3%</b>	<b>\$155</b>	<b>2.3%</b>	<b>\$85</b>	<b>1.2%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$209</b>	<b>2.8%</b>	<b>\$295</b>	<b>4.1%</b>	<b>\$211</b>	<b>3.1%</b>	<b>\$197</b>	<b>2.9%</b>	<b>\$230</b>	<b>3.3%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$7,340</b>	<b>100.0%</b>	<b>\$7,212</b>	<b>100.0%</b>	<b>\$6,764</b>	<b>100.0%</b>	<b>\$6,742</b>	<b>100.0%</b>	<b>\$6,884</b>	<b>100.0%</b>

Source: 4502 reports exhibit II, SF-3 reports

**Table 2-8** shows that Cloverleaf LSD spent \$4,256 and \$2,852 per pupil in instruction and support services, respectively, which are both higher than two of the three peers. Additionally, the District allocated the second highest percentage of its resources to support services. Cloverleaf LSD allocated the highest percentage of its governmental

fund expenditures to regular instruction, spending 12.0 percent more per pupil than the peer average. This is primarily due to the relatively higher salaries at Cloverleaf LSD (see **human resources**).

Overall support service expenditures per pupil were 13.9 percent higher than the peers, due to the following areas:

- Pupil support services were 36.3 percent higher than the peers, consisting of guidance counselors, school nurses, social workers, speech pathologists, psychologists, and support staff for students with disabilities. See the **human resources** section regarding staffing levels and salaries for additional information.
- Fiscal services were the second highest when compared to the peers. Treasurer's office employees comprise 52 percent of the total expenditures (see **human resources**), while the county treasurer and auditor fees comprise 37 percent.
- Business services were 225.0 percent higher than the peers, primarily attributable to employing a phone operator, and maintaining equipment and related agreements (e.g., copier costs, equipment leases, and telephone system). See the **human resources** and **facilities** sections for additional information.
- Plant operations were 45.5 percent higher than the peers (see the **facilities** section).
- Pupil transportation was 26.0 percent higher than the peers (see the **transportation** section).

Recommendations were made to reduce staffing and benefit costs, optimize facility usage and reduce facility expenditures, and enhance transportation operations in the **human resources**, **facilities**, and **transportation** sections of this report. These recommendations, if implemented, could potentially reduce expenditures and are supported by the information in **Tables 2-11**.

**R2.5 Cloverleaf LSD should review the athletic program and implement procedures to reduce the reliance on transfers from the General Fund to the athletic fund by reviewing its pay-to-play policy and considering a gender-equitable reduction in sports offered. These reviews and considerations should be based on targeted revenues and historical and projected participation. When reviewing and adjusting its pay-to-play policy, the District should recognize that cost will affect participation. Furthermore, the District should carefully review the athletic department's budget to identify potential cost savings that may not affect student participation and the number of sports offered, and could minimize pay-to-play fees charged to students.**

Cloverleaf LSD is anticipating General Fund transfers of \$50,000 to the athletic fund during the forecast period. The District instituted a pay-to-play policy in 2003. However, operational expenses still exceeded revenues in the athletic fund. This could be due to decreases in participation and/or insufficient pay-to-play fees. Furthermore, the treasurer indicated that the athletic department's budget increased for FY 2004-05, thereby increasing projected transfers from the General Fund.

By reviewing its pay-to-play policy to ensure that fees are established at a level that maximizes revenues and student participation, and considering a gender-equitable reduction in the number of sports offered, the District could decrease future projected transfers from the General Fund to the athletic fund. However, carefully reviewing the athletic department's budget and operations could result in savings to offset the General Fund transfers without affecting student participation and the number of sports offered. This may also minimize the pay-to-play fees charged to students.

**R2.6 The treasurer should identify all of the costs related to operating the recreation center. Subsequently, the treasurer should charge the Recreation Center Enterprise Fund for expenditures paid from the General Fund by developing an appropriate allocation methodology for combined expenses such as utilities, insurance, and employee benefits. In addition, Cloverleaf LSD should consider transferring monies from the General Fund to the Recreation Center Enterprise Fund to account for the District's use of the recreation center.**

**Furthermore, the recreation center's operating agreement should be updated to reflect current practices and should specify the allocation of charges, including amounts set aside for capital improvements, maintenance and potential deficits. The agreement should also be expanded to address other pertinent operational and financial issues, similar to the City of Wooster's recreation center agreement.**

In FY 2002-03, the Cloverleaf LSD treasurer paid approximately \$205,000 out of the Recreation Center Enterprise Fund for recreation center operating expenses. However, the District currently does not have an established allocation methodology to charge back General Fund expenditures related to the Recreation Center. Therefore, an allocation methodology was developed for this audit, based on square footage, to estimate the recreation center's portion of utility and insurance expenses incurred by the General Fund. The middle school, high school, and recreation center share a meter that tracks electricity and gas usage. The recreation center comprises 25.8 percent of the total square footage of these three buildings. Therefore, the recreation center's portion of utility expenses is estimated at 25.8 percent of total expenses, which amounts to approximately \$51,300 for FY 2002-03. Based on the fact that the recreation center encompasses 17.4 percent of total building square footage, its portion of insurance expenses is estimated at approximately \$5,400 for FY 2002-03.



Moreover, the audit identified additional costs incurred by the General Fund to support recreation center operations through documentation provided by the District, which included \$21,000 for workers compensation premiums and School Employees Retirement System (SERS) expenses for the director, assistant director, custodian, and part-time staff, and \$14,800 for snow removal, supplies and some repairs. In total, the audit estimated and identified approximately \$92,500 in combined expenses paid from the General Fund and not charged back to the Recreation Center Fund.

Starting in FY 2003-04, the District determined that \$1,000 per month was a fair amount to reimburse the General Fund for electricity usage attributed to the Recreation Center Fund. However, this amount was not determined by a formal allocation method. Electricity and gas are not isolated since multiple buildings, including the recreation center, use one meter to take advantage of a volume gas and electricity discounts. By not charging an appropriate portion of the combined expenses to the Recreation Center Fund, the General Fund is incurring additional expenses to support an enterprise fund which should be self-sufficient.

In addition to not charging back recreation center expenses incurred by the General Fund for the Recreation Center Enterprise Fund, Cloverleaf LSD does not transfer monies from the General Fund to account for the District's use of the recreation center. Over a twelve month period, Cloverleaf LSD uses the recreation center approximately 20 hours per week. During this time, the District has sole use of the recreation center. As the center is open 100.5 hours per week, the District has exclusive use of the center 20 percent of the total available time. By applying this percentage to the FY 2002-03 recreation center enterprise fund's expenses, and including additional General Fund expenses that AOS was able to identify, Cloverleaf LSD could transfer approximately \$59,500 from the General Fund to the Recreation Center Fund to pay for the District's use of the recreation center. This will provide the recreation center steering committee and Board with a more complete financial overview of recreation center operations.

Additionally, by not charging all revenues and expenditures to the Recreation Center Fund, the District is in violation of the recreation center operating agreement. According to the operating agreement, "The Enterprise Fund should maintain the operating and replacement costs of the Recreation Center in accordance with GAAP." It further states, "The Enterprise Fund shall be maintained separate and apart from the other funds maintained by the School Board and shall be restricted in use to the Recreation Center." Sound accounting principles according to GAAP dictate matching revenues and expenses. Without aggregating and tracking the expenditures in one fund, the District does not know if the recreation center is self sufficient or the extent to which it is supplemented by the General Fund. Since the recreation center receives its own funding from memberships, donations, rent income, and banner sales, it should not depend on the

General Fund to further subsidize expenses, especially since the General Fund is projecting deficits in future years.

The current operating agreement for the recreation center has not been updated since it opened over five years ago, even though the recreation center's operations have changed during that time. An outdated agreement could lead to improper management decisions and confusion among stakeholders over proper operation.

The City of Wooster, the Wooster YMCA, and the Wooster City School District have a joint operating agreement for their recreation center that details areas not contained in Cloverleaf LSD's agreement, such as steering committee membership and responsibilities; facility use; scheduling process; fee structure; financial obligations on an annual basis, including day-to-day operations; and capital improvement and replacement costs. Wooster's agreement also includes funding formulas for deficit obligations and excess funding, and explains the insurance, supervision, utilities and maintenance funding obligations.

Updating the Cloverleaf LSD agreement to reflect current practices and the topics mentioned above would provide appropriate guidelines to effectively operate the recreation center and potentially improve customer satisfaction.

*Financial Implication:* By properly accounting for General Fund and recreation center expenses via an appropriate allocation methodology, the General Fund would realize additional revenues of approximately \$33,000 annually. However, the total amount of charge backs and corresponding impact on the General Fund ultimately depends on the District accounting for all of the costs incurred by the General Fund to support recreations center operations.

### *Financial Recovery Plan*

**R2.7 Cloverleaf LSD should analyze and use the financial recovery plan outlined in Table 2-9 to evaluate the recommendations presented in this performance audit. Cloverleaf LSD should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its projected deficits. In addition, Cloverleaf LSD should update the financial recovery plan on an ongoing basis as critical financial issues are addressed, change or emerge.**

**During the course of this performance audit, the Cloverleaf LSD Board voted to place a \$3.8 million, 8.75 mill emergency operating levy on the November 2004 ballot. Cloverleaf LSD should demonstrate accountability by sharing information with the public concerning how this new revenue will be spent and how the levy will benefit the District. Although this levy and the performance audit**

**recommendations would eliminate the projected deficits, the District should carefully monitor expenditures and further review its operations to identify additional savings, thereby improving its financial condition and minimizing the tax burden on its local residents.**

Cloverleaf LSD's forecast, presented in **Table 2-1**, projects deficits from FY 2003-04 to FY 2007-08 without cost saving measures or new operating revenue. **Table 2-1** shows that the District is expected to reach a \$9.8 million deficit in FY 2007-08.

**Table 2-9** presents a potential financial recovery plan for Cloverleaf LSD management to use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. **Table 2-9** also includes the revised projections outlined in **R2.1** and **R2.2** to present a more reliable forecast of these items.

Because actual results for FY 2003-04 were available, they are included in **Table 2-9**. While actual revenues were extremely close to projections, actual expenditures in personal services, benefits, purchased services, and supplies and materials were notably lower than the May 2004 forecast. Considering that the projections for these items seemed reasonable, the District appears to have been active in reducing and monitoring expenditures during FY 2003-04. Following discussions with the treasurer, **Table 2-9** also adjusts the treasurer's original assumption of a 2.0 percent annual appreciation rate for other expenditures, by instead applying a 3.0 percent increase after FY 2003-04. According to the treasurer, some expenses increased unexpectedly during the course of this performance audit, including treasurer and auditor fees, educational center service costs, and insurance expenditures. Therefore, increasing expenditures by 3.0 percent annually would provide a more reasonable and conservative projection.

**Table 2-9: Proposed Financial Recovery Plan (in 000's)**

	Actual FY 2000-01	Actual FY 2001-02	Actual FY 2002-03	Actual FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08
Real Estate Property Tax	\$7,471	\$7,818	\$7,927	\$8,264	\$8,368	\$8,598	\$8,789	\$8,883
Tangible Personal Property Tax	1,818	1,756	1,646	1,607	1,655	1,655	1,655	1,655
Unrestricted Grants-in-Aid	9,956	10,780	10,493	10,590	10,209	10,300	10,300	10,300
Restricted Grants-in-Aid	92	273	496	57	58	90	90	90
Property Tax Allocation	1,178	1,218	1,248	1,259	1,313	1,349	1,379	1,394
Other Revenues	474	324	229	400	401	401	401	401
<b>Total Operating Revenues</b>	<b>20,989</b>	<b>22,169</b>	<b>22,039</b>	<b>22,117</b>	<b>22,004</b>	<b>22,393</b>	<b>22,614</b>	<b>22,723</b>
Personal Services	13,232	13,773	14,212	14,072	13,638	14,177	14,737	15,319
Employee's Retirement & Insurance Benefits	4,224	4,471	4,716	4,914	5,151	5,599	6,094	6,641
Purchased Services	2,072	2,072	2,252	2,145	2,381	2,452	2,526	2,601
Supplies & Materials	932	1,123	800	706	973	1,002	1,032	1,063
Capital Outlay	359	464	282	24	178	184	189	195
Other Objects	330	328	347	404	416	429	441	455
<b>Total Operating Expenditures</b>	<b>21,149</b>	<b>22,231</b>	<b>22,609</b>	<b>22,265</b>	<b>22,737</b>	<b>23,843</b>	<b>25,019</b>	<b>26,274</b>
Operating Transfers/Advances In	370	425	119	38	0	0	0	0
Operating Transfers/Advances Out	(465)	(700)	(189)	(123)	(85)	(85)	(85)	(85)
All Other Financing Sources/ (Uses)	77	11	331	43	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>(18)</b>	<b>(265)</b>	<b>262</b>	<b>(42)</b>	<b>(85)</b>	<b>(85)</b>	<b>(85)</b>	<b>(85)</b>
<b>Results of Operations (Loss)</b>	<b>(178)</b>	<b>(327)</b>	<b>(308)</b>	<b>(190)</b>	<b>(818)</b>	<b>(1,535)</b>	<b>(2,490)</b>	<b>(3,636)</b>
Beginning Cash Balance	2,095	1,917	1,590	1,282	1,092	274	(1,261)	(3,751)
<b>Ending Cash Balance</b>	<b>1,917</b>	<b>1,590</b>	<b>1,282</b>	<b>1,092</b>	<b>274</b>	<b>(1,261)</b>	<b>(3,751)</b>	<b>(7,387)</b>
Outstanding Encumbrances	661	437	310	154	300	300	300	300
Budget Reserves	416	0	0	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>840</b>	<b>1,153</b>	<b>972</b>	<b>938</b>	<b>(26)</b>	<b>(1,561)</b>	<b>(4,051)</b>	<b>(7,687)</b>
Cumulative effect of AOS recommendations not subject to negotiations	NA	NA	NA	NA	695	1,429	2,198	3,010
Cumulative effect of AOS recommendations subject to negotiations	NA	NA	NA	NA	332	693	1,094	1,539
<b>Adjusted Ending Fund Balance</b>	<b>840</b>	<b>1,153</b>	<b>972</b>	<b>938</b>	<b>1,001</b>	<b>561</b>	<b>(759)</b>	<b>(3,138)</b>

Source: Cloverleaf LSD five-year forecast adjusted for AOS revised projections and performance audit recommendations.

**Table 2-10** details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-9**. These recommendations are separated by those that require contract renegotiation and those that do not require negotiation.

**Table 2-10: Financial Impact of Performance Audit Recommendations**

Recommendations	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
<b>Increases/ (Decreases) Resulting from Revised Assumptions:</b>				
<b>R2.1</b> Revise Real Estate and Tangible Personal Property Tax Projections	\$0	\$0	\$514,767	\$1,073,037
<b>R2.2</b> Revise Property Tax Allocation Receipts	(\$33,993)	(\$50,710)	(\$6,722)	\$25,928
<b>AOS Revised Forecast Assumptions Impact</b>	<b>(\$33,694)</b>	<b>(\$50,710)</b>	<b>\$508,045</b>	<b>\$1,098,965</b>
<b>Recommendations Not Subject to Negotiation:</b>				
<b>R2.3</b> Sponsor Treasurer for OASBO Training	(\$475)	(\$475)	(\$475)	(\$475)
<b>R2.6</b> Reimburse Costs for Recreation Center	\$33,000	\$33,000	\$33,000	\$33,000
<b>R3.6</b> Reduce Sick Leave Use for Classified Employees	\$11,500	\$11,742	\$11,988	\$12,240
<b>R4.1</b> Close Chatham and Lafayette Elementary Schools	\$328,000	\$352,000	\$371,000	\$396,000
<b>R4.2</b> Reduce Custodial Staffing by 3.7 FTEs	\$103,071	\$110,249	\$118,291	\$127,366
<b>R4.3</b> Reduce Administrative Staff by 1.8 FTEs	\$57,600	\$61,611	\$66,105	\$71,177
<b>R4.5</b> Reduce Energy Costs	\$57,000	\$58,700	\$60,500	\$62,300
<b>R4.6</b> Increase Group Purchasing Participation	\$48,000	\$49,400	\$50,900	\$52,500
<b>R5.2</b> Reduce One Bus	\$33,000	\$33,000	\$33,000	\$33,000
<b>R5.3</b> Establish Parent/Guardian Contracts and Payment-in-lieu of Transportation Agreements	\$2,700	\$2,700	\$2,700	\$2,700
<b>R5.4</b> Renegotiate Fuel Purchases	\$22,000	\$22,000	\$22,000	\$22,000
<b>Total Recommendations Not Subject to Negotiation</b>	<b>\$695,396</b>	<b>\$733,927</b>	<b>\$769,009</b>	<b>\$811,808</b>
<b>Recommendations Subject to Negotiation:</b>				
<b>R3.4</b> Increase Employee Contribution for Health Insurance	\$234,000	\$262,080	\$293,530	\$328,753
<b>R3.5</b> Increase Part-time Employee Contribution for Health Insurance	\$59,000	\$66,080	\$74,010	\$82,891
<b>R3.8</b> Reduce Classified Sick Leave Paid Upon Retirement	\$37,000	\$31,000	\$31,651	\$32,316
<b>R3.9</b> Reduce the number of paid holidays	\$1,500	\$1,500	\$1,500	\$1,500
<b>Total Recommendations Subject to Negotiation</b>	<b>\$331,500</b>	<b>\$360,660</b>	<b>\$400,691</b>	<b>\$445,460</b>
<b>Total Recommendations Included in Forecast</b>	<b>\$1,026,896</b>	<b>\$1,094,587</b>	<b>\$1,169,700</b>	<b>\$1,257,268</b>

Source: Financial Implications for all sections of this performance audit report

Note 1: Recommendations are appreciated according to the corresponding assumption made by the District or revised by AOS.

Note 2: R3.2 in human resources and 0.5 FTE from R4.2 in facilities are excluded from the financial impact of the performance audit recommendations because the District has captured these reductions in its forecast.

Table 2-11 shows the ending fund balance as a percentage of the previous year total revenue, both with and without the performance audit recommendations. As fiscal oversight designations are based on the ending fund balance as a percentage of the previous year total revenue, the scenarios depict the likelihood of Cloverleaf LSD being placed in fiscal caution, watch or emergency during the forecast period.

**Table 2-11: Fund Balance to Prior Year Total Revenue**

Fiscal Year	No AOS Recommendations	With AOS Recommendations
FY 2001-02	5.5%	5.5%
FY 2002-03	4.4%	4.4%
FY 2003-04	4.3%	4.3%
FY 2004-05	(0.1%)	4.5%
FY 2005-06	(7.1%)	2.5%
FY 2006-07	(18.1%)	(3.4%)
FY 2007-08	(34.0%)	(13.9%)

**Source:** Cloverleaf LSD five-year forecast and AOS proposed recovery plan

As shown in **Table 2-11**, without the savings associated with the audit recommendations, the District's ending fund balance as a percentage of prior year's revenues decreases significantly each year during the forecast period. However, by including the performance audit recommendations, the District's ending fund balances as a percentage of prior year revenues are a positive 4.5 and 2.5 percent in FY 2004-05 and FY 2005-06, respectively. Additional expenditure reductions and/or revenue enhancements will be necessary to remain above the fiscal oversight thresholds during the remaining years of the forecast, because the District is projected to experience deficits exceeding 2.0 percent of prior years' revenues in FY 2006-07 and FY 2007-08.

In an effort to cut costs, the District has reduced staffing and expenditures in various areas. For instance, the District reduced 22 teaching positions for FY 2004-05, increasing its regular student to regular teacher ratio to 23:1 – close to the State minimum standards of 25:1. Nevertheless, since the performance audit recommendations do not fully eliminate the projected deficits in FY 2006-07 and FY 2007-08, the District should continue to review its operations and identify additional savings to improve its financial condition. For example, the District could reduce ESP staff to State minimum standards, although this alone would not fully eliminate the projected deficit in FY 2007-08. Furthermore, the District would significantly improve its financial condition if it is able to control spending by forecasting future increases based on actual expenditures in FY 2003-04, rather than based on the original projections for FY 2003-04. By appreciating purchased services and supplies and materials according to the treasurer's assumption of 3.0 percent annually from actual expenditures in FY 2003-04, the District would achieve a cumulative reduction in projected expenditures of approximately \$1.7 million by FY 2007-08.

During the course of this performance audit, the Cloverleaf LSD Board voted to place a \$3.8 million, 8.75 mill emergency operating levy on the November 2004 ballot. This levy, coupled with the financial impact of the performance audit recommendations,

would be more than sufficient to offset the projected deficits in FY 2006-07 and FY 2007-08, even if the 5.9 mill levy was not renewed in 2006.

For Cloverleaf LSD to maintain an acceptable level of financial stability, the District will need to continue to make difficult management decisions regarding potential means for increasing revenues and reducing expenditures. This performance audit provides a series of recommendations Cloverleaf LSD should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan.

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# Human Resources

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## Background

This section of the report focuses on the human resources operations of the Cloverleaf Local School District (Cloverleaf LSD). Peer district information, and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) will be used for comparisons throughout this report.

### *Organizational Function*

Cloverleaf LSD does not have a separate department that performs human resources activities. Instead, the primary human resources responsibilities are completed by the superintendent and the treasurer. The superintendent recruits and selects new employees, participates in new employee orientations, monitors compliance with employment standards (criminal background checks and teaching certifications), facilitates employee performance evaluations, maintains employee personnel files, administers and monitors grievance policies and procedures, conducts disciplinary hearings, and determines substitute usage and placement within departments. The treasurer oversees payroll, leave usage, insurance, and benefits. In addition, the superintendent and treasurer collaborate on issues such as contract negotiations and benefits administration. The treasurer spends approximately ten percent of his time on human resource responsibilities, while the superintendent spends approximately thirty percent of his time on human resources responsibilities.

### *Staffing*

**Table 3-1** illustrates the actual staffing levels at Cloverleaf LSD and the peer districts during FY 2003-04, as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based on interviews with appropriate district personnel to ensure comparability and consistency in reporting. All positions are shown as full-time equivalents (FTEs). Calculations are based on an eight hour day, 260 days per year with the exception of certificated and transportation staff. Calculations for certificated staff are based on the length of the work day specified in the collective bargaining agreements (see **Table 3-3**), and calculations for transportation staff are based on an eight hour work day. Calculations and assessments for transportation staffing are in the **transportation section** of this report.

**Table 3-1: FTE Staffing Levels for FY 2003-04**

Category	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average
<b>Administrators: Subtotal</b>	<b>14.0</b>	<b>10.5</b>	<b>16.5</b>	<b>16.5</b>	<b>14.5</b>
Superintendent	1.0	1.0	1.0	1.0	1.0
Assistant Superintendent	1.0	0.0	0.0	0.0	0.0
Treasurer	1.0	1.0	1.0	1.0	1.0
Assistant Principals	2.0	2.0	3.0	3.0	2.7
Principals	6.0	4.0	5.0	6.0	5.0
Supervising, Managing and Directing	1.0	1.0	1.0	0.0	0.7
Coordinator	1.0	0.5	4.5	3.5	2.8
Director	1.0	1.0	1.0	1.0	1.0
Other Administrators	0.0	0.0	0.0	1.0	0.3
<b>Professional Education: Subtotal</b>	<b>208.1</b>	<b>165.4</b>	<b>202.1</b>	<b>204.9</b>	<b>190.7</b>
Curriculum Specialist	0.0	1.0	2.0	1.0	1.3
Counseling	7.0	5.0	6.0	8.4	6.5
Librarian / Media	2.0	3.0	2.0	2.0	2.3
Remedial Specialist	6.0	14.1	1.4	11.3	8.9
Regular Teaching	151.5	105.0	152.5	144.7	134.1
Special Education Teaching	18.0	11.0	12.0	19.0	14.0
Vocational Education Teaching	2.0	3.0	2.0	3.0	2.7
Tutor / Small Group Instructor	6.6	7.3	14.2	5.3	8.9
Educational Service Personnel Teacher	15.0	12.0	10.0	10.2	10.7
Supplemental Service Teacher	0.0	4.0	0.0	0.0	1.3
<b>Professional – Other</b>	<b>6.0</b>	<b>6.0</b>	<b>6.1</b>	<b>7.1</b>	<b>6.4</b>
<b>Technical : Subtotal</b>	<b>3.0</b>	<b>3.5</b>	<b>1.8</b>	<b>3.3</b>	<b>2.8</b>
Library Aide	3.0	2.5	1.8	3.3	2.5
Other Technical	0.0	1.0	0.0	0.0	0.3
<b>Office / Clerical: Subtotal</b>	<b>35.7</b>	<b>25.7</b>	<b>35.9</b>	<b>25.7</b>	<b>29.1</b>
Bookkeeping	2.5	3.0	3.0	2.9	3.0
Clerical	16.5	9.0	14.2	16.2	13.1
Teaching Aide	14.9	10.0	17.0	6.6	11.2
Telephone Operator	0.8	0.0	0.0	0.0	0.0
Other Office / Clerical	1.0	3.7	1.7	0.0	1.8
<b>Crafts / Trades</b>	<b>4.3</b>	<b>3.0</b>	<b>2.6</b>	<b>2.0</b>	<b>2.5</b>
<b>Transportation</b>	<b>26.0</b>	<b>20.0</b>	<b>25.3</b>	<b>21.5</b>	<b>22.3</b>
<b>Custodial</b>	<b>23.3</b>	<b>14.7</b>	<b>21.3</b>	<b>16.8</b>	<b>17.6</b>
<b>Food Service</b>	<b>12.9</b>	<b>8.2</b>	<b>9.6</b>	<b>11.9</b>	<b>9.9</b>
<b>Monitoring</b>	<b>0.0</b>	<b>2.3</b>	<b>7.9</b>	<b>6.9</b>	<b>5.7</b>
<b>Groundskeeper</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.7</b>
<b>Attendant</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>9.0</b>	<b>3.2</b>
<b>Other Service Worker / Laborer</b>	<b>0.0</b>	<b>4.7</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>
<b>Total FTEs</b>	<b>333.3</b>	<b>265.7</b>	<b>329.1</b>	<b>326.6</b>	<b>307.0</b>

**Source:** FY 2003-04 EMIS Staff Summary Report and School Enrollment from Cloverleaf LSD and the peer districts

**Note:** FTE numbers have been adjusted to allow for an accurate comparison between Cloverleaf LSD and peer districts

It is recognized that staffing levels within a school district vary depending on the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 Average Daily Membership (ADM) at Cloverleaf LSD and the peer districts for FY 2003-04.

**Table 3-2: FTE Staffing Levels for FY 2003-04 per 1,000 ADM**

Category	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average
<b>ADM</b>	<b>3,457</b>	<b>2,679</b>	<b>3,227</b>	<b>3,161</b>	<b>3,022</b>
<b>Administrators: Subtotal</b>	<b>4.1</b>	<b>4.0</b>	<b>5.1</b>	<b>5.1</b>	<b>4.6</b>
Superintendent	0.3	0.4	0.3	0.3	0.3
Assistant Superintendent	0.3	0.0	0.0	0.0	0.0
Treasurer	0.3	0.4	0.3	0.3	0.3
Assistant Principals	0.6	0.7	0.9	0.9	0.8
Principals	1.7	1.5	1.6	1.9	1.7
Supervising, Managing and Directing	0.3	0.4	0.3	0.0	0.2
Coordinator	0.3	0.2	1.4	1.1	0.9
Director	0.3	0.4	0.3	0.3	0.3
Other Administrators	0.0	0.0	0.0	0.3	0.1
<b>Professional Education: Subtotal</b>	<b>60.1</b>	<b>61.8</b>	<b>62.6</b>	<b>64.7</b>	<b>63.1</b>
Curriculum Specialist	0.0	0.4	0.6	0.3	0.4
Counseling	2.0	1.9	1.9	2.7	2.2
Librarian / Media	0.6	1.1	0.6	0.6	0.8
Remedial Specialist	1.7	5.3	0.4	3.6	3.1
Regular Teaching	43.8	39.2	47.3	45.7	44.1
Special Education Teaching	5.2	4.1	3.7	6.0	4.6
Vocational Education Teaching	0.6	1.1	0.6	0.9	0.9
Tutor / Small Group Instructor	1.9	2.7	4.4	1.7	2.9
Educational Service Personnel Teaching	4.3	4.5	3.1	3.2	3.6
Supplemental Service Teacher	0.0	1.5	0.0	0.0	0.5
<b>Professional – Other</b>	<b>1.7</b>	<b>2.2</b>	<b>1.9</b>	<b>2.2</b>	<b>2.1</b>
<b>Technical : Subtotal</b>	<b>0.9</b>	<b>1.3</b>	<b>0.6</b>	<b>1.0</b>	<b>0.9</b>
Library Aide	0.9	0.9	0.6	1.0	0.8
Other Technical	0.0	0.4	0.0	0.0	0.1
<b>Office / Clerical: Subtotal</b>	<b>10.3</b>	<b>9.6</b>	<b>11.1</b>	<b>8.1</b>	<b>9.6</b>
Bookkeeping	0.7	1.1	0.9	0.9	1.0
Clerical	4.8	3.4	4.4	5.1	4.3
Teaching Aide	4.3	3.7	5.3	2.1	3.7
Telephone Operator	0.2	0.0	0.0	0.0	0.0
Other Office/Clerical	0.3	1.4	0.5	0.0	0.6
<b>Crafts / Trades</b>	<b>1.2</b>	<b>1.1</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>
<b>Transportation</b>	<b>7.5</b>	<b>7.5</b>	<b>7.8</b>	<b>6.8</b>	<b>7.4</b>
<b>Custodial</b>	<b>6.7</b>	<b>5.5</b>	<b>6.6</b>	<b>5.3</b>	<b>5.8</b>
<b>Food Service</b>	<b>3.7</b>	<b>3.1</b>	<b>3.0</b>	<b>3.8</b>	<b>3.3</b>
<b>Monitoring</b>	<b>0.0</b>	<b>0.9</b>	<b>2.4</b>	<b>2.2</b>	<b>1.8</b>
<b>Groundskeeper</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>
<b>Attendant</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>2.8</b>	<b>1.0</b>
<b>Other Service Worker / Laborer</b>	<b>0.0</b>	<b>1.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>
<b>Total FTEs</b>	<b>96.2</b>	<b>99.5</b>	<b>101.9</b>	<b>102.9</b>	<b>101.2</b>

Source: FY 2003-04 EMIS Staff Summary Report and School Enrollment from Cloverleaf LSD and the peer districts

Note: FTE numbers have been adjusted to allow for an accurate comparison between Cloverleaf LSD and peer districts

As illustrated in **Table 3-2**, Cloverleaf LSD has a higher number of FTE employees per 1,000 ADM than the peer average in the following classifications;

- Assistant Superintendent (see page 3-8);
- Supervising, Managing and Directing (see page 3-8);
- Special Education Teaching (see page 3-8);
- Educational Service Personnel Teaching (see page 3-8);
- Clerical and Telephone Operator (see **R3.2**);
- Teaching Aide (see page 3-9);
- Crafts/Trades (see the **facilities** section);
- Custodial (see the **facilities** section); and
- Food Service (see the **facilities** and **financial systems** sections).

### *Collective Bargaining Agreements*

Certificated and classified personnel within Cloverleaf LSD are governed by negotiated agreements. During this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial impact on Cloverleaf LSD. The implementation of any recommendations related to the collective bargaining agreements would require good faith negotiations with the respective bargaining units. **Table 3-3** and **Table 3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

**Table 3-3: Cloverleaf LSD & Peer Certificated Contractual Comparison**

	<b>Cloverleaf LSD</b>	<b>Highland LSD</b>	<b>Lake LSD</b>	<b>Louisville CSD</b>
<b>Length of work day</b>	7 hours 30 minutes	7 hours 30 minutes	7 hours 30 minutes	7 hours 30 minutes
<b>Maximum class size</b>	None Stated	None Stated	None Stated	None Stated
<b>Number of contract days</b>				
<b>Instructional</b>	184	184	186	184
<b>In-Service</b>	178	178	181	180
<b>Parent/Teacher Conferences</b>	4 2	4 2	1.5 3.5	2 2
<b>Instructional Minutes <sup>1</sup></b>	289	344	266	271
<b>Maximum Number of Sick Days Accrued</b>	Unlimited	Unlimited	295 days (2002-03) 300 days (2003-04) 305 days (2004-05) 310 days (2005-06)	254 days
<b>Maximum number of sick days paid upon retirement for 10 or more years of service (See R3.8)</b>	25% of up to 300 days = 75 days	25% of up to 280 days = 70 days	47 days for 2002-03 48 days for 2003-04 49 days for 2004-05 50 days for 2005-06	25% of accumulated up to 276 days = 69 days
<b>Professional Leave</b>	Unlimited with superintendent's approval	Unlimited with superintendent's approval	2 days per school year upon approval of the Superintendent	Unlimited with superintendent's approval
<b>Personal days received</b>	3	3	3	3
<b>Required notice</b>	5 days	3 days	2 days	2 days
<b>Number of leave days for association business</b>	6 days total for select representatives from the union.	11 days total	None Stated	Unlimited
<b>Sabbatical leave</b>	2 semesters	1 year	None Stated	2 semesters
<b>District pick-up on employee retirement contribution</b>	No	No	No	No
<b>Annual cost of living adjustments (See R3.3)</b>	2001-02: 4.0% 2002-03: 3.5% 2003-04: 3.5%	2001-02: 3.8% 2002-03: 4.0% 2003-04: 3.0%	2001-02: 3.0% 2002-03: 3.5% 2003-04: 3.5%	2001-02: 3.0% 2002-03: 3.0% 2003-04: 3.25%

**Source:** Certificated negotiated agreements from Cloverleaf LSD and the peer districts; interviews with the personnel of Cloverleaf LSD and peer districts.

<sup>1</sup> Though not contractually defined, this is the actual teaching time per day for high school teachers.

**Table 3-4: Cloverleaf LSD & Peer Classified Contractual Comparison**

	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD
<b>Maximum call-in hours paid for emergencies</b>	None Stated	None Stated	None Stated	None Stated
<b>Paid vacation accumulation schedule (See R3.7)</b>	<u>1-4 years:</u> 10 days <u>5-8 years:</u> 12 days <u>9-13 years:</u> 15 days <u>14-17 years:</u> 20 days <u>18+ years:</u> 25 days	<u>1-9 years:</u> 10 days <u>10-27 years:</u> 15 days <u>18+ years:</u> 20 days	<u>1-6 years:</u> 10 days <u>7-14 years:</u> 15 days <u>15-24 years:</u> 20 days <u>25 years:</u> 25 days	<u>Up to 1 year:</u> 5 days <u>1-7 years:</u> 10 days <u>8-15 years:</u> 15 days <u>16+ years:</u> 20 days
<b>Sick and personal leave use incentive</b>	None Stated	½ balance times bargaining unit members daily base rate of pay if no leave is used	None Stated	None Stated
<b>Maximum number of sick leave days accrued</b>	Unlimited	Unlimited	295 days 2002-03 300 days 2003-04 305 days 2004-05 310 days 2005-06 315 days 2006-07	274 days for 2003-04 276 days for 2004-05 278 days for 2005-06
<b>Maximum number of sick leave days paid upon retirement (See R3.8)</b>	25% of up to 300 days =75 days	25% of up to 280 days = 70 days	47 days for 2002-03 48 days for 2003-04 49 days for 2004-05 50 days for 2005-06	25% of accumulated up to 276 days = 69 days
<b>Personal days received</b>	3 days	3 days	3 days	3 days
<b>Required notice</b>	5 days	3 days	2 days	2 days
<b>Number of holidays for 12-month employees (See R3.9)</b>	12 days	8 days	10 days	11 days
<b>Number of holidays for less than 12-month employees (See R3.9)</b>	8 days	7 days	8 days – 11 month 7 days – less than 11 month	7 days
<b>Number of leave days for association business</b>	3 days for the OAPSE President with pay; authorized delegates shall receive 3 days without pay. Total of 6 days	Accumulated 6 days per year	None Stated	3 days per authorized delegate without pay
<b>District pick-up of employee SERS contributions</b>	No	No	No	No
<b>Annual cost of living adjustments</b>	2001-02: 4.0% 2002-03: 4.0% 2003-04: 3.5%	2001-02: 4.0% 2002-03: 3.0% 2003-04: 3.0%	2001-02: 3.0% 2002-03: 3.5% 2003-04: 3.5%	2001-02: 3.0% 2002-03: 3.0% 2003-04: 3.25%

**Source:** Classified negotiated agreements from Cloverleaf LSD and the peer districts; interview with the personnel of Cloverleaf LSD and peer districts.

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### *Assessments Not Yielding Recommendations*

In addition to the analyses in this report, assessments were conducted on several areas within the **human resources** section that did not warrant changes and did not yield any recommendations. These areas include the following:

- *Assistant superintendent:* Cloverleaf LSD employs an assistant superintendent while the peers do not. This position serves in lieu of a curriculum specialist within the District and acts as the interim superintendent. In addition to curriculum implementation, the assistant superintendent monitors compliance with staffing laws and regulations, and coordinates professional development for certificated and classified staff including oversight of certification and licensure. This position also applies for and monitors federal and state grants for regular education, oversees the summer school program, evaluates and monitors the proficiency and diagnostic testing, and organizes the gifted program and summer school. The peers have these functions completed by the curriculum specialist, the local educational service centers or another administrative position.
- *Supervising, managing and directing:* Although this category is slightly higher than the peers, Cloverleaf employs a 1.0 FTE recreational center operations director which is not funded through the General Fund (GF) and therefore was not assessed. See the **facilities** section.
- *Regular education teacher staffing:* Cloverleaf LSD appears adequately staffed with regular education teachers when compared to the peer average per 1,000 ADM. In addition, the current student-to-teacher ratio is 20.2:1, which is similar to the peer average of 20.3:1. Furthermore, Cloverleaf maintains a higher student-to-teacher ratio than Highland LSD and Lake LSD.
- *Special education teacher staffing:* Although Cloverleaf LSD has more special education teacher FTEs per 1,000 ADM, the District has a higher special education student to teacher ratio when compared to the peers, and Cloverleaf LSD appears to employ an appropriate level of special education teachers based on ODE's student to teacher ratio requirements by type of disability.
- *Educational service personnel (ESP):* Even though Cloverleaf LSD appears to employ more ESP teachers than the peers in **Table 3-2**, these teachers are only one category in the ESP personnel required by OAC § 3301-35-05(A)(04). Each school district must employ ESP personnel in a minimum of five of the following eight areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music and physical education. When combining these positions, Cloverleaf LSD employs a total of 7.5



ESP personnel FTEs per 1,000 ADM in 6 categories while the peer average is 7.6 ESP FTEs per 1,000 ADM in 6 categories. Therefore, it appears that Cloverleaf LSD is not overstaffed with ESP personnel.

- *Teaching aides:* Cloverleaf LSD's number of teaching aides is higher than the peer average per 1,000 ADM. However, when total aides consisting of teaching aides, library aides and monitoring staff are compared with the peer districts, Cloverleaf LSD employs a total of 17.9 FTEs, which is less than the peer average of 19.4 FTEs. Furthermore, Cloverleaf LSD assists an average of 193.1 ADM per aide FTE, higher than the peer average of 155.7 ADM per aide FTE. As a result, Cloverleaf LSD does not appear overstaffed with aides.
- *Classified salaries:* The salaries paid to classified staff appeared reasonable when compared to the peer school districts.
- *Supplemental contracts:* Cloverleaf LSD spent 39 percent less than the peer average in total supplemental contractual expenses for FY 2002-03. In addition, Cloverleaf LSD's average supplemental contract cost per student was \$116.09, which is considerably less than the peer average of \$174.94 per student.
- *Instructional minutes:* Cloverleaf LSD regular education teachers complete 289 instructional minutes, which is greater than two of the peers (see **Table 3-3**). In addition, 300 instructional minutes are completed in the middle school, which is greater than all three peers.
- *Dental insurance:* Cloverleaf LSD's single dental premiums indicated are lower than the peer average, while the family dental premiums are comparable to two of the peers.

### *Areas for Further Study*

Administrative salaries were examined during the course of this performance audit. **Table 3-5** compares the administrative salaries at Cloverleaf LSD with the peers in FY 2003-04, when salaries were frozen for all District staff.

**Table 3-5: Administrative Salary Comparison FY 2003-04**

	Cloverleaf LSD <sup>1</sup>		Highland LSD		Lake LSD		Louisville CSD		Peer Average	
	# of FTEs	Average Salary	# of FTEs	Average Salary	# of FTEs	Average Salary	# of FTEs	Average Salary	# of FTEs <sup>1</sup>	Average Salary
<b>Superintendent</b>	1.0	\$ 111,100.00	1.0	\$123,729.00	1.0	\$127,070.00	1.0	\$103,950.00	1.0	\$118,249.67
<b>Treasurer</b>	1.0	\$ 74,800.00	1.0	\$ 94,939.00	1.0	\$ 72,864.00	1.0	\$ 67,628.00	1.0	\$ 78,477.00
<b>Assistant Principal</b>	2.0	\$ 64,479.00	2.0	\$ 68,579.00	3.0	\$ 67,626.00	3.0	\$ 67,883.00	2.7	\$ 67,960.88
<b>Principal</b>	6.0	\$ 68,938.00	4.0	\$ 87,051.00	5.0	\$ 75,671.00	6.0	\$ 71,050.00	5.0	\$ 77,924.00
<b>Director</b>	1.0	\$ 66,844.00	1.0	\$ 89,928.00	1.0	\$ 77,562.00	1.0	\$ 73,400.00	1.0	\$ 80,296.67
<b>Total</b>	<b>11.0</b>	<b>\$ 72,302.91</b>	<b>9.0</b>	<b>\$ 88,217.33</b>	<b>11.0</b>	<b>\$ 78,066.18</b>	<b>12.0</b>	<b>\$ 77,910.67</b>	<b>10.7</b>	<b>\$ 81,398.06</b>

**Source:** FY 2003-04 EMIS staff summary reports and interviews with Cloverleaf LSD and the peers

<sup>1</sup> The Assistant Superintendent's salary was excluded from this analysis because the peers do not have a similar position.

As illustrated in **Table 3-5**, Cloverleaf LSD's average salary for administrative positions is lower than the overall peer average by 11 percent and for each position by as much as 17 percent. In addition, Cloverleaf LSD's average administrative salaries are considerably lower than Highland LSD, even though Highland LSD is a neighboring district. Furthermore, many factors including experience and local market competition may be contributing to the lower salaries for some of the positions. For example, 50 percent of the principals in Cloverleaf LSD have less than one year of experience, while principals in Lake LSD and Louisville CSD have an average of 14 and 10 years of experience, respectively.

Based on **Table 3-5**, administrative salaries are not excessive and therefore, do not contribute to the District's current financial difficulties. However, because salaries are lower than the peers, Cloverleaf LSD may experience turnover and loss of administrative hours spent training new employees entering the District. Employee turnover is outside the scope of this performance audit, and a direct correlation between employee turnover and administrative salaries could not be determined. Therefore, Cloverleaf LSD should further investigate the impact of administrative salaries and other factors on employee turnover.

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## Recommendations

### *Operations*

- R3.1 Cloverleaf LSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS) managed by the Ohio Department of Education (ODE). The District should require that someone independent of the data gathering process reviews the information to ensure data accuracy prior to submission. The District should also consistently use the EMIS *Definitions, Procedures, and Guidelines*, produced annually by ODE, to help ensure accuracy of data. If necessary, the EMIS coordinator should seek additional training and assistance to ensure that accurate EMIS reports are submitted during October and that errors contained within the reporting structures are resolved as early as possible during the year to meet the established reporting deadlines.**

Cloverleaf LSD has inaccurately reported some employees when entering and updating information into EMIS between FY 2002-03 and FY 2003-04. The incorrect information prevented the accurate reporting of various categories of certificated and classified personnel due to the EMIS system creating a fatal error report. During the course of this performance audit, Auditor of State (AOS) staff worked with the District EMIS coordinator to eliminate the errors, and ensure accurate staffing and student count information for use in this performance audit.

ODE developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel demographics. All school districts are required to provide specific student, staff and financial data to ODE for processing. Entering data correctly helps to ensure accuracy in staffing and student counts, comparability between school districts and appropriate funding allocation from ODE, as regular education expenses are included in the State funding formula. The data entered into EMIS can be used by school districts when making decisions, including required staffing levels.

### *Staffing*

- R3.2 Cloverleaf LSD should consider reducing the telephone operator position by using the current automated system and reassigning duties to other clerical positions. As a result, the District's clerical staffing level would be similar to the peer average.**

As indicated in **Table 3-6**, Cloverleaf LSD is slightly overstaffed in the clerical employee classification, based on the number of administrative and total District personnel per clerical personnel.

**Table 3-6: FY 2003-04 Clerical Staffing Levels**

	<b>Cloverleaf LSD</b>	<b>Highland LSD</b>	<b>Lake LSD</b>	<b>Louisville CSD</b>	<b>Peer Average</b>
<b>Total Clerical Personnel</b> <sup>1</sup>	20.8	15.7	18.9	19.1	17.9
<b>Total Administrative Personnel</b>	14.0	10.5	16.5	16.5	14.5
<b>Total Administrative Personnel to Clerical Positions</b>	0.7	0.5	0.9	0.9	0.8
<b>Total District Personnel</b> <sup>2</sup>	312.5	250.0	310.2	307.5	289.2
<b>Total District Personnel to Clerical Personnel</b>	15.0:1	15.9:1	16.4:1	16.1:1	16.2:1

Source: FY 2003-04 EMIS Reports and interviews with District personnel

<sup>1</sup> Includes individuals classified as clerical, bookkeeping and other office / clerical.

<sup>2</sup> Total District Personnel excludes clerical employees for Cloverleaf LSD and the peers.

As reflected in **Table 3-6**, the ratios of administrative and total District personnel per clerical staff are both lower than the peer average, primarily due to the District employing a telephone operator position. None of the peers has a similar position. This position operates the switchboard for the District and completes substitute calling. In contrast, each of the peers has another designated clerical employee to complete substitute calling as a portion of their total clerical duties. Also, the District has an automated phone system for after school hours which can be used to route incoming calls to the appropriate buildings during regular business hours. By using the automated system and reassigning the substitute calling duties to other clerical positions, the District could reduce the 0.8 FTE telephone operator position. Reducing this position would result in administrative and total district staff to clerical staff ratios of 0.7:1 and 15.6:1. These ratios would still be slightly less than each peer, excluding Highland LSD's ratio of administrative personnel to clerical staff.

*Financial Implication:* If Cloverleaf LSD reduced the telephone operator position, it could save approximately \$25,300 annually. This is based on an annual salary of \$19,000 with an additional 33 percent for benefits.

## Salaries

**R3.3 During future certificated contract negotiations, Cloverleaf LSD should seek to minimize cost of living increases (COLAs), to be consistent with the treasurer's forecasted COLA increases (see the financial systems section), or alter the certificated salary step schedule. Doing so would bring salary levels more in line with peer districts and improve the District's financial condition.**

Certificated staff at Cloverleaf LSD received a 4.0, 3.5 and 3.5 percent COLA increase in each of the past three fiscal years, respectively, and the treasurer has forecasted 0.0, 2.1, and 2.1 percent COLA increases for the next three years. **Table 3-7** compares certificated staff salaries at Cloverleaf LSD with the peers.

**Table 3-7: Comparison of Average Certificated Staff Salaries**

	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average	Percent Difference in Salary
Professional Education	\$49,136	\$46,204	\$43,781	\$47,920	\$45,968	6.9%
Professional Other	\$54,977	\$45,936	\$38,483	\$47,975	\$44,131	24.6%

**Source:** District EMIS Staff Summary Reports, Staff Demographics Reports, and interviews

As illustrated in **Table 3-7**, Cloverleaf LSD's average salary for certificated positions is higher than each of the peers. Professional education is 6.9 percent higher than the peer averages while professional other is higher by 24.6 percent. The major contributing factors for these differences are the relatively higher beginning salaries paid within the certificated step schedules, higher average step increases (excluding bachelors degree staff with fewer than 15 years of experience), and higher COLA increases (see **Table 3-3**).

**Table 3-7** illustrates the differences between certificated salary step schedules for Cloverleaf LSD and its peers.

**Table 3-8 Certificated Step Schedule Comparison FY 2003-04**

	Cloverleaf LSD	Highland LSD <sup>1</sup>	Lake LSD <sup>1</sup>	Louisville CSD	Peer Average	Percent difference from peer average
<b>Bachelors step 0</b>	\$30,554	\$30,005	\$27,716	\$29,055	\$28,925	6%
<b>Bachelors ending step</b>	\$52,247	\$54,849	\$50,443	\$50,525	\$51,939	1%
<b>Average step increase bachelors</b>	2.5%	3.0%	2.7%	2.5%	2.7%	(7%)
<b>Bachelors with 15 years of experience step 0</b>	\$31,776	\$31,385	\$29,329	\$29,780	\$30,165	5%
<b>Bachelors with 15 years of experience ending step</b>	\$58,358	\$56,229	\$57,095	\$53,140	\$54,287	7%
<b>Average step increase bachelors with 15 years of experience</b>	3.0%	2.8%	3.2%	2.7%	2.8%	7%
<b>Masters step 0</b>	\$33,304	\$34,056	\$31,319	\$31,000	\$32,125	4%
<b>Masters ending step</b>	\$62,941	\$57,095	\$57,095	\$62,830	\$60,328	4%
<b>Average step increase masters</b>	3.2%	2.4%	2.7%	3.5%	3.0%	7%
<b>Masters with 15 years of experience step 0</b>	\$34,526	\$35,556	\$32,428	\$31,290	\$33,091	4%
<b>Masters with 15 years of experience ending step</b>	\$64,163	\$62,560	\$58,758	\$64,510	\$61,943	4%
<b>Average step increase masters with 15 years of experience</b>	3.1%	2.7%	2.7%	3.7%	3.0%	3%

**Source:** District and peers certificated negotiated agreements

**Note:** The salary schedules contain 28 steps at Cloverleaf LSD and Highland LSD, 30 steps at Lake LSD, and 29 steps at Louisville LSD.

<sup>1</sup> Highland LSD and Louisville CSD have a Masters +30 years of experience but Cloverleaf LSD does not.

As illustrated in **Table 3-8**, Cloverleaf LSD has a higher starting salary than all of the peer districts for its certificated staff. Starting with step zero, Cloverleaf LSD salaries are approximately 6.0 percent higher for teachers with bachelor degrees, 5.0 percent higher for teachers with 15 years of experience, and 4.0 percent higher for both teachers with master degrees and teachers with master degrees plus 15 years of experiences, when compared to the peer average. Furthermore, except for teachers with a bachelors and fewer than 15 years of experience, the District's average salary step increases are the second highest when compared to the peers in the other three salary schedules. Coupled with the higher starting salaries, the higher average step increases cause the ending salaries at each interval to be the highest or second highest of the peers. Therefore, the District negotiated a reduction in COLAs to the treasurer's forecasted amounts of 0.0 percent in FY 2004-05, and 2.1 percent from FY 2005-06 through FY 2007-08. This would alleviate the future financial burden placed on the District and make the District's certificated salaries become more commensurate with the peers.

*Benefits Administration*

**R3.4 During future contract negotiations, Cloverleaf LSD should seek changes to its health insurance coverage so that all employees pay a larger portion of the monthly premium cost for health insurance. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs. The District should seek a 10 percent employee contribution from employees working seven hours or more, which is slightly less than the costs shared by employees state-wide and employees in similar-sized school districts.**

Furthermore, Cloverleaf LSD should periodically compare rates between the consortium and other providers through a competitive bidding or request for proposal process. Doing so would ensure that the premium costs and benefits levels are cost effective for the District.

Table 3-9 shows that Cloverleaf LSD requires minimal monthly contributions from its employees for health care premiums, and compares its monthly premium costs to the peers.

**Table 3-9: Health Insurance Premiums in FY 2003-04**

School	Type of Plan	Monthly Premium for Single Plan	Full-time Employee Share for Single Plan	Monthly Premium for Family Plan	Full-time Employee Share for Family Plan
<b>Cloverleaf LSD</b>	Traditional Plan - Certificated Employees	\$281.03	\$ 1.25	\$682.68	\$ 5.00
	Traditional Plan - Classified Employees	\$281.03	\$ 1.99	\$682.68	\$ 5.70
	PPO Plan - Certificated Employees	\$281.03	\$ 1.25	\$682.68	\$ 5.00
	PPO Plan - Classified Employees	\$281.03	\$ 1.99	\$682.68	\$ 5.70
<b>Highland LSD</b>	Traditional Plan	\$320.28	\$ 0.00	\$816.78	\$ 37.47
<b>Lake LSD</b>	Traditional Plan	\$275.62	\$ 30.00	\$669.56	\$ 30.00
	PPO Plan	\$275.62	\$ 30.00	\$669.56	\$ 30.00
<b>Louisville CSD</b>	PPO Plan	\$232.41	\$ 0.00	\$657.74	\$ 0.00
<b>SERB Average (2,500 – 9,999 ADM)<sup>1</sup></b>		\$314.30	\$40.78	\$777.90	\$99.26
<b>SERB Statewide Average Premiums<sup>2</sup></b>		\$325.08	\$36.75	\$811.04	\$103.14

Source: Cloverleaf LSD and the peers

<sup>1</sup> SERB average is for schools with 2,500 – 9,999 ADM. This was obtained from the 2003 Report on Cost of Health Insurance in Ohio's Public Sector.

<sup>2</sup> SERB Statewide Average Premiums were obtained from 2003 Report on Cost of Health Insurance in Ohio's Public Sector.

As shown in **Table 3-9**, although Cloverleaf LSD's premium costs for single and family coverage are the higher than Louisville CSD, they are similar to Lake LSD and lower than Highland CSD. Cloverleaf LSD and Lake LSD participate in Stark County Schools Insurance Consortium. However, Lake LSD requires \$30 contributions from all of its employees regardless of the type of coverage.

For FY 2002-03, Cloverleaf LSD paid approximately \$2.9 million for health care benefits with minimal employee contributions. In contrast, SERB reports the average employee contribution is approximately 12.7 percent for single coverage and 12.4 for family coverage for school districts of similar size to Cloverleaf LSD. In addition, the SERB statewide average employee contribution is 11.3 and 12.7 percent for single and family coverage, respectively. Furthermore, the SERB 2003 Report on Cost of Health Insurance in Ohio's Public Sector states that 70 percent of public employees contribute to their family health care costs while 61 percent of public employees contribute to their single health care costs. If Cloverleaf LSD required a 10 percent contribution from all full time employees, the District could begin to help offset annual healthcare costs.

**Table 3-10** compares the key medical insurance benefits of Cloverleaf LSD to that of all of the peer districts for FY 2003-04.



**Table 3-10: Health Insurance Benefits FY 2003-04**

	Cloverleaf LSD		Highland LSD		Lake LSD		Louisville CSD
	Traditional	PPO	Traditional	PPO	Traditional	PPO	PPO
<b>Office Visits</b>	80% after deductible	90% after deductible	100% after deductible is satisfied in network; 70% out of network	80% after deductible is satisfied	80% after deductible	90% after deductible	100% after \$10 copay in network; 80% out of network after deductible
<b>Employee annual deductible</b>	\$100 single; \$200 family	\$100 single; \$200 family in network; \$200 single, \$400 family out of network.	Individual - \$100 in network, family - \$200 in network; Individual - \$200 out of network, family - \$400 out of network	Individual - \$100, family \$200 in network; Individual - \$200 out of network, family - \$400 out of network	\$100 single; \$200 family	\$100 single; \$200 family in network; \$200 single, \$400 family out of network.	Individual - \$100 in network, family - \$200 in network; Individual - \$200 out of network, family - \$400 out of network
<b>Out-of-pocket maximum</b>	\$500 individual; \$1,000 family	\$500 individual; \$1,000 family in network; \$1,000 single, \$2,000 family out of network	\$400 single, \$800 family in network; \$800 single, \$1600 family out of network	\$400 single, \$800 family in network; \$800 single, \$1600 family out of network	\$500 individual; \$1,000 family	\$500 individual; \$1,000 family in network; \$1,000 single, \$2,000 family out of network	\$500 single, \$1000 family in network; \$1000 single, \$2000 family out of network
<b>Prescription plan included</b>	Generic and Brand Name: 20% up to annual deductible then 100% paid by provider	Generic and Brand Name: 20% up to annual deductible then 100% paid by provider	Generic: \$1 co-pay; Brand Name: \$5 co-pay	Generic: \$1 co-pay; Brand Name: \$5 co-pay	Generic and Brand Name: 20% up to annual deductible then 100% paid by provider	Generic and Brand Name: 20% up to annual deductible then 100% paid by provider	80% after deductible
<b>Need to choose primary physician</b>	No	No	No	No	No	No	No
<b>Maternity</b>	80% after deductible	90% after deductible	100% in network; 80% out of network	100% in network; 80% out of network	80% after deductible	90% after deductible	100% in network; 80% out of network after deductible
<b>Well-child care</b>	80% up to \$500 per calendar year	100% up to \$500 per calendar year	100% coverage up to \$500 maximum benefit per period in network; 70% out of network up to \$500 maximum benefit per period	100% coverage up to \$500 maximum benefit per period in network; 70% out of network up to \$500 maximum benefit per period	80% up to \$500 per calendar year	100% up to \$500 per calendar year	\$10 co-pay then 100% in network up to a maximum of \$500; 80% out of network after deductible up to a maximum of \$500
<b>Inpatient hospital care</b>	80% up to out of pocket maximum then 100% coverage is provided	90% after deductible	100% in network; 70% out of network	100% in network; 70% out of network	80% up to out of pocket maximum then 100% coverage is provided	90% after deductible	First 120 days payable at 100%, additional days payable at 80% after deductible in network; 80% after deductible for out of network services.

Source: Cloverleaf LSD and peer negotiated contracts

As indicated in **Table 3-10**, the benefit levels offered by Cloverleaf LSD are the same as those offered by the Lake LSD. This is because Cloverleaf LSD and Lake LSD are covered by Stark County Benefits Consortium. Overall, Cloverleaf LSD's benefits appear comparable to Highland LSD and Louisville CSD. For example, while Cloverleaf LSD's PPO plan covers a higher percentage for office visits, Highland LSD's and Louisville LSD's PPO plans offer 100 percent coverage for in network services.

Although health care costs could be controlled by pooling resources in the Stark County consortium, other alternatives should be explored to minimize health care costs. Cloverleaf LSD does not bid out its health insurance through an RFP process and also does not review its benefit levels to ensure cost effectiveness. To ensure the annual premium costs and benefit levels are the most cost effective, Cloverleaf LSD should seek competitive bids and quotes from other potential suppliers, similar to the practices in place at Louisville CSD, which competitively bids its health care coverage yearly. In addition, Lake LSD completes a yearly comparison of the consortium's premiums to those offered through other suppliers, which helps to ensure benefit comparability and cost effectiveness.

*Financial Implication:* Assuming that Cloverleaf LSD required a full-time employee contribution equal to 10 percent for single and family coverage, the District would save approximately \$234,000 annually.

**R3.5 Cloverleaf LSD should adjust its graduated scale for part-time employee contributions to health care premiums by increasing contribution levels according to the number of hours worked by part-time employees. An adjusted graduated scale would decrease Cloverleaf LSD's direct health care premium costs.**

Currently, full benefits are available to all classified staff working a minimum of four hours per day, with minimal employee contributions. **Table 3-11** demonstrates a prorated scale for the health care premium cost per employee based on the number of hours worked per day, up to a 50 percent maximum, and compares it to the District's current prorated insurance contributions.

**Table 3-11: Prorated Health Care Premium Cost Scale**

Number of Hours Worked	Proposed Percent of Health Care Premium Responsibility for Employee <sup>1</sup>	Proposed Monthly Cost to Employee for Single Coverage <sup>2</sup>	Proposed Monthly Cost to Employee for Family Coverage	Current Employee Contributions			
				Single	Current Percentage Paid	Family	Current Percentage Paid
4 hours	50.0%	\$140.52	\$341.34	\$18.79	6.7%	\$53.78	7.9%
5 hours	37.5%	\$105.39	\$256.01	\$18.79	6.7%	\$53.78	7.9%
6 hours	25.0%	\$70.26	\$170.67	\$23.49	8.4%	\$67.23	9.8%

Source: Cloverleaf LSD Treasurer's Office

<sup>1</sup> Percentages are based on a full-time day equivalent to eight hours

<sup>2</sup> Based on monthly premiums effective for FY 2003-04 which were \$682.68 for family coverage and \$281.03 for single coverage.

According to **Table 3-11**, Cloverleaf LSD provides healthcare to part-time employees for employee contributions ranging from only 6.7 percent to 9.8 percent of the current premiums. During FY 2003-04, Cloverleaf LSD provided health care to 55 classified employees working less than seven hours per day. Conversely, Lake LSD requires employees working 20 to 29 hours per week to contribute 40 percent plus \$30 per month and does not offer health insurance to employees working less than 20 hours. Louisville CSD requires employees working 6 to 7 hours to contribute 25 percent, employees working 4 to 5.99 hours to contribute 50 percent, and employees working 2 to 3.99 hours to contribute 100 percent of the monthly premiums costs. Although increasing part-time employee contributions would reduce the costs to Cloverleaf LSD, it would still allow employees working less than 7 hours per day the opportunity to obtain healthcare benefits by contributing amounts more comparable to the peer districts. Using the District's premium rates in effect for FY 2003-04, the cost to the District to provide health care benefits for these employees is approximately \$380,000 per year.

*Financial Implication:* If Cloverleaf LSD implemented a prorated insurance benefit scale for its classified staff working less than seven hours per day according to **Table 3-4**, it would realize estimated annual cost savings of approximately \$59,000. Additional cost savings could result if part-time employees opt out of the District's health care program.

### Leave Usage

**R3.6 Cloverleaf LSD should strive to reduce the amount of sick leave used by its classified employees by establishing a sick leave policy and negotiating its inclusion in the next classified contract, along with a provision requiring physician's statements for extended absences. The District should establish guidelines and policies that include prohibitions against "patterns of abuse" to help department managers in identifying excessive sick leave use. The policies should ensure that if an employee**

**engages in a “pattern of abuse,” he/she may be subject to discipline. Cloverleaf LSD should consult with its legal counsel to ensure that all required notices and opportunity to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. In addition, the District should include sick leave usage as a component in employee performance evaluations, and monitor sick leave usage on a periodic and consistent basis. Furthermore, if Cloverleaf LSD chooses to develop a sick leave incentive, it should actively promote the incentive.**

Cloverleaf LSD does not have a sick leave policy, nor is sick leave an integral part of performance evaluations, potentially contributing to high sick leave usage for classified staff in FY 2003-04. District classified employees used an average 10.2 days of sick leave per FTE, which is higher than the overall state average of 7.3 days. District certificated staff used 7.6 days per FTE.

According to the American Society for Public Administration (ASPA), the best approach to controlling employee sick leave abuse is to develop a clearly written policy that specifies the organization’s standards and employee requirements, including disciplinary actions for policy violations. The policy should be compliant with the federal Family and Medical Leave Act (FMLA) and should include guidelines stipulating common “patterns of abuse”. A “pattern of abuse” typically refers to employees, who over a period of time, have violated the organization’s attendance policy on numerous occasions. Monitoring and analyzing sick leave usage should also take place so that problem recognition and early intervention can occur. The inclusion of sick leave as a component in employee evaluations can help with recognition and early intervention, according to ASPA.

To encourage employees to use a sick leave policy properly, many organizations have developed cash incentives and other benefits such as a bonus personal day for using fewer sick leave days than a pre-established average, according to ASPA. The Cloverleaf LSD superintendent is considering the development of a sick leave policy and incentive program. If Cloverleaf LSD continues to pursue a sick leave incentive based program, the District should structure it to control the costs of the “pattern abusers” and ensure the incentive program does not increase costs. For example, an incentive program that rewards employees who currently do not excessively use sick leave would add costs that could otherwise be avoided by the District. Highland LSD offers certificated employees a sick leave incentive of 50.0 percent of unused yearly leave balances and has negotiated a classified employee clause limiting each absence to 5 days without a physicians note. If Cloverleaf LSD was to initiate a sick leave policy and program that could effectively reduce the sick leave usage of its classified employees, it could limit the financial impact of sick leave use on the District.

*Financial Implication:* Cloverleaf LSD would recognize a potential cost savings of approximately \$11,500 annually in substitute costs if each classified staff member reduced his or her sick leave usage by 1.5 days per FTE, which is approximately half of the difference between the classified sick leave used by Cloverleaf LSD and the state average sick leave used.

### *Collective Bargaining Agreements*

**R3.7 During future contract negotiations, Cloverleaf LSD should seek to decrease the vacation accrual rate for classified employees. Doing so would increase productivity and could reduce overtime and substitute costs.**

Classified employees receive vacation on a graduated scale with increments ranging from 10 days for 1 to 4 years of service to a maximum of 25 days for 18 years of service. These are higher than the peer average of 22 days for 20 years of service. Overall, Cloverleaf LSD provides a higher number of vacation days for the corresponding years of service than the peers (see **Table 3-4**). Additionally, the number of vacation days paid out at Cloverleaf LSD is more generous than the minimum standard of 10 days vacation for 1 to 9 years of service, 15 days of vacation for 10 to 19 of service, and 20 days of vacation for 20 years of service, stated in Ohio Revised Code (ORC) §3319.08.04. By reducing the vacation schedule to a level similar to the peers, the District would increase productivity as staff would be compensated to work more days, which could subsequently reduce overtime and substitute costs.

**R3.8 During future contract negotiations, Cloverleaf LSD should seek to decrease the maximum number of sick leave days paid out at retirement for its certificated and classified employees from 75 days to the peer average of 63 days. Decreasing the maximum number of unused sick leave days paid out at retirement could lessen the future financial burden on the District.**

Certificated and classified employees receive a maximum of 75 sick leave days paid out at retirement. This is significantly higher than the peer average of 63 days for both certificated and classified staff. Additionally, the number of days paid out at Cloverleaf LSD is more generous than the minimum standard (30 days) stated in ORC §124.39.

*Financial Implication:* If Cloverleaf were to negotiate a reduction in severance pay to 63 days, the District could save approximately \$37,000 in FY 2004-05, based on the number of certificated and classified retirees who qualified for sick leave payment by meeting the stipulated years of service. From FY 2001-02 to FY 2003-04, the District incurred an average of approximately \$31,000 per year in severance payments. Since additional information for retirees was not readily available, AOS uses \$31,000 in the recovery plan as potential savings from FY 2005-06 to FY 2007-08.

**R3.9 During future contract negotiations, Cloverleaf LSD should seek to decrease the number of holidays paid for classified employees from 12 days per year to 10 for 12 month employees, and from 8 days per year to 7 for employees working less than 12 months. Decreasing the number of paid holidays could lessen the future financial burden on the District.**

Classified employees working 12 months receive 12 paid holidays each year, higher than each of the peers and the peer average of 10 days. Classified employees working fewer than 12 months receive 8 days, one day more than each of the peers (excluding 11-month employees at Lake LSD). Additionally, the number of paid holidays at Cloverleaf LSD is more generous than the minimum standards of 7 days for 11-12 month employees and 6 days for 9-10 month employees stated in ORC §3319.08.07.

*Financial Implication:* If Cloverleaf LSD negotiated a reduction in the number of paid holidays per year to 7 days for less than 12 month classified employees it could save approximately \$1,500 annually.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. The financial implications are divided into those that are subject to negotiations with bargaining units and those that are not. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications Subject to Negotiations

Recommendations		Estimated Annual Cost Savings
<b>R3.4</b>	Increase employee contribution for health insurance	\$234,000
<b>R3.5</b>	Increase part-time employee contribution for health insurance	\$59,000
<b>R3.8</b>	Reduce classified sick leave paid upon retirement	\$31,000
<b>R3.9</b>	Reduce the number of paid holidays	\$1,500
<b>Total</b>		<b>\$325,500</b>

### Summary of Financial Implications Not Subject to Negotiations

Recommendations		Estimated Annual Cost Savings
<b>R3.2</b>	Reduce clerical staffing by 0.8 FTE.	\$25,300
<b>R3.6</b>	Reduce sick leave use for classified employees	\$11,500
<b>Total</b>		<b>\$36,800</b>

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# Facilities

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## Background

The facilities section focuses on custodial and maintenance operations, building capacity, utilization rates, energy management, and purchasing in the Cloverleaf Local School District (Cloverleaf LSD). The objective is to analyze building operations of Cloverleaf LSD and develop recommendations for improvements and reductions in expenditures.

### *Organizational Structure and Function*

The director of building and grounds oversees all maintenance and custodial operations and reports to the superintendent. The assistant director of building and grounds supervises the daily activities of the maintenance and custodial staff, and performs maintenance tasks. The building and grounds secretary assists with the departmental paperwork and required waste water test reports for the District.

The maintenance division consists of four staff positions (4.0 FTEs). Two maintenance employees (2.0 FTEs) perform traditional maintenance tasks including plumbing, carpentry, and painting. A waste water maintenance worker (1.0 FTE) conducts the District's water analysis, and a groundskeeper maintains the school grounds (0.8 FTE) and performs maintenance (0.2 FTE).

Cloverleaf LSD's custodial staff consists of eight full-time (8.0 FTE) head custodians and 18 (13.6 FTE) custodial workers. The head custodians primarily perform custodial duties, conduct minor maintenance tasks and facilitate custodial tasks for the elementary, junior high, and high schools. The head custodians also supervise other custodians, open and secure assigned buildings, inspect heating and ventilating equipment, maintain kitchen equipment, and keep an equipment inventory. The building principals are responsible for the immediate supervision and performance evaluations of the head custodians. The custodians' duties include cleaning buildings, assisting the groundskeeper with maintaining school grounds, and performing minor repairs when required.

**Table 4-1** presents the staffing levels and the number of FTE employees responsible for maintaining Cloverleaf LSD's facilities.

**Table 4-1: Number of Positions and Full-Time Equivalents for FY 2003-04**

Classification	Total Number of Positions	Number of Full-Time Equivalents
Director of Building and Grounds	1.0	1.0
Assistant Director of Building and Grounds	1.0	0.7
Building and Grounds Secretary	1.0	1.0
<b>Total Administration</b>	<b>3.0</b>	<b>2.7</b>
Maintenance	2.0	2.5
Waste Water Maintenance	1.0	1.0
Groundskeeper	1.0	0.8
<b>Total Maintenance</b>	<b>4.0</b>	<b>4.3</b>
Head Custodians	8.0	8.0
Custodians	18.0	13.6
<b>Total Custodial<sup>1</sup></b>	<b>26.0</b>	<b>21.6</b>
<b>Total</b>	<b>33.0</b>	<b>28.6</b>

Source: Cloverleaf LSD Superintendent's Office

<sup>1</sup> The recreation center is maintained by a recreation center custodian and not included in the staffing analysis because the position is funded by the recreation center, according to the treasurer (see **financial systems** section).

As shown in **Table 4-1**, Cloverleaf LSD's FY 2003-04 facilities' staff consists of 28.6 FTEs, including 2.7 FTE administrative staff. Cloverleaf LSD has a total of 12 facilities consisting of five elementary schools, a middle school, and a high school. Chatham Elementary has two modular classrooms that are owned by the District. The high school has an industrial arts annex, administrative offices, and an attached community recreation center. The District also maintains a bus garage located at a site separate from the school buildings. **Table 4-2** illustrates the custodial staffing assignments for Cloverleaf LSD.

**Table 4-2: Building Assignments for Custodial Staff**

Building	Custodial FTE	Square Footage	Square Footage per FTE
Chatham Elementary	1.5	17,182	11,455
Lafayette Elementary	1.0	14,444	14,444
Lodi Elementary	2.9	59,123	20,387
Seville Elementary	2.3	49,239	21,408
Westfield Elementary	2.5	51,919	20,768
<b>Total Elementary</b>	<b>10.2</b>	<b>191,907</b>	<b>18,814</b>
Cloverleaf Junior High/Middle School	4.4	65,839	14,963
Cloverleaf Senior High	7.0	133,894	19,128
<b>Total</b>	<b>21.6</b>	<b>391,640</b>	<b>18,131</b>

Source: Ohio Department of Education (ODE) Education Management Information System (EMIS) Staffing Demographics Report for FY 2004.

Note: Custodial FTE includes head custodians who perform custodial and supervisory tasks simultaneously.

**Table 4-2** indicates that the District is maintaining 18,131 square feet per custodial FTE, which is lower than the benchmarks and national standards identified in the *Key Statistics* section of this report. **Table 4-2** also shows that staffing is not equally distributed throughout the District's facilities. Chatham and Lafayette Elementary schools and Cloverleaf Middle School fall far below the peer average and industry standards illustrated in **Table 4-3**.

### *Key Statistics*

According to the 33<sup>rd</sup> Annual American Schools & University (AS&U) *Maintenance & Operations Cost Study* released in April 2004, school districts are continuing to hover around historic lows on the percentage of spending for maintenance and operations (M&O). While indoor environmental quality and cleanliness of schools have received more attention, adequate funding to provide effective M&O services remains elusive. The low allocation of resources to M&O is a stark reminder of how difficult it continues to be to upkeep and operate America's aging education infrastructure on a shoestring budget.

Key statistics related to the maintenance and operations of Cloverleaf LSD are presented in **Table 4-3**. In addition, results from the 33<sup>rd</sup> Annual AS&U study are included in **Table 4-3** and throughout the facilities section of the report. AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the median and mean number for categories on a national level and by district enrollment. The mean is provided only for the maintenance and operations costs.

**Table 4-3: Key Statistics and Indicators**

<b>Number of School Buildings</b>	<b>12</b>
Elementary Schools	5
Middle Schools	1
High Schools	1
Modular Classrooms	2
Industrial Arts Building	1
Bus Garage	1
Recreation Center	1
<b>Total Square Feet Maintained</b>	<b>391,640</b>
<i>Chatham Elementary</i> <sup>1</sup>	17,182
<i>Lafayette Elementary</i>	14,444
<i>Lodi Elementary</i>	59,123
<i>Seville Elementary</i>	49,239
<i>Westfield Elementary</i>	51,919
Elementary Total	191,907
Junior High/Middle School <sup>2</sup>	65,839
High School <sup>3</sup>	133,894
<b>Square Feet Per FTE Custodial Staff Member (21.6)</b>	<b>18,131</b>
Elementary Schools (10.2)	18,814
Junior High School (4.4)	14,963
High School (7.0)	19,128
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey 1,000-3,499 students</b>	<b>23,215</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Average</b>	<b>23,787</b>
<b>Peer District Average</b>	<b>23,622</b>
<b>Square Feet Per FTE Maintenance Staff Member (2.5)</b>	<b>156,656</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey 1,000-3,499 students</b>	<b>100,000</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Average</b>	<b>90,757</b>
<b>Peer District Average</b>	<b>192,176</b>
<b>Acres Per FTE Groundskeeping Staff Member (0.8)</b>	<b>137</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey 1,000-3,499 students</b>	<b>46</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Average</b>	<b>47</b>
<b>Peer District Average</b>	<b>61</b>
<b>FY 2002-03 Maintenance and Operations Expenditures Per Square Foot</b>	<b>\$6.61</b>
Custodian and Maintenance	\$3.08
Utilities	\$1.17
Other	\$2.36
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey 1,000-3,499 students</b>	<b>\$3.82</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Average</b>	<b>\$4.02</b>
<b>Peer District Average</b>	<b>\$4.38</b>

**Source:** Budwork Reports, interviews, district documents, and the American Schools and University Magazine

<sup>1</sup> Square footage for Chatham Elementary includes 1,536 square feet for the two modular units owned by the District.

<sup>2</sup> Square footage for Cloverleaf Junior High includes the 450 square feet from the bus garage.

<sup>3</sup> Square footage for Cloverleaf Senior High includes the administrative offices and 3,156 square feet for the industrial arts building located at the high school.

As shown in **Table 4-3**, Cloverleaf LSD custodians maintain fewer square feet than both the AS&U standard and the peer average (see **R4.2**). In addition, the custodial assignments cause the high school custodians to maintain more square feet per FTE than the elementary and middle school custodians. **Table 4-3** also shows that while the District maintains 18 percent fewer square feet per maintenance FTE than the peer average, it maintains 57 percent more square feet per maintenance FTE than the AS&U benchmark for similar districts. Furthermore, Cloverleaf LSD's total expenditures per square foot for maintenance and operations are 51 percent higher than the peer average and 73 percent higher than the AS&U benchmark (see **R4.2, R4.3, R4.4, R4.5, R4.6, and R4.7**).

### Financial Data

**Table 4-4** illustrates the total expenditures for maintenance and operation of Cloverleaf LSD's facilities for FYs 2001-02, FY 2002-03, and budgeted amounts for FY 2003-04.

**Table 4-4: Maintenance and Operations Expenditures**

	FY 2001-02 Total	FY 2002-03 Total	FY 2002 to FY 2003 Percent Change	FY 2003-04 Budget	FY 2003 to FY 2004 Percent Change
<b>Salaries</b>	\$820,553	\$871,971	6.3%	\$908,500	4.2%
<b>Benefits</b>	\$304,699	\$333,207	9.4%	\$369,700	11.0%
<b>Purchased Services</b>	\$935,120	\$491,215	(47.4%)	\$654,790	33.3%
<b>Utilities</b>	\$505,164	\$491,972	(2.6%)	\$542,700	10.3%
<b>Supplies/Materials</b>	\$170,352	\$145,292	(14.7%)	\$185,900	27.9%
<b>Capital Outlay</b>	\$65,569	\$438,957	569.5%	\$591,292	34.7%
<b>Other</b>	\$4,762	\$2,304	(51.6%)	\$3,300	43.3%
<b>Total</b>	\$2,806,219	\$2,774,918	(1.1%)	\$3,256,182	17.3%

Source: Cloverleaf LSD Expense Budget Work Sheet, and interviews with treasurer.

Revenue from the General Fund and other funds including the Permanent Improvement Fund, Food Service Fund (e.g., \$5,632 for kitchen maintenance and appliance repair in FY 2002-03) and Building Fund are used to support the maintenance and operations of Cloverleaf LSD facilities. As shown in **Table 4-4**, FY 2002-03 expenditures for maintenance operations and expenses totaled \$2,774,918. These expenditures include custodial staff salaries and benefits, supplies and materials, purchased services, utilities, and capital outlay.

Explanations for the significant variances in **Table 4-4** are as follows:

- *An 11.0 percent increase in benefits from FY 2002-03 to FY 2003-04:* The previous years' expenditures were only for 11 months due to an insurance holiday. Historically, the District has received an insurance holiday equivalent to one month's premium; however, the budget reflects the cost for 12 months (see **financial systems**).

- *A 47.4 percent decrease in purchased services from FY 2001-02 to FY 2002-03:* According to the District's expenditure reports, expensive renovations on facilities were coded under this object code during FY 2002. However, in FY 2003, similar renovations were coded under the capital outlay object code.
- *A 33.3 percent increase in purchased services from FY 2002-03 to FY 2003-04:* Cloverleaf LSD's property insurance increased during this time period in addition to planned repairs and services for the District's buildings, such as roof work and replacing appliances and fixtures.
- *A 10.3 percent increase in utilities from FY 2002-03 to FY 2003-04:* Although utilities slightly decreased in FY 2002-03 due to a decrease in natural gas costs for buildings participating in the consortium, natural gas costs for buildings not participating in the consortium increased significantly in FY 2002-03. Therefore, the treasurer conservatively budgeted a 10.3 percent increase to account for potential increases in total natural gas costs for FY 2003-04.
- *A 14.7 percent decrease in supplies and materials from FY 2001-02 to FY 2002-03:* In FY 2002, the treasurer and superintendent instructed District administrators to reduce spending. As a result, there was a significant decrease for building and office supplies and materials.
- *A 27.9 percent increase in budgeted expenses for supplies and materials from FY 2002-03 to FY 2003-04:* There is an expected increase in maintenance materials to address the needs of the older buildings.
- *A 569.4 percent increase in capital outlay from FY 2001-02 to FY 2002-03:* According to the District's expenditure report, renovations for facilities were coded under the purchased services object code in FY 2002, but similar renovations were coded under the capital outlay object code in FY 2003. These included roof and masonry work.
- *A 51.6 percent decrease in other expenditures from FY 2002-03 to FY 2003-04:* Fees for sewage plant upgrades were due in FY 2002. Additionally, the treasurer recoded the liability insurance from this function code to another non-maintenance function code for FY 2003.
- *A 43.3 percent increase in other expenditures from FY 2002-03 to FY 2003-04:* According to the expenditures for the first three quarters of FY 2004, it appears that the boiler, elevator, and sewage plant fees increased for the year.

**Table 4-5** compares Cloverleaf LSD's FY 2002-03 General Fund maintenance and operations related expenditures per square foot to the peers, while **Table 4-5a** shows the total fund expenditures per square foot.

**Table 4-5: FY 2002-03 General Fund Expenditures per Square Foot**

Expenditure	Cloverleaf	Highland	Lake	Louisville	Peer Average	AS&U for >3,500 Students
<b>Custodial/ Maintenance Salaries and Benefits</b>	\$3.08	\$3.29	\$1.76	\$1.94	\$2.33	\$1.94
<b>Purchased Services</b>	\$0.84	\$0.73	\$0.47	\$0.34	\$0.51	\$0.13
<b>Utilities</b>	\$1.17	\$1.13	\$1.03	\$0.82	\$0.99	\$1.18
<b>Supplies/ Materials</b>	\$0.36	\$0.49	\$0.18	\$0.18	\$0.29	\$0.31
<b>Capital Outlay</b>	\$0.03	\$0.07	\$0.03	\$0.02	\$0.04	N/A <sup>1</sup>
<b>Other</b>	\$0.01	\$0.02	\$0.00	\$0.00	\$0.01	\$0.26
<b>Total General Fund</b>	\$5.48	\$5.73	\$3.47	\$3.29	\$4.17	\$3.82

**Source:** Cloverleaf LSD and peer Treasurers' Offices, FY 2003-04 Expense Budget Worksheets-Function 2700

**Note:** AOS excluded approximately \$150,000 from Cloverleaf's purchased services expenditures because it comprised recreation center purchased services, technology services, and copy machine leases and maintenance agreements. These items are coded in other non-maintenance operations function codes at peer districts. Furthermore, AOS excluded approximately \$34,000 in utility costs and \$4,000 in supplies/materials because they are attributed to the recreation center (see **financial systems**).

<sup>1</sup> AS&U does not identify capital outlay expenditures per square foot.

As shown in **Table 4-5**, Cloverleaf LSD General Fund expenditures per square foot are greater than the peer average in salaries and benefits, purchased services, utilities, and supplies and materials. These differences are emphasized in **Table 4-5a**, which shows the total expenditures per square foot for Cloverleaf LSD and peer districts.

**Table 4-5a: FY 2002-03 Total Fund Expenditures per Square Foot**

Expenditure	Cloverleaf	Highland	Lake	Louisville	Peer Average	AS&U for >3,500 Students
Custodial/ Maintenance						
Salaries and Benefits	\$3.08	\$3.29	\$1.76	\$1.94	\$2.33	\$1.94
Purchased Services	\$0.87	\$0.89	\$0.47	\$0.36	\$0.57	\$0.13
Utilities	\$1.17	\$1.13	\$1.03	\$0.82	\$0.99	\$1.18
Supplies/ Materials	\$0.36	\$0.49	\$0.18	\$0.18	\$0.29	\$0.31
Capital Outlay	\$1.12	\$0.07	\$0.03	\$0.47	\$0.19	N/A <sup>2</sup>
Other	\$0.01	\$0.02	\$0.00	\$0.00	\$0.01	\$0.26
<b>Total All Fund Expenditures<sup>1</sup></b>	<b>\$6.61</b>	<b>\$5.89</b>	<b>\$3.47</b>	<b>\$3.78</b>	<b>\$4.38</b>	<b>\$3.82</b>

**Source:** Cloverleaf LSD and peer Treasurers' Offices, FY 2003-04 Expense Budget Worksheets-Function 2700

**Note:** AOS excluded approximately \$150,000 from Cloverleaf's purchased services expenditures because it comprises recreation center purchased services, technology services, and copy machine leases and maintenance agreements. These items are coded in other non-maintenance operations function codes at peer districts. Furthermore, AOS excluded approximately \$34,000 in utility costs and \$4,000 in supplies/materials because they are attributed to the recreation center (see **financial systems**).

<sup>1</sup>Funds represented by the total expenditures include the Permanent Improvement Fund, Food Service Fund, and the Building Fund. Lake LSD does not use non-General Fund revenue for its facilities.

<sup>2</sup> AS&U does not identify capital outlay expenditures per square foot.

According to **Table 4-5a**, Cloverleaf LSD's total fund expenditures exceed the peer average in all line items except "other" costs (see **R4.2, R4.3, R4.4, R4.5, R4.6, and R4.7** regarding these expenditures). Overall, Cloverleaf LSD's total maintenance and operation expenditures per square foot exceed the peer average by 51 percent. In addition, the majority of capital outlay purchases were made from non-General Fund sources, which included roof repairs, boiler replacements and interior improvements.

### *Assessments Not Yielding Recommendations*

In addition to the analyses in this report, assessments were conducted on other areas within the facilities section which did not warrant changes and did not yield any recommendations. These areas include the following:

- *Custodial salaries:* The average custodial salary for Cloverleaf LSD is 32 percent lower than the peer average and six percent less than the AS&U benchmark.
- *Maintenance salaries:* The average maintenance salary for Cloverleaf LSD is 27 percent less than the peer average and 12 percent less than the AS&U benchmark.
- *Maintenance staffing:* The District maintains more square feet per FTE than the AS&U benchmarks. In addition, the District has decided to close two elementary school buildings (see **R4.1**), which will decrease the square footage maintained to 144,000 per FTE.



Furthermore, the relatively high peer average square footage per FTE is skewed by maintenance staffing levels at Lake and Louisville LSDs. These districts have recently undergone major construction, which may allow them to currently maintain more square footage per FTE than Cloverleaf LSD. Lake LSD also attributes its low maintenance staffing levels to its preventative maintenance program (see **R4.4**).

- *Grounds staffing:* Cloverleaf LSD has one groundskeeper who maintains 137 acres. This workload exceeds both the AS&U benchmark and the peer average.
- *Permanent Improvement Levy:* In 2000, Cloverleaf LSD successfully passed a permanent improvement levy to address the needs of its facilities. The FY 2002-03 permanent improvement expenditure report showed these funds were used for District facility repairs and equipment.
- *Vacant and leased buildings:* Cloverleaf LSD does not have any vacant or leased buildings.

## Recommendations

### *Capacity Utilization*

**R4.1 Building capacity and utilization should be reviewed periodically in conjunction with an enrollment projection process to determine the appropriate number of school buildings and classrooms needed to house the current and projected student population. A methodology that accounts for Cloverleaf LSD’s needs, educational programs and philosophy should be formally adopted by the District and used to determine school building utilization. The building capacity calculations should be reviewed and updated when a change in building structure, enrollment, or educational philosophy occurs.**

**During the course of this performance audit, Cloverleaf LSD decided to close two buildings, which will reduce operating costs and avoid proposed renovation costs. However, based on estimated utilization rates related to the District’s grade reconfiguration, and if its reconfiguration is not as effective as originally planned and/or the Districts needs to further reduce costs, it should review other viable options to restructure the remaining buildings, such as housing grades K-5 in the elementary schools and grades 6-8 in the middle school. This option would optimize facility utilization rates, avoid potential over-crowding at some buildings, and minimize transportation costs.**

Enrollment and building capacity are key components when planning for future facility needs. Cloverleaf LSD has been using enrollment projections completed in February, 2001 by an outside consultant, which are outlined in **Table 4-6**.

**Table 4-6: Cloverleaf LSD Projected Enrollment**

School Year	Projected Enrollment	Percent of Change from Previous Year
2010-2011	3,739	0.6%
2009-2010	3,718	0.3%
2008-2009	3,708	(0.3%)
2007-2008	3,718	0.2%
2006-2007	3,711	(0.1%)
2005-2006	3,713	0.0%
2004-2005	3,712	0.0%
2003-2004	3,713	1.1%
2002-2003	3,673	(0.4%)
2001-2002	3,687	N/A

Source: Cloverleaf LSD

**Table 4-6** suggests that the District's enrollment will remain steady over the projected period, increasing only 1.4 percent from 2001-02 to 2010-11. The District's actual enrollment over the past six school years is depicted in **Table 4-6a**.

**Table 4-6a: Cloverleaf LSD Enrollment History**

School Year	Head Count	Percent of Change from Previous Year
2003-2004	3,575	(0.9%)
2002-2003	3,609	(0.4%)
2001-2002	3,624	(1.0%)
2000-2001	3,661	(1.5%)
1999-2000	3,718	(0.6%)
1998-1999	3,739	N/A

**Source:** Cloverleaf LSD EMIS enrollment data

According to **Table 4-6a**, Cloverleaf LSD student enrollment has decreased each year, from 3,739 students in the 1998-1999 school year to the present enrollment of 3,575. Furthermore, the projected enrollment was 1.7, 1.8, and 3.9 percent higher than actual enrollment in 2001-02, 2002-03, and 2003-04, respectively. The District is also using outdated capacity data. In 1991, a facilities study was completed by a consultant establishing room capacities for all school buildings. However, the capacities do not reflect the modular units at Chatham Elementary or the renovations to the high school. By using the available enrollment data, and updating previous projections and capacity calculations, the District could conduct a more appropriate analysis of future building capacity and utilization.

The Auditor of State (AOS) calculated the building capacities using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular, full day kindergarten and pre-school classrooms by 25 students, the number of half day kindergarten and pre-school rooms by 50 students, and the number of special education classrooms by 10 students. The three products are then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library, learning disability resources and computer labs are set aside and excluded from the number of rooms used in the calculation. The capacity in the middle and high schools is calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.

**Table 4-7** compares each school building's student capacity to the FY 2003-04 student head count to determine the building utilization rate.

**Table 4-7: FY 2003-04 Building Capacity and Utilization Rates**

<b>Building</b>	<b>Building Capacity</b>	<b>Total Students</b>	<b>Over/(Under) Capacity</b>	<b>Building Utilization Rate</b>
Chatham Elementary (grades 3-6)	200	196	(4)	98%
Lafayette Elementary (grades K-2)	225	186	(39)	83%
Lodi Elementary (grades K-6)	720	501	(219)	70%
Seville Elementary (grades K-6)	525	446	(79)	85%
Westfield Elementary (grades K-6)	520	478	(42)	92%
<b>Total Elementary</b>	<b>2,190</b>	<b>1,807</b>	<b>(383)</b>	<b>83%</b>
Cloverleaf Middle School (grades 7-8)	935	574	(361)	61%
Cloverleaf High School (grades 9-12)	1,084	987	(97)	91%
<b>Total for all Buildings</b>	<b>4,209</b>	<b>3,368</b>	<b>(841)</b>	<b>80%</b>

**Source:** District Floor Plans, interview with the superintendent, and EMIS School Enrollment Report

**Note:** Total student enrollment has been adjusted to reflect the absence of students educated outside of Cloverleaf LSD's facilities due to individual special needs and circumstances. Additionally, Chatham Elementary school building capacity includes two modular units owned by the District.

According to **Table 4-7**, Cloverleaf LSD's overall building utilization rate is currently 80 percent, which is below the target utilization rate of 85 percent typically used by facility planners. Lodi Elementary and the middle school have utilization rates substantially below the desired rate, while the high school, Westfield Elementary and Chatham Elementary exceed the 85 percent building utilization rate.

During the course of this performance audit, Cloverleaf LSD proactively formed a team of stakeholders to evaluate the possibility of closing Chatham and Lafayette Elementary Schools to reduce operating costs. The team walked through each building and identified possible assignment changes for each classroom using a student and room count methodology. This differs from the AOS methodology which bases each building's overall capacity on current classroom assignments. Using its own methodology, the District concluded that both elementary schools could be closed by restructuring the schools in the following manner: Lodi K-2; Seville 3-4; and Westfield 5-6. According to the superintendent, the District's proposal would result in an improved learning environment because similar aged children would be grouped together and the middle school concept would remain intact. In addition, the superintendent indicated this building configuration allows the District to operate with fewer teachers and still keep adequate class sizes. The Board approved the closing of Chatham and Lafayette Elementary Schools at the end of the 2003-04 school year.

**Table 4-8** illustrates the impact of Cloverleaf LSD's restructuring proposal on building utilization rates based on the AOS methodology which reflects the most recent capacity data.

**Table 4-8: Cloverleaf LSD's Proposed Reconfiguration**

Grade Level	Lodi	Seville	Westfield	Middle School	High School	Total By Grade
Kindergarten	238	0	0	0	0	238
First	241	0	0	0	0	241
Second	245	0	0	0	0	245
Third	0	247	0	0	0	247
Fourth	0	270	0	0	0	270
Fifth	0	0	277	0	0	277
Sixth	0	0	289	0	0	289
Seventh	0	0	0	286	0	286
Eighth	0	0	0	288	0	288
Ninth	0	0	0	0	314	314
Tenth	0	0	0	0	296	296
Eleventh	0	0	0	0	193	193
Twelfth	0	0	0	0	184	184
<b># of Proposed Students</b>	<b>724</b>	<b>517</b>	<b>566</b>	<b>574</b>	<b>987</b>	<b>3,368</b>
<b>Building Capacity</b>	<b>720</b>	<b>525</b>	<b>520</b>	<b>935</b>	<b>1,084</b>	<b>3,784</b>
<b>New Building Utilization Rate</b>	<b>100.6%</b>	<b>98.5%</b>	<b>108.8%</b>	<b>61.4%</b>	<b>91.1%</b>	<b>89.0%</b>

**Source:** District Floor Plans, interview with the superintendent, and EMIS School Enrollment Report

**Note:** Total student enrollment has been adjusted to reflect the absence of students educated outside of Cloverleaf LSD's facilities, due to individual special needs and circumstances. Modular units are not included in **Table 4-8a** because they were located at Chatham Elementary. Although not readily quantifiable, the District's reconfigurations and changes to classroom assignments may increase the original capacities estimated by AOS.

According to **Table 4-8**, the remaining elementary schools would exceed desired capacity, while the middle school would operate considerably under capacity. However, the District's reconfigurations and changes to classroom assignments may increase the original capacities estimated by AOS, thereby minimizing the potential for overcrowding at the elementary schools. Furthermore, restructuring grades in this manner may enhance the learning environment and have enabled the District to increase cost savings by reducing additional teaching positions in an effort to improve its financial condition. However, transportation costs could increase because students in the same grade will have to be transported to a single location rather than to their closest school. State reimbursements may also increase as a result of increased transportation requirements and subsequently offset some of the increases in costs. Therefore, if the District needs to further reduce costs or finds that its building configuration is not as effective as originally planned, the District should consider other options to restructure grades while ensuring an adequate student learning environment.

**Table 4-8a** illustrates an alternative to the new grade configurations by showing utilization rates related to housing grades kindergarten through five in the elementary schools, and six through eight at the middle school. Student enrollment at the elementary level has been redistributed to make optimum use of available space at each remaining school.

**Table 4-8a: AOS Proposed Grade Reconfiguration**

Grade Level	Lodi	Seville	Westfield	Middle School	High School	Total By Grade
Kindergarten	97	76	65	0	0	238
First	82	75	84	0	0	241
Second	82	88	75	0	0	245
Third	113	64	70	0	0	247
Fourth	115	74	81	0	0	270
Fifth	130	67	80	0	0	277
Sixth	0	0	0	289	0	289
Seventh	0	0	0	286	0	286
Eighth	0	0	0	288	0	288
Ninth	0	0	0	0	314	314
Tenth	0	0	0	0	296	296
Eleventh	0	0	0	0	193	193
Twelfth	0	0	0	0	184	184
<b># of Proposed Students</b>	<b>619</b>	<b>444</b>	<b>455</b>	<b>863</b>	<b>987</b>	<b>3,368</b>
<b>Building Capacity</b>	<b>720</b>	<b>525</b>	<b>520</b>	<b>935</b>	<b>1,084</b>	<b>3,784</b>
<b>New Building Utilization Rate</b>	<b>86.0%</b>	<b>84.6%</b>	<b>87.5%</b>	<b>92.3%</b>	<b>91.1%</b>	<b>89.0%</b>

**Source:** District Floor Plans, interview with the superintendent, and EMIS School Enrollment Report

**Note:** Total student enrollment has been adjusted to reflect the absence of students educated outside of Cloverleaf LSD's facilities, due to individual special needs and circumstances. Modular units are not included in **Table 4-8a** because they were located at Chatham Elementary.

Restructuring grades as shown in **Table 4-8a** would allow the District to improve and balance utilization rates for its remaining school buildings. Moreover, restructuring grades in this manner would minimize the potential impact on transportation and corresponding costs, when compared to the District's proposal of housing each grade in a separate building. In addition, the District would achieve better stability in student assignments as students would stay in the same buildings for a longer time period. Lastly, the declining enrollment over the past five years (see **Table 4-6**) could decrease the relatively high utilization rates at the middle and high schools in the future.

*Financial Implication:* Approximately \$331,000 could be saved by closing both Chatham and Lafayette Elementary. Based on the FY 2002-03 facility expenditures, approximately \$218,000 could be saved by closing Chatham Elementary and \$113,000 by closing Lafayette Elementary. The Chatham Elementary savings include approximately \$53,600 in salary and benefit cost for 1.5 FTE custodians, \$108,800 in salary and benefits for 2.0 FTEs (principal, and clerical), \$18,000 in salary and benefits for 1.5 FTEs food service staff, \$19,000 annually in utility costs, \$11,000 in purchased services, and \$8,000 in supplies and material costs. The savings for Lafayette Elementary include \$40,700 in salary and benefits for 1.0 FTE custodian, \$29,000 in salary and benefits for 1.0 FTE clerical position, \$15,000 in salary and benefits for 1.5 FTEs food service staff, \$15,000 in utility costs, \$8,000 in purchased services, and \$5,000 in supplies and materials costs. Since the District is projecting annual General

Fund subsidies of \$30,000 to the food service fund (see the **financial systems** section) and total food service savings by closing these two buildings is approximately \$33,000, total savings of \$328,000 will be reflected in the financial recovery plan (see the **financial systems** section).

### Staffing

**R4.2** In addition to the reduction of 2.5 custodial FTEs recommended in R4.1, Cloverleaf LSD should reduce staffing by an additional 4.2 FTE custodians. This reduction would increase the District's square footage per custodian from 18,131 to 24,162, which is comparable to the peer and AS&U standards. When selecting positions to reduce, attention should be given to balancing the custodial workloads between the facilities.

**Table 4-9** illustrates Cloverleaf LSD staffing and square footage compared to the peer average and AS&U benchmark.

**Table 4-9: Cloverleaf LSD Custodial Staffing and Square Footage**

Position	Cloverleaf	Highland	Lake	Louisville	Peer Average	AS&U
Total Custodians	21.6	13.8	22.3	17.8	18.0	N/A
Square Footage	391,640	265,364	569,201	441,003	425,189	N/A
Square Footage per Custodian	18,131	19,229	25,525	24,775	23,622	23,215

Source: Cloverleaf LSD Office of the Superintendent

As shown in **Table 4-9**, Cloverleaf LSD's square footage per custodian is 23 percent lower than the peer average and 22 percent lower than the AS&U standard. According to the director of building and grounds, custodial staffing has been determined based on historical staffing levels and the time it takes to complete the various tasks at each building. However, current staffing levels exceed benchmarks and staff are unequally distributed throughout the District as illustrated in **Table 4-2**. This could be corrected by reducing custodial staffing levels by 4.2 FTEs (a total of 6.7 FTEs including **R4.1**) and appropriately redistributing custodial activities. **Table 4-9a** shows the new square footage per custodian.

**Table 4-9a: Cloverleaf LSD Proposed Custodial Staffing and Square Footage**

Position	Cloverleaf	Highland	Lake	Louisville	Peer Average	AS&U
Total Custodians	14.9	13.8	22.3	17.8	18.0	N/A
Square Footage	360,014 <sup>1</sup>	265,364	569,201	441,003	425,189	N/A
Square Footage per Custodian	24,162	19,229	25,525	24,775	23,622	23,215

Source: Cloverleaf LSD Office of the Superintendent

<sup>1</sup>Cloverleaf LSD square footage reflects the closing of Chatham and Lafayette Elementary Schools as approved by the Board in April, 2004.

As shown in **Table 4-9a**, reducing an additional 4.2 FTEs would reduce the custodial staffing from 21.6 FTEs to 14.9 FTEs (see **R4.1**). With the lower staffing levels, the new square footage per custodian would be 24,162. Although this is slightly higher than the AS&U standard, it is lower than two of the three peers.

*Financial Implication:* Reducing custodial staffing by an additional 4.2 FTEs would save the District approximately \$117,000 annually, based on an average salary \$20,903 and benefits equal to 33 percent of salaries.

**R4.3 Cloverleaf LSD should consider reducing either the assistant director position or support staff dedicated to buildings and grounds by pooling and sharing administrative staff with other departments, and appropriately reassigning duties. Doing so would reduce expenditures, while still providing higher administrative staffing levels than the peers.**

Cloverleaf LSD has administrative and support staff for its building and grounds department, which consists of a director of building and grounds (1.0 FTE), assistant director of building and grounds (1.0 FTE), and a secretary (1.0 FTE). These 3.0 FTEs perform administrative duties to ensure work is completed and provide assistance on major projects as required. The assistant director of building and grounds spends approximately 30 percent of his time assisting with maintenance tasks and training the maintenance department staff.

**Table 4-10** compares Cloverleaf LSD's administrative FTE staffing levels to the peers.

**Table 4-10: Administrative Staffing Comparison**

Position	Cloverleaf	Highland	Lake	Louisville	Peer Average
Director of Building and Grounds	1.0	0.5	0.4	0.5	0.7
Assistant Director	0.7	0.0	0.0	0.0	0.0
Support Staff	1.0	0.5	0.4	0.0	0.2
Administrative Total	2.7	1.0	0.8	0.5	0.9
Building and Grounds Staff	19.2 <sup>1</sup>	17.8	24.3	20.3	20.8
Staff per Administrative FTE	6.8	17.8	30.4	40.6	29.6
Square Footage	360,014 <sup>2</sup>	265,364	569,201	441,003	425,189
Square Footage per Administrative FTE	133,339	265,364	711,501	882,006	472,432

Source: Cloverleaf LSD Office of the Superintendent

Note: The assistant director's time is split between administrative tasks and assisting with maintenance tasks.

<sup>1</sup> The number for Cloverleaf LSD reflects the recommended staffing reductions for custodial staff.

<sup>2</sup> Cloverleaf LSD square footage reflects the closing of Chatham and Lafayette Elementary Schools as approved by the Board in April 2004.

According to **Table 4-10**, Cloverleaf LSD's ratios of buildings and grounds staff, and square footage per administrative FTE are significantly lower than the peers, which appear to be due to not sharing administrative staff with other departments. In contrast, the directors and secretaries at Highland LSD and Lake LSD are shared with the



transportation department. In addition, no other peer district has an assistant director/supervisor position for its facility operations.

The Cloverleaf LSD Board decided not to renew the transportation director's contract, and will allocate some of these duties to the director of building and grounds. However, the District is currently unaware of the percentage of time the director will spend performing the additional transportation activities and which specific duties will be transferred to affected staff (see the **transportation** section). Even if the director spent 50 percent of his time managing transportation operations, Cloverleaf LSD's ratios of staff per administrative FTE (8.7) and square footage per administrative FTE (163,643) would still be significantly lower than the peers. Therefore, by further pooling and sharing administrative staff with other departments, and appropriately reassigning duties, Cloverleaf LSD should be able to reduce either the assistant director or secretary position.

The District should consider the impact on maintenance services if it reduces the assistant director, as the position allocates 0.3 FTE to performing maintenance tasks. However, by reducing the assistant director, square footage per maintenance FTE would only increase from 156,656 square feet per FTE to 163,643 square feet per FTE when accounting for building closures (see **R4.1**). Rather than reducing the 1.0 secretary in building and grounds, another option the District should consider is reducing support staff in other departments (e.g., transportation), and having the building and grounds secretary provide clerical and administrative support to those departments. Assuming the District reduced the assistant director position (0.7 administrative FTE) and the director spends 50 percent of his time managing transportation operations, the District's revised ratios of staff per administrative FTE (12.6) and square footage per FTE (240,009) would still be the lowest of the peers.

*Financial Implication:* Assuming that the District reduces the 1.0 FTE assistant director position, it would save approximately \$57,600 annually. This includes the salary for the assistant director and 33 percent for benefits.

### *Facility Planning*

**R4.4 Cloverleaf LSD should develop and implement a comprehensive master facilities plan. This plan should consist of an update to the facilities planning study completed in 1991, the preventive maintenance (PM) program for all facilities, and a capital improvement schedule identifying how the District plans to use its funds. The master facilities plan should also include details of Cloverleaf LSD's building updates, student capacity for each, and projected enrollment information to assist with capacity planning. In addition, the District should use its computerized work order system and PM program to help guide decisions about capital and permanent improvements.**

**Furthermore, Cloverleaf LSD should consider establishing a Board committee to address facilities and operations needs. The committee should consist of the director of building and grounds, superintendent, treasurer, and at least one Board member. This committee should meet regularly (more than once a year) to achieve the following tasks, which should also be incorporated in its comprehensive master facilities plan:**

- **Establish a plan that addresses the maintenance and operational needs of the District's facilities;**
- **Establish an accurate budget proposal that links to the plan;**
- **Prioritize projects and services proposed for each fiscal year;**
- **Identify a timeline for completing proposed projects and services in the plan; and**
- **Present a clear and concise proposal for maintenance and operational needs for Board approval each fiscal year.**

**By establishing this committee, the District would be able to better plan and manage the expenditures needed to maintain its facilities.**

In FY 2002-03, Cloverleaf LSD's expenditures per square foot for facilities related purchased services were 67 percent higher than the peer average. This could be due, in part, to the lack of an up to date comprehensive master facilities plan that incorporates the preventative maintenance program, a timeline and prioritization of projects, and a realistic budget.

The District had a facilities planning study completed by an outside consultant in 1991. The study contained detailed improvement information for all facilities. While Cloverleaf LSD has used this study as a basis for facilities planning, many changes have taken place in District operations, making the study obsolete. Additionally, the District currently uses a list of all potential projects developed by the director of building and grounds to help make decisions about repairs, replacements, and permanent improvements. However, this list does not have a timeline identifying when the projects will occur, does not prioritize projects for each fiscal year, and does not include a budget linked to each project.

Although the superintendent, treasurer, and director of building and grounds meet informally once a year to discuss needed improvements for the upcoming year, the lack of a formal updated and prioritized master plan and review process could increase the number of significant repairs in the long-term that could have been avoided (e.g., repairing an elementary school roof and then deciding to close the building). According to AS&U, a comprehensive maintenance program could help schools extend the life of their equipment and focus limited resources on the buildings and surfaces that need the most attention. The result is a safer, more attractive, and more appealing educational environment. In addition, Louisville LSD has a facilities committee comprised of the facilities project manager, director of building and grounds, superintendent, and two Board members. Although the primary purpose of this committee is to monitor the current Ohio School Facilities Commission (OSFC) project, they could get involved in other facilities activities as required. The committee meets at least monthly to review progress reports, approve contract change orders based on Board authorization, and submit recommendations to the Board.

Cloverleaf LSD has a computerized work order system which distributes assignments on a daily basis for each facility. When assignments are completed, time and materials data are recorded and submitted daily for entry. The information is used to track daily activities and serves as the basis for the District's PM program. However, the director of building and grounds does not appear to use this program and system to help guide decisions about capital and permanent improvements, including purchased services. In contrast, Lake LSD has a work order system that drives its preventative maintenance program and capital improvement process. Inspections are completed regularly, based on *Preventative Maintenance Guidelines for School Facilities* published by the R.S. Means Co. Capital improvement priorities are based on health, safety and security issues identified by the PM program. They are included in the district operations budget that is submitted by the director of operations, reviewed by the superintendent and treasurer, and approved by the Board.

Developing a comprehensive master facilities plan that includes key components (e.g., timelines and prioritized projects) and links to a budget, and using its computerized work order system and PM program to help guide decisions about capital and permanent improvements would help the District better manage and control facility expenditures. Furthermore, a Board committee could help direct overall facility planning and ensure key activities are effectively executed (e.g., periodically updating the master plan, prioritizing projects, etc.).

## Energy Management

**R4.5 Cloverleaf LSD should develop a formal written energy policy to maximize the use of its computerized energy management system. Furthermore, Cloverleaf LSD should begin implementing the following efficiency measures: increasing cooling temperatures to 78 degrees and decreasing heating temperatures to 68 degrees. In order for Cloverleaf LSD to realize the benefits of the system, manual overrides should be limited to emergencies. In addition, training should be provided to all staff during regular staff meetings on energy saving techniques in order to increase awareness and reduce energy consumption.**

In 1986, Cloverleaf LSD implemented a computerized energy management system to regulate heating and cooling functions throughout the District. The system was upgraded in November 1993. This system maintains building temperatures at 72 degrees in winter, which is also the setting in the summer for buildings with air conditioning (middle school and recreation center). However, the building and grounds director indicated that teachers and staff can manually adjust each room temperature by up to three degrees from thermostat settings. The *School District Energy Manual* (Association of School Business Officials, 1998) recommends that temperature settings should be centrally controlled, and a variance of only one to two degrees for manual adjustments should be allowed. Allowing manual overrides with a wide variance could increase operating costs.

In addition to implementing a computerized management system, Cloverleaf LSD had an energy audit completed eight years ago. Some of the implemented recommendations from the energy audit include changing light fixtures and reducing the size of District windows. However, consistently following the techniques suggested by the *School District Energy Manual* and providing formal training on energy saving techniques would help to enhance the District's efforts to reduce energy costs and consumption. The *School District Energy Manual* recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating as a conservation guideline.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible and keep exit and entry to a minimum when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers which tend to emit heat, when not in use.

- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west sides of buildings keeps them cool in the summer, and opening blinds helps warm the buildings in the winter on sunny days.

By implementing these practices through the development of a formal, written district-wide policy, most districts with higher energy costs may realize as much as a 25 percent decrease in utility expenditures, according to the United States Department of Energy's Smart Schools program. Districts that recognize these savings have built energy efficient facilities or renovated existing facilities for maximum energy savings by upgrading windows, lighting and heating. Because Cloverleaf LSD incurs relatively high utility costs (see **Table 4-5a**), participating in additional energy conservation efforts will help the District reduce costs by providing a framework to control energy costs. However, since the District has implemented a computerized energy management system and upgraded light fixtures and windows, it may not be able to fully realize these savings.

*Financial Implication:* Cloverleaf LSD could save approximately \$57,000 annually in utility costs. This is based on utility costs for FY 2002-03 of approximately \$458,000, and the reduction of the total utility costs by 12.5 percent, which is half of the 25 percent savings reported by the Department of Energy. This would reduce the cost per square footage from \$1.17 to \$1.02, closer to the peer average of \$0.99.

### *Purchasing*

**R4.6 Cloverleaf LSD should strive to make as many purchases as possible through consortia and group purchasing agreements. Group purchasing could help reduce overall purchasing costs by taking advantage of already negotiated pricing. Because Cloverleaf LSD is a member of the Ohio Schools Council (OSC), the District should first review pricing for supplies and materials with OSC to maximize the advantages of group purchasing. Purchasing from state contracts should also be considered when appropriate, to allow Cloverleaf LSD to receive established discounts. Moreover, the Board should amend the District purchasing policy to further help control and reduce costs, similar to the peers. This could be accomplished by adding the following key elements:**

- **Requiring a bidding process and price quotations;**
- **Participating in volume purchasing through a consortium; and**
- **Limiting the number of purchased services.**

**Table 4-5** and **Table 4-5a** show that Cloverleaf LSD's supplies and materials, and purchased service expenditures per square foot are higher than the peer average, suggesting that the purchasing process could be enhanced. Additionally, as identified in **Table 4-4**, Cloverleaf LSD supplies and materials expenditures, and purchased service expenditures are expected to increase 27.9 and 33.3 percent, respectively, from FY2002-03 to FY2003-04.

The OSC offers school districts additional group purchasing benefits for a wide variety of services and goods. According to the OSC, members received discounts of as much as 77.5 percent and averaged 35 percent savings for supplies and materials during FY2002-03. However, the building and grounds department does not actively participate in the OSC although Cloverleaf LSD is a member. Participating in group purchasing improves control and monitoring of items purchased, and could reduce costs.

Although Cloverleaf LSD has a purchasing policy, the policy lacks essential elements that could help reduce and control costs, assuming the policy would be closely followed. According to the Ohio Revised Code §3313.46, school districts are required to obtain bids for goods or services that exceed \$25,000, but Cloverleaf LSD's purchasing policy does not mention the bidding process. Peer district purchasing policies list the following requirements in addition to bidding on goods or services exceeding \$25,000:

- Obtaining price quotes for goods and services under \$25,000 but more than \$1,000 from at least three suppliers;
- Participating in volume purchasing through a consortium;
- Limiting the number of purchases made throughout the year; and
- Limiting purchases to those authorized by the board of education for goods and services.

These minor changes to the purchasing policy would help the District better control, monitor and potentially reduce expenditures.

*Financial Implication:* If Cloverleaf LSD fully participated in group purchasing for facility related supplies and materials with the OSC, it could save approximately \$48,000 annually. This is based on the OSC's reported average member savings of 35 percent applied to the District's total FY 2002-03 expenditures of \$137,355 for supplies and materials.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Financial Implications Summary

<b>Recommendation</b>	<b>Estimated Annual Savings</b>
<b>R4.1</b> Close Chatham and Lafayette Elementary schools	\$328,000
<b>R4.2</b> Reduce custodial staff by 4.2 FTEs	\$117,000
<b>R4.3</b> Reduce assistant director position	\$57,600
<b>R4.5</b> Reduce energy costs	\$57,000
<b>R4.6</b> Increase group purchasing participation	\$48,000
<b>Total</b>	<b>\$607,600</b>

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# Transportation

## Background

Cloverleaf Local School District (Cloverleaf LSD or the District) provided transportation to 3,388 regular and 29 special needs students in FY 2002-03, using District owned buses. Additionally, Cloverleaf LSD established four payment-in-lieu of transportation agreements with parents, whereby the parents transport the students rather than the District. During FY 2002-03, Cloverleaf LSD maintained a policy of transporting all students, grades kindergarten through twelve (K-12), who live within the District. The policy was amended in August 2003 to only transport students who live more than 1.5 miles from their assigned schools. The Board of Education (Board) further revised this policy in January 2004 to only provide transportation for regular needs students who live more than two miles from school.

**Table 5-1** identifies the total riders transported by Cloverleaf LSD and the peer districts that will be used for comparison purposes in this performance audit.

**Table 5-1 FY 2002-03 Total Regular Needs and Special Needs Riders**

<b>FY 2002-03</b>	<b>Cloverleaf LSD</b>	<b>Highland LSD</b>	<b>Lake LSD</b>	<b>Louisville CSD</b>	<b>Peer Average</b>
<b>Public Riders</b>	3,283	2,438	2,881	2,672	<b>2,664</b>
<b>Non-Public Riders</b>	105	86	168	211	<b>155</b>
<b>Community Riders</b>	0	0	0	2	<b>1</b>
<b>Payment-in-Lieu Riders</b>	4	118	37	16	<b>57</b>
<b>Total Regular Need Riders</b>	<b>3,392</b>	<b>2,642</b>	<b>3,086</b>	<b>2,901</b>	<b>2,877</b>
<b>Total Special Needs Riders</b>	<b>29</b>	<b>14</b>	<b>36</b>	<b>32</b>	<b>27</b>
<b>Total All Riders</b>	<b>3,421</b>	<b>2,656</b>	<b>3,122</b>	<b>2,933</b>	<b>2,904</b>

Source: Cloverleaf LSD and peer district's T-1 and T-11 forms

### *Organizational Structure and Function*

Cloverleaf LSD's transportation department consists of a transportation director, an assistant and a secretary. The transportation director reports to the superintendent, and oversees general transportation department operations. The director's duties include organizing bus routes, managing bus maintenance and fuel procurement, supervising bus drivers and bus aides, collecting staff time sheets, and monitoring road conditions. The transportation assistant helps with scheduling field trips, monitoring fuel purchases, entering routing data, and managing personnel. The transportation secretary performs administrative support functions for the

transportation department including answering calls, contacting substitutes, and handling time sheets.

**Table 5-2** displays Cloverleaf LSD transportation department staffing levels compared to the peer districts.

**Table 5-2: FY 2003-04 District Staffing Levels**

Staffing	Cloverleaf LSD		Highland LSD		Lake LSD		Louisville CSD		Peer Average	
	NO.	FTE	NO.	FTE	NO.	FTE	NO.	FTE	NO.	FTE
<b>Director</b>	1.0	1.0 <sup>1</sup>	1.0	0.5 <sup>2</sup>	1.0	0.5 <sup>3</sup>	1.0	1.0	1.0	0.7
<b>Bus Driver</b>	25.0 <sup>4</sup>	20.4 <sup>4</sup>	20.4	15.7	38.5	21.1	16.3	16.3	25.1	17.7
<b>Mechanic/ Assistant</b>	2.0	2.0	3.0	3.0	2.0	2.0	2.0	2.0	2.3	2.3
<b>Assistant/Secretary</b>	1.7	1.5	1.8	0.8	2.0	0.9	1.0	0.7 <sup>5</sup>	1.6	0.8
<b>Aides</b>	1.5	1.1	0.0	0.0	1.0	0.8	1.5	1.5	0.8	0.8
<b>Total</b>	<b>31.2</b>	<b>26.0</b>	<b>26.2</b>	<b>20.0</b>	<b>44.5</b>	<b>25.3</b>	<b>21.8</b>	<b>21.5</b>	<b>30.8</b>	<b>22.3</b>
<b>Total number of Students Transported</b>	<b>2,564<sup>4</sup></b>		<b>2,524</b>		<b>3,049</b>		<b>2,885</b>		<b>2,819</b>	
<b>Students Transported per Bus Driver FTE</b>	<b>126</b>		<b>161</b>		<b>145</b>		<b>177</b>		<b>159</b>	
<b>Students Transported per Total FTE</b>	<b>99</b>		<b>126</b>		<b>121</b>		<b>134</b>		<b>126</b>	
<b>Total Number of Active Buses</b>	<b>29<sup>6</sup></b>		<b>27</b>		<b>38</b>		<b>29</b>		<b>31</b>	
<b>Square Miles in District</b>	<b>119</b>		<b>79</b>		<b>25</b>		<b>36</b>		<b>47</b>	
<b>Square Miles per Total FTE</b>	<b>4.6</b>		<b>4.0</b>		<b>1.0</b>		<b>1.7</b>		<b>2.1</b>	
<b>Number of Annual Miles Traveled (FY 2002-03)</b>	<b>683,280</b>		<b>367,920</b>		<b>332,280</b>		<b>301,500</b>		<b>333,900</b>	
<b>Annual Miles Traveled per FTE</b>	<b>23,725<sup>7</sup></b>		<b>18,396</b>		<b>13,134</b>		<b>14,023</b>		<b>14,973</b>	

Source: Districts' T-1, T-2 and T-11 Forms, Interviews

<sup>1</sup> The transportation director's contract ends June 30, 2004 and will not be renewed. The District's operations director will take over the transportation director's activities with support from the superintendent and department staff (see **R5.1**).

<sup>2</sup> Highland Local School District (Highland LSD) transportation director spends 50 percent of his time conducting transportation activities and 50 percent of his time conducting facilities activities.

<sup>3</sup> Lake Local School District (Lake LSD) director of operations spends 50 percent of his time as the transportation director, and 50 percent of his time as the maintenance director.

<sup>4</sup> Cloverleaf LSD total number of regular students transported is reduced by 824 students due to the district's multiple changes in its transportation policy in August, 2003 and January, 2004. The bus driver FTE count also reflects a reduction in force (RIF) of five employees due to these changes.

<sup>5</sup> Louisville City School District (Louisville CSD) administration secretary spends approximately 70 percent of his time conducting transportation activities, and the remainder of his time is spent conducting activities for the maintenance and food service departments.

<sup>6</sup> The District reduced the number of active buses from 39 to 29, due to the change in its transportation policy.

<sup>7</sup> The annual miles traveled per FTE for FY 2002-03 was calculated with FY 2002-03 total staffing.

**Table 5-2** shows that the number of students transported per bus driver and total FTE are the lowest of the peers, indicating potential overstaffing in the transportation department. However, the size of the District and annual miles traveled could require more staffing than the peers. For instance, the square miles and annual miles traveled per FTE are the highest of the peers. Nevertheless, the District may be able to operate with fewer buses and drivers by fully using the routing software system and upgrading it accordingly to optimize routes (see **R5.2**).

In addition, Cloverleaf LSD has higher FTE staffing levels when compared to the peer average in the transportation director, assistant/secretary, and aide classifications. Even by including all of the students transported in FY 2002-03 of 3,388, prior to the change in its transportation policy, the District transported 1,355 students per director and assistant/secretary FTE, which is the lowest of the peers. Highland LSD, Lake LSD and Louisville LSD transported an average of 1,942, 2,178, and 1,697 students per director and assistant/secretary FTE, respectively. The Board voted at its March 2004 meeting to not renew the transportation director's contract. The duties and responsibilities of the transportation director will be primarily assigned to the operations director, with support from the superintendent and department staff. However, the District is currently unaware of the percentage of time these positions will spend performing the additional transportation activities and which specific duties will be transferred to the related staff in the absence of a director position (see **R5.1**).

Cloverleaf LSD employs the second highest number of aides. The District's special needs students require transportation assistance and aide accompaniment if it is included in their Individualized Education Programs (IEPs). Both elementary special needs bus routes go in opposite directions within the school district during morning and afternoon routes, resulting in the need for a separate aide on each bus. In addition, the morning high school route with aide assistance starts its run before both of the elementary runs and requires an aide.

### *Operating Statistics*

**Table 5-3** presents basic operating statistics and ratios for Cloverleaf LSD and the peers.

**Table 5-3: Basic Operating Statistics Table for FY 2002-03**

	Cloverleaf LSD	Highland LSD	Lake LSD	Louisville CSD	Peer Average
<b>Operational Statistics</b>					
Students Transported:					
- Regular Students <sup>1</sup>	3,392	2,642	3,086	2,901	2,877
- Special Needs	29	14	36	32	27
- Total	3,421	2,656	3,122	2,933	2,904
Miles Traveled:					
-Regular Students	683,280	367,920	332,280	301,500	333,900
-Miles per Regular Needs Bus	17,520	13,627	8,744	10,397	10,771
-Square Miles in District	119	79	25	36	47
Expenditures:					
-Regular Students <sup>1</sup>	\$1,275,082	\$961,246	\$1,063,251	\$871,969	\$965,489
-Special Needs	\$117,027	\$77,355	\$101,432	\$72,945	\$83,911
-Total	\$1,392,109	\$1,038,601	\$1,164,683	\$944,914	\$1,049,400
State Reimbursement					
-Regular Students	\$855,140	\$548,290	\$571,173	\$543,837	\$554,433
-Special Needs	\$36,125	\$41,035	\$43,523	\$27,945	\$37,501
-Total	\$891,265	\$589,325	\$614,696	\$571,782	\$591,934
-Percentage Reimbursed	64%	57%	53%	61%	56%
<b>Operational ratios</b>					
Regular Students - Yellow Bus:					
-Cost per mile	\$1.87	\$2.61	\$3.20	\$2.89	\$2.89
-Cost per bus	\$32,694	\$35,602	\$27,980	\$30,068	\$31,145
-Cost per student	\$376	\$364	\$345	\$301	\$336
-Students per bus <sup>2</sup>	87	93	80	99	91
Special Needs Students – all methods:					
-Cost per student	\$4,035	\$5,525	\$2,818	\$2,280	\$3,108
Active Buses	39	27	38	29	31
Spare Buses	8	9	3	5	6
Total Buses	47	36	41	34	37

**Source:** Ohio Department of Education T Forms, Cloverleaf LSD and Peer Interviews

<sup>1</sup> Includes payment-in-lieu agreements and corresponding costs.

<sup>2</sup> Excludes payment-in-lieu of transportation agreements.

As illustrated in **Table 5-3**, Cloverleaf LSD's cost per mile (\$1.87) is 35 percent lower than the peer average; while the cost per bus (\$32,694) and student (\$376) are 5 and 12 percent higher than the peer average, respectively. The higher cost per bus and student are partially attributed to the rural make-up of the district, annual miles traveled per bus, and the number of buses with high mileage (see **R5.5**). For instance, Cloverleaf LSD's bus fleet travels 105 percent more miles per year for regular education students than the peer average, with each bus accumulating 62 percent more miles per year when compared to the peer average. Furthermore, the size of the District in square miles (119) is 153 percent greater than the peer average. Nonetheless, administrative staffing levels (see **R5.1**), insufficient use of the automated routing system (see **R5.2**), fuel costs (see **R5.4**), and high sick leave use (see the **human resources** section) are also contributing to the higher costs per bus and student. Fully using the routing software may also allow the District to increase the number of students per bus, which is currently the second lowest of the peers.

**Table 5-3** also indicates that Cloverleaf LSD special needs cost per student (\$4,035) is 30 percent higher than the peer average. According to the transportation director, the District has investigated several possibilities to reduce costs, including partnering with other districts for transportation services and the possibility of joining a consortium. While the District has not been able to implement these efforts, primarily because of its rural location and the proximity of schools that special needs students attend, actively promoting the formation of parent/guardian contracts could allow the District to reduce costs (see **R5.3**).

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, the following assessments were conducted which did not warrant any changes or yield any recommendations:

- ***Paid work hours per day for bus drivers:*** Bus drivers are paid for the actual time worked including pre-trip inspections and maintaining buses. As defined in the labor agreement, the bus drivers with a morning and afternoon route are paid a minimum of four hours. However, the District's average daily route time is approximately six 6 hours.
- ***Transportation policies:*** Under the current revised Board policy, Cloverleaf LSD provides transportation to all students (K-12) who reside two miles or more from their assigned schools, reducing transportation services to State minimum standards outlined in ORC § 3327.01. ORC § 3327.01 also allows Districts to eliminate transportation for students in grades 9 through 12. However, based on consultations with ODE, the District decided to keep transportation for grades nine through twelve. Although the district could lower transportation costs by reducing bus and driver utilization costs, the loss of approximately \$300,000 in state funding would potentially surpass the district's savings. In addition, students in grades seven through twelve are transported at the same time. Furthermore, the

District eliminated the high school mid-day route by absorbing it into three expanded existing routes and creating pick-up sites for a majority of non-public school students, which has eliminated the need for a substitute.

Due to the transportation policy change, Cloverleaf LSD is aggressively monitoring the safety issues related to the proximity of schools to state highways and other potential hazards along walking routes. The superintendent is working with other entities (i.e., local law enforcement) to ensure the safety of students previously transported to and from their assigned schools. In addition, the superintendent could review the following strategies to ensure safety on the state routes:

- Adding crossing guards;
- Installing crosswalks;
- Installing school zone markings; and
- Adding marked patterns for vehicle traffic for delivering and picking up students.

During the course of this performance audit, the District indicated that transportation services may be reinstated in the near future. Furthermore, according to the District, closing two buildings (see **facilities**) will require the District to transport additional students because many students appear to reside more than two miles from their newly assigned schools.

- **Tiered bell system:** Similar to the peers, Cloverleaf LSD has implemented a two-tier bell schedule to allow each bus to make two runs per route. Running more than one route decreases the size of the fleet needed to transport students. However, due to the different school bell schedules and bus travel times within the district, adding a third tier would be impractical.
- **Maintenance Costs:** Cloverleaf LSD's maintenance costs per bus are comparable to the peers.
- **State fuel tax form submission:** Cloverleaf LSD currently submits this form for reimbursement of state fuel tax.
- **Salaries:** Cloverleaf LSD director, assistant director, and mechanics' salaries are low when compared to the peers. Although average bus driver salaries are slightly higher than the peer average, salary step schedules are comparable to the peers.

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## Recommendations

### *Staffing*

- R5.1 Since the District will not be renewing the transportation director's contract, it should reassign the position's duties in a manner that reduces staff dedicated to managing and supporting the transportation department. Doing so would result in staffing levels that are more comparable to the peers.**

Cloverleaf LSD currently operates its transportation department with a full-time transportation director, a full-time assistant director and a part-time secretary, equating to 2.5 FTEs (see **Table 5-2**). However, the Cloverleaf LSD Board decided not to renew the transportation director's contract, and allocate the position's duties to primarily the District's operations director, with support from the superintendent and department staff. The District is currently unaware of the percentage of time each position will spend performing the additional transportation activities and which specific duties will be transferred to corresponding staff.

Highland LSD manages and supports its transportation department with 1.3 FTEs, including one part-time director, one part-time secretary, and a two hour per day secretarial aide. Lake LSD manages and supports its transportation department with 1.4 FTEs, consisting of a part-time director and two part-time secretaries. Lastly, Louisville CSD manages and supports its transportation department with 1.7 FTEs, comprising one full-time director and one part-time aide.

In short, the peer districts are conducting approximately the same management and support activities as Cloverleaf LSD with a smaller staff. Therefore, the District should ensure that time dedicated to managing and supporting transportation operations is reduced when reassigning the transportation director's duties. This may be best accomplished by reassigning the majority of these duties to staff currently employed in the transportation department, such as the assistant director. For instance, if time spent by the superintendent and operations director performing transportation activities equated to 0.5 FTEs and the assistant director completed the remaining duties, the transportation department would be staffed with 2.0 FTEs for management and support. While this would still be higher than the peers, it would ensure that the District has sufficient resources to fully implement and use the routing software, and manage and support overall operations, particularly if the District decides to reinstate transportation services. If the District transported 3,388 students, similar to when it transported the majority of its students in FY 2002-03, the average number of students transported per manager and



support FTE would be 1,694. This is in line with Louisville LSD but still less than Highland LSD and Lake LSD.

### *Transportation Operations*

**R5.2 Cloverleaf LSD should increase the use of the Education Logistics (Edulog) routing software system currently in place, and upgrade the system to the most current version. Training should be provided by the County as required to ensure employees have the knowledge to operate the software efficiently and to improve the accuracy in radius configurations.**

**Cloverleaf LSD should also work in a concerted effort with Medina County's Educational Service Center (MCESC) to create greater efficiencies within the District's current system. The MCESC can provide Cloverleaf LSD with additional routing software support at no cost, since Cloverleaf LSD already pays approximately \$4,000 annually to the MCESC for access to Edulog support and software system updates.**

Cloverleaf LSD is currently using a manual routing system to determine bus routes, which may result in some inefficiencies, such as not fully optimizing routes to transport students. As indicated in **Table 5-3**, the District is transporting the second lowest number of students per bus when compared to the peers. According to the transportation director, Cloverleaf LSD does not use its existing routing software due to inaccuracies in radius configuration. However, all of the peer districts currently use Edulog software for daily routing activities. Highland LSD and Lake LSD use the Edulog NT system which provides freedom to manage transportation requests, and allows the creation of itineraries that can include transfers, shuttles, and a different trip for every day of the week.

Due to the considerable number of routes, and based on the relatively low number of students transported per bus, Cloverleaf LSD could benefit greatly from updating and using its computerized software routing system. The Edulog transportation routing software can be used to evaluate scheduling alternatives. The software provides specialized applications for pupil transportation management, attendance boundary planning, and enrollment forecasting. Additional capabilities of transportation routing software include the ability to minimize the number of vehicles used for transportation by optimizing routes. Furthermore, alternative set up runs or routes can be quickly and easily produced to optimize transportation routes and meet the requirements defined by the District's current transportation policy. Finally, the routing software redistricting module can be used to simulate school boundary changes to support decisions regarding closing and opening schools (see the **facilities section**).

**Table 5-4** identifies the implications of reducing buses. Improving routing configurations through use of the routing software, with assistance from the County, could reduce the number of buses needed by increasing the number of students per bus.

**Table 5-4: Regular Needs Student per Bus Analysis**

Students per Bus	Number of Active Buses	Potential Bus Reduction <sup>1</sup>	Annual Cost Savings <sup>2</sup>
91	28	1	\$33,000
95	27	2	\$66,000
98	26	3	\$99,000
102	25	4	\$132,000
107	24	5	\$165,000
111	23	6	\$198,000

**Source:** Cloverleaf LSD transportation department

<sup>1</sup> Based on FY 2003-04, in which 2,560 regular needs students were transported on District yellow buses.

<sup>2</sup> Annual cost savings are based on an average bus cost of approximately \$33,000 (see **Table 5-3**).

**Table 5-4** shows that Cloverleaf LSD could save approximately \$33,000 by reducing at least one bus, thereby increasing the number of students per active bus to 91, which is similar to the peer average. If the District reinstated transportation services to FY 2002-03 levels when 3,388 students were transported on 39 active buses, it could reduce two buses to increase the number of students per bus to 91. According to the 1999 AOS Performance Audit Legislative Update, school districts using transportation software generally transport more students per bus. Moreover, fully using up-to-date routing software could improve overall departmental efficiency, thus ensuring that the assistant director and other transportation staff can effectively perform additionally assigned duties (see **R5.1**).

*Financial Implication:* If the District uses routing software and is subsequently able to reduce one bus, it would save approximately \$33,000 annually. Although not readily quantifiable, this reduction could impact State reimbursements for transportation.

**R5.3 Cloverleaf LSD should continue to investigate strategies to reduce its special needs transportation costs. Specifically, the District should consider actively promoting the formation of parent/guardian contracts. While parents cannot be required to provide transportation, Cloverleaf LSD can promote the use of these contracts with the goal of decreasing the total number of special needs students transported by the District. Furthermore, the District should periodically review alternatives, such as contracting for transportation services and partnering with neighboring districts, in its ongoing effort to minimize special needs transportation costs. Finally, in conjunction with promoting parent/guardian contracts, the District should actively**

**promote and establish payment-in-lieu of transportation agreements to reduce regular needs transportation costs.**

Ohio Administrative Code (OAC) §3301-83-21 requires every school district to provide transportation to all special needs students who live in the District to the school or facility that is based on requirements defined in their Individual Education Plan (IEP). Cloverleaf LSD transported 27 special needs students in FY 2002-03, using four buses, and vans and shuttle buses when appropriate. The District incurred special needs transportation costs of \$4,035 per student, which is 30 percent higher than the peer average (see **Table 5-3**).

School districts can negotiate parental/guardian contracts for special needs students by following guidelines set forth in OAC §3301-83-21. According to ODE, most contracts are established on a per mile basis. The Board negotiates with the parent/guardian to set a mileage rate and then payments are based on miles traveled. Cloverleaf LSD has established two parent/guardian contracts, which is more than the peers. Nevertheless, actively promoting parent/guardian contracts could result in establishing additional contracts, which would help the District reduce special needs transportation costs – assuming that the District established parent/guardian contracts at lower cost than to directly transport special needs students.

Furthermore, Cloverleaf LSD has previously reviewed the possibilities of contracting for transportation services and partnering with neighboring districts, but determined them to be impractical and potentially more costly due to the size of the District and minimal options for contracted services. By periodically reviewing these additional alternatives, however, the District would ensure that special needs transportation costs are being controlled and minimized.

While parent/guardian contracts address special needs students, ORC § 3327.01 and 3327.02 define the parameters governing payment-in-lieu of transportation agreements for regular needs students, including the methodology for determining costs and ODE reimbursements. According to ODE, districts could have offered up to \$407 per student for a payment in-lieu of transportation agreement in FY 2002-03, with ODE reimbursing up to \$172. In comparison, Cloverleaf LSD's average net cost per regular needs student in FY 2002-03 was \$124, based on reducing its total cost per regular needs student of \$376 by ODE's reimbursement of 67 percent for regular needs transportation (see **Table 5-3**). As a result, the District could realize a total cost savings of \$124 per student by establishing payment-in-lieu of transportation agreements at \$172 per student. As indicated in **Table 5-1**, the peers have established considerably more payment in-lieu-of transportation agreements than Cloverleaf LSD. Except for one payment-in-lieu of transportation agreement with a public school student at Louisville CSD, these

agreements are for non-public school students. In FY 2002-03, Cloverleaf LSD transported 105 non-public students. In addition, Cloverleaf LSD established payment-in-lieu of transportation agreements for four percent of its non-public school student population, considerably less than the peer average of 27 percent.

By actively promoting and establishing payment-in-lieu of transportation agreements for non-public school students, the District could reduce its regular needs transportation costs. In order to maximize savings, however, the District should identify specific pick-up points comprising mostly non-public school students and determine if these stops can be eliminated by establishing payment-in-lieu of transportation agreements. The District may ultimately need to reconfigure routes to reduce the number of pick-up points and miles traveled to achieve savings. Such reductions may also enable the District to eliminate a bus. This can be aided by fully using its routing software (see **R5.2**). Furthermore, the District would maximize savings by establishing a certain number of payment-in-lieu of transportation agreements, in conjunction with appropriate re-routing, that enable it to reduce a bus.

Although the size and rural makeup of the District may create some difficulty in implementing the aforementioned strategies to reduce special needs transportation costs (e.g., parent/guardian contracts) and establish additional payment in-lieu-of transportation agreements, actively pursuing these options could reduce special and regular needs transportation costs.

*Financial Implication:* Cloverleaf LSD could save approximately \$2,700 annually by increasing the number of parent/guardian contracts and payment-in-lieu of transportation agreements. If the District entered into one additional parent/guardian contract and paid the equivalent of two round trips (approximately 40 miles per day) at a rate of 37.5 cents per mile, Cloverleaf LSD would pay approximately \$15.00 per day per contract, or \$2,800 per year. Based on the average cost per special needs student of \$4,035, the District would save approximately \$1,200 annually per parent/guardian contract. In addition, based on the District's average direct cost per regular needs student of \$124, it would save approximately \$1,500 annually by establishing 12 additional payment-in-lieu of transportation agreements at ODE's maximum reimbursable amount of \$172 per student. The addition of 12 contracts would result in a total of 16 payment-in-lieu of transportation agreements – similar to Louisville CSD, but still significantly less than Highland LSD and Lake LSD.

**R5.4 Cloverleaf LSD should use competitive bids or requests for proposals (RFPs) when purchasing fuel to ensure accountability for District funds and reduce transportation costs. If this is unsuccessful, the District should consider installing an above ground storage tank that meets the Ohio Environmental Protection**

**Agency's (OEPA) requirements. Doing so would enable the District to use the Ohio Schools Consortium (OSC) or the state contract offered by the Ohio Administrative Services Department (ODAS) to purchase fuel at a reduced cost per gallon.**

Cloverleaf LSD does not use a competitive process to select its fuel supplier. According to the transportation director, Cloverleaf LSD has obtained its fuel from the same supplier for several years due to limited quality diesel fuel suppliers within the District. Highland LSD belongs to the Community University Education Purchasing Association (CUE) which uses competitive bidding to determine fuel prices. However, Highland LSD has not used the CUE program because it independently receives better fuel prices from suppliers. Lake LSD purchases diesel fuel from its county consortium, which uses competitive bidding to reduce fuel costs.

**Table 5-5** provides an analysis of Cloverleaf LSD and peer regular needs fuel transportation costs.

**Table 5-5: FY 2002-2003 Regular Needs  
Fuel Transportation Cost Comparison**

	<b>Cloverleaf LSD</b>	<b>Highland LSD</b>	<b>Lake LSD</b>	<b>Louisville CSD</b>	<b>Peer Average</b>
<b>Fuel Costs</b>	\$137,374	\$75,907	\$72,766	\$70,388	\$73,020
<b>Cost per Gallon</b>	\$1.59	\$1.34	\$1.10	\$1.33	\$1.26

**Source:** Cloverleaf LSD and peer district FY 2002-2003 T-forms

As illustrated in **Table 5-5**, Cloverleaf LSD's fuel cost per gallon is 26 percent higher than the peer average and is the highest when compared to all of the peers. Cloverleaf LSD has not solicited competitive bids for fuel for at least 5 years and therefore, cannot ensure it is receiving the best price. Pursuant to guidelines established by the ODAS Office of Risk Management and OAC § 5101-9-58, RFPs should be issued every three years to at least five potential fuel suppliers. By regularly issuing RFPs for fuel, Cloverleaf LSD would ensure it is receiving the best price and could reduce its current fuel costs.

In the past, the District maintained an underground fuel storage tank behind the high school, which had to be removed due to OEPA regulations. However, if the district is unable to obtain better prices through competitive bidding or RFPs, it should consider installing an above ground storage tank that meets OEPA regulations. According to an engineering firm that specializes in fuel and chemical storage, estimated costs for standard installation including the tank and dispersion equipment are approximately \$71,000. In addition, liability insurance for the type of equipment specified ranges between \$500 and \$1,000 per year, according to an underwriter whose geographic focus

is primarily in the northeastern United States. By installing an above ground tank, the District could purchase fuel in bulk at a reduced rate through the OSC or ODAS's contract. For instance, the average cost per gallon from the OSC was \$1.37 and ODAS was \$1.44 in May 2004, considerably lower than the District's average cost per gallon of \$1.80 in April 2004.

*Financial Implication:* Assuming Cloverleaf LSD can solicit bids to reduce its fuel costs per gallon to at least that of the highest peer (\$1.34), Cloverleaf LSD can achieve an annual cost savings of approximately \$22,000, or about \$0.25 per gallon. As a result, Cloverleaf LSD could fully offset the cost of purchasing a tank in slightly over three years.

**R5.5 Cloverleaf LSD should develop a formal bus replacement plan and include it in the District's capital plan and financial forecast. The number of buses to be replaced each fiscal year should be included in this plan, along with the age, mileage and estimated cost at the time of replacement. Cloverleaf LSD should also investigate alternative funding methods for bus purchases. Furthermore, moving older buses to routes with fewer miles, implementing a rotating system, and optimizing the efficiency of its current routes (see R5.2) could enable the District to extend the useful life of its fleet and subsequently avoid replacing a significant number of buses during the forecast period. If the District decides to maintain transportation services according to State minimum standards for the long-term, it should assess the need to maintain a spare fleet of 18 buses and determine which buses can be retired and not replaced.**

**In conjunction with the bus replacement plan, Cloverleaf LSD should develop a formal bus preventive maintenance (PM) program. A documented PM program will provide the transportation department and Cloverleaf LSD administrators a management tool to monitor and schedule bus maintenance, thereby extending the useful life of its fleet. In addition, Cloverleaf LSD should use computer software to record and track all bus maintenance activities and individual bus mileage. Recording the use of all parts, supplies, and associated labor data will provide a detailed history for each bus.**

Cloverleaf LSD does not have a formal bus replacement plan. District bus replacements are funded in part by the State, the General Fund, and the Permanent Improvement Fund. Using all of these funds, the District spent approximately \$272,000 (\$54,000 per regular need bus and \$56,000 per special need bus) during FY 2001-02 to purchase four regular and one special needs bus. During FY 2002-03, Cloverleaf LSD spent approximately \$294,000 (\$58,000 per regular need bus and \$62,000 per special need bus) for the purchase of four regular and one special needs bus. Cloverleaf LSD received

approximately \$39,000 in ODE subsidies in FY 2003-04 to make future bus purchases. According to the treasurer, this amount has decreased significantly since ODE reported that bus replacement funding would be reduced by at least 50 percent in FY 2003-04. However, without a formal bus replacement plan, Cloverleaf LSD may not be able to ensure adequate funds exist for future bus purchases.

While there are no State standards for the replacement of school buses, the *ODE- FY03 100% Bus Purchase List – Approved by Controlling Board April 7, 2003*, indicates that the average mileage for bus replacements was approximately 200,000 miles in FY 2002-03. In addition, the National Association of State Directors of Pupil Transportation Services (NASDPTS) recommends that diesel buses be replaced after 250,000 miles. However, according to the Ohio State Highway Patrol Inspection Manual, as long as a bus can pass inspection, a district may continue to use it regardless of age or mileage. Although half of its fleet is projected to exceed 200,000 miles over the next five years, the District does not plan to replace any buses during the forecast period due to the current financial situation and the purchase of ten new buses over the last three years.

**Table 5-6** illustrates Cloverleaf LSD's buses that will exceed 200,000 miles during the forecast period.

**Table 5-6: FY 2003-2004 Bus Mileage Forecast**

Bus	Active/ Spare	FY 2002-03 Actual	FY2003-04 Projected	FY2004-05 Projected	FY2005-06 Projected	FY2006-07 Projected	FY2007-08 Projected	Average Annual Miles
#1	Active	162,946	177,759	192,573	207,386	222,199	237,012	14,813
#5	Active	150,989	166,088	181,187	196,286	211,385	226,484	15,099
#6	Active	173,297	189,051	204,806	220,560	236,314	252,068	15,754
#8	Active	176,726	190,320	203,915	217,509	231,103	244,698	13,594
#12	Active	153,475	167,427	181,380	195,332	209,284	223,236	13,952
#13	Active	176,195	188,780	201,366	213,951	226,536	239,122	12,585
#14	Active	146,851	159,089	171,326	183,564	195,801	208,039	12,238
#19	Active	178,096	192,937	207,779	222,620	237,461	252,303	14,841
#21	Active	182,002	197,169	212,336	227,503	242,669	257,836	15,167
#25	Active	166,745	177,167	187,588	198,010	208,431	218,853	10,422
#31	Active	144,143	162,161	180,179	198,197	216,215	234,232	18,018
#32	Active	150,459	169,266	188,074	206,881	225,689	244,496	18,807
#37	Active	154,662	171,847	189,031	206,216	223,401	240,585	17,185
#39	Active	128,669	144,753	160,836	176,920	193,004	209,087	16,084
#43	Active	171,099	190,110	209,121	228,132	247,143	266,154	19,011
#49	Active	188,111	201,548	214,984	228,421	241,857	255,294	13,437
#9	Spare	143,305	167,427	181,380	195,332	209,284	223,236	15,986
#17	Spare	162,636	175,146	187,657	200,167	212,678	225,188	12,510
#22	Spare	156,002	171,602	187,202	202,803	218,403	234,003	15,600
#26	Spare	210,026	224,028	238,029	252,031	266,033	280,035	14,002
#47	Spare	165,565	175,913	186,261	196,608	206,956	217,304	10,348
#50	Spare	154,410	165,439	176,469	187,498	198,527	209,556	11,029

**Source:** Cloverleaf LSD transportation department interviews and T1 Form for FY2002-2003

According to **Table 5-6**, 22 buses will exceed 200,000 miles in the next five years, based on the number of miles traveled by each bus in FY 2002-03. Included in this total are one spare bus and five additional buses that will exceed 250,000 miles in FY 2005-06 and FY 2007-08, respectively.

Replacing half of its fleet would drastically impact the District's ability to improve its financial condition. Therefore, to avoid replacing a significant number of buses during the forecast period, the District should move older buses to routes with fewer miles in order to extend the life of the fleet. For instance, five buses traveled less than 10,000 miles in FY 2002-03, with accumulated mileage significantly less than 200,000 miles. In addition, the average mileage of the District's fleet (119,000) is relatively low. Optimizing the efficiency of its current routes (see **R5.2**) could also enable the District to extend the useful life of its fleet by minimizing the number of buses required and more evenly distributing the number of miles traveled. As indicated in **Table 5-6**, the average annual miles traveled by the District's higher mileage fleet ranges from 10,000 to 19,000



miles. When reviewing the District's total fleet, the average annual miles traveled ranges from approximately 4,000 to 22,000 miles.

Effectively using and managing the current number of spare buses may further help the District avoid significant bus purchases. Of the 22 buses exceeding 200,000 miles, seven were classified as spares in FY 2002-03. As indicated in **Table 5-6**, spare buses travel approximately the same number of miles as the active fleet because the District uses the spare buses for non-routine runs, such as for field trips and extracurricular activities. The size of the District and school bell schedules require the use of spare buses for many non-routine runs, as the active buses take a significant amount of time completing regular transports. When compared to the peers in FY 2002-03 (see **Table 5-3**), the District maintained a sufficient number of spare buses. However, Cloverleaf LSD is currently operating with an active fleet of 29 buses and moved ten active buses to its spare fleet, due to reducing transportation services to State minimum standards during FY 2003-04 and reconfiguring its routes accordingly. While the District is transporting fewer students in FY 2003-04, the total number of miles traveled may not decrease significantly from FY 2002-03 because the District still needs to pick up and transport students residing greater than two miles from their assigned schools. Moreover, the District needs to determine the impact of planned building closures (see the **facilities** section) on its transportation operations, including the current fleet size and route configurations. Therefore, maintaining these additional spare buses for the short-term and implementing an appropriate rotation system may allow the District to avoid bus purchases during the forecast period. If the District maintains transportation services according to State minimum standards for the long-term, it should assess the need to maintain a fleet of 18 spare buses and determine, through a bus replacement plan, which buses can be retired and not replaced.

By not purchasing any buses until FY 2007-08, Cloverleaf LSD could accumulate State reimbursement funds for bus purchases and reduce the impact on the General Fund. In addition to the current method of paying for buses, an alternative would be to participate in the Ohio School Bus Pooled Financing Program. This program was created by the Ohio Association of School Business Officials and companies in the private sector and allows school districts to do the following:

- Finance school bus purchases over a 5 to 10-year repayment period at the election of each school district;
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and

- Start immediately replacing the bus fleet without making a large lump sum capital outlay.

Although Cloverleaf LSD researched joining the Ohio School Bus Pooled Financing Program during FY 2000, it received lower bids for bus purchases from suppliers outside the consortium.

Finally, the District does not consistently track operating statistics that can be used to manage its current bus fleet. Currently, Cloverleaf LSD does not have a formal preventative maintenance (PM) program. Under the current process, the mechanic captures minimal information, and the transportation director uses the Lake Erie Educational Computer Association (LEECA) automated recording system to routinely account for bus maintenance activities and parts inventory on each bus. The bus mechanic schedules and records completed maintenance using LEECA's electronic software log system. However, the use of service parts and supplies, total job labor time and cost, and the frequency of vehicle repairs are not always documented. Without thoroughly documented bus maintenance records, school administrators have difficulty analyzing transportation expenditures and bus fleet maintenance performance. Tracking complete operating statistics for each bus would provide information to support the District's bus replacement plan. Furthermore, tracking this data and establishing a formal PM program would ensure the proper upkeep of the bus fleet, thereby helping to extend its useful life.

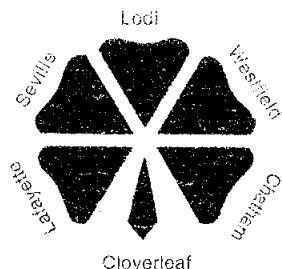
## Financial Implication Summary

The following tables represent a summary of the estimated annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>
<b>R5.2 Reduce one bus</b>	\$33,000
<b>R5.3 Establish parent/guardian contracts and payment-in-lieu of transportation agreements</b>	\$2,700
<b>R5.4 Renegotiate fuel purchases</b>	\$22,000
<b>Total</b>	<b>\$57,700</b>

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# Cloverleaf Local Schools

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**Bobbi Armstrong**  
Assistant Superintendent

**Gary Bowen**  
Treasurer

Mr. Fred Bartz  
615 West Superior Ave.  
12<sup>th</sup> floor  
Cleveland, Oh 44113

**RECEIVED**

OCT 1 2004

**BETTY MONTGOMERY**  
AUDITOR OF STATE

Dear Mr. Bartz,

The Cloverleaf Local Schools' Board of Education would like to thank you and your team for providing a comprehensive report resulting from the Audit conducted during the spring and summer of 2004. The information contained in the report will help us as we navigate an uncertain financial future for the Cloverleaf Local Schools.

The Board of Education, treasurer and I have reviewed the audit report and would like you to know we have implemented many of the items listed. Some of those items include:

- 1) Employees paying more for health care.
- 2) Wage freeze of the base.
- 3) Increased use of Consortia purchasing.
- 4) Assigned the EMIS data review to an experienced certificated administrator.
- 5) Establishment of a formal bus replacement process.
- 6) Reduction in personnel.
- 7) Closing of two buildings. The result of closing the buildings and redistricting our students into grade level configuration allowed us to save more money in staffing than the projections provided in this document. By saving the additional money, we will have to monitor closely the building capacities, but given our financial constraint, we had to take advantage of the additional savings.

Other observations and spending reductions included in this report are:

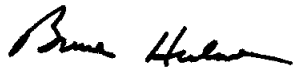
- 1) The Cloverleaf Local Schools' administrative costs are lower than any of our comparison districts as measured by per pupil expenditure and percentage of expenditure (table 2-8). While Cloverleaf had the lowest level of expense in this audit, we have since made additional cuts in the area of administration.
- 2) The Cloverleaf Local Schools Board of Education expenses are the lowest of the comparison schools, as are Instructional Support Services (table 2-8).

*The mission of the Cloverleaf Local Schools, a district with high academic and behavioral expectations, is to guarantee all students an education that will prepare them for life's challenges, by providing a comprehensive, engaging curriculum delivered by quality educators in a safe, stimulating, and respectful environment.*

- 4) Cloverleaf Local Schools' regular instruction expense is the highest of the comparison schools, which indicates the commitment to spending money to improve instruction (a recommendation in this report) (table 2-8).
- 5) While the Cloverleaf Local Schools has the largest number of employees and the largest number of students of the comparison schools (26 and 435 over the average) we have the second lowest number of administrative personnel (.5 under the average) (table 3-1). After this audit was performed, we eliminated another administrative position, while the district with fewer administrators added one.

Your team was very helpful, throughout the spring, in providing us insight into cost saving measures. We will continue to monitor spending, while we work diligently to get out of our financial difficulty. We have worked very hard to improve our academic performance (moving from continuous improve to excellent in two years) and are concerned that without financial stability we will not be able to help our students achieve their full potential. We are fully aware that one levy in November does not solve our problem. The administrative team, board of education, our faculty, staff and student body thanks you for your input, time and support in this process.

Sincerely,



Bruce W. Hulme, Ed.D.

**RECEIVED**

OCT 1 2004

BETTY MONTGOMERY  
AUDITOR OF STATE