



Mary Taylor, CPA  
Auditor of State

LAKEVIEW LOCAL SCHOOL DISTRICT  
PERFORMANCE AUDIT

SEPTEMBER 23, 2008



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Auditor of State

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

In accordance with the provisions of House Bill 119, a performance audit of Lakeview LSD was initiated in February 2008. The 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 that support its mission of educating children, and because improvements in these areas can assist in improving the District's financial condition.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Lakeview LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology for the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study, assessments not yielding recommendations, and financial implications. This report has been provided to Lakeview 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 further 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 23, 2008





# **Executive Summary**

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## **Project History**

In accordance with House Bill 119, the Auditor of State (AOS) conducted a performance audit of Lakeview Local School District (LLSD or the District). Based on AOS research and discussions with LLSD officials, the following areas were assessed in the performance audit:

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

## **District Overview**

LLSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. LLSD is located in Trumbull County. In FY 2006-07, the District received approximately 55 percent of its revenues from the State and 41 percent from local property taxes. In FY 2006-07, the District's per pupil expenditures equaled \$7,842 in the General Fund, when including the emergency levy fund.

LLSD consists of 4 schools: 1 middle school, 1 high school, and 2 elementary schools. At the beginning of FY 2007-08, the District had a total of approximately 238 full-time equivalent (FTE) employees consisting of approximately 9 administrative FTEs, 134 education FTEs, 4 professional FTEs, and 91 classified and other support staff FTEs. These employees were responsible for providing services to an average daily membership (ADM) of 2,029 students. Students with physical and learning disabilities comprise approximately 14 percent of the student population. The regular education student-to-teacher ratio was 20-to-1 in FY 2007-08. During the course of this performance audit, the District reduced staffing levels (see **Noteworthy Accomplishments**).

The District submitted a five year forecast in October 2007. LLSD is projecting deficits beginning in FY 2008-09 at approximately \$1 million and reaching nearly \$5 million in FY 2011-12. In addition, residents voted against a 7.5 mill levy in March 2008. Lastly, ODE designates school districts as excellent, effective, continuous improvement, academic watch or academic emergency. LLSD was designated as an excellent school district during FY 2006-07.

## **Objectives**

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist the LLSD in identifying strategies to reduce expenditures and, in turn, help eliminate future deficits. The following presents the major assessments conducted in this performance audit:

- Expenditures, forecasting, budgeting, and purchasing were reviewed in the financial systems section.
- District-wide staffing levels, collective bargaining agreements, salary levels, benefit costs, and food services were assessed in the human resources section.
- Custodial and maintenance staffing, facility-related expenditures, building capacity, policies and procedures, preventative maintenance, and the work order system were examined in the facilities section.
- Transportation staffing and expenditures, reporting, and policies were reviewed in the transportation section.

The recommendations in the performance audit comprise options that LLSD can consider in its continuing efforts to stabilize its financial condition.

## **Scope and Methodology**

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was conducted between February 2008 and June 2008. To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals, and reviewed and assessed available information from various sources. District data was deemed reliable unless otherwise noted in the report sections. Peer school district data and other information used for comparison purposes

were not tested for reliability, although the information was reviewed for reasonableness and applicability.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas and to share proposed recommendations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

AOS developed a database of ten districts that was used for peer comparisons. The ten districts are classified as Type 6 school districts (Urban/Suburban – high median income) by the Ohio Department of Education (ODE). In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. Specifically, the peer districts consist of Anthony Wayne Local School District, Canfield Local School District, Green Local School District, Jackson Local School District, Lake Local School District, North Canton City School District, Northmont City School District, Poland Local School District, Tipp City Exempted Village School District, and Wadsworth City School District. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- Government Finance Officers Association;
- American Institute of Certified Public Accountants;
- State Employment Relations Board;
- American School and University; and
- National Center for Education Statistics.

The Auditor of State and staff express appreciation to LLSD for their cooperation and assistance throughout this audit.

## **Noteworthy Accomplishments**

This section of the executive summary highlights specific LLSD accomplishments identified throughout the course of the audit.

*In the area of Human Resources:*

- During the course of the audit, LLSD's Board approved the reduction of 16.74 FTEs, which results in a net reduction of 14.74 FTEs because the District plans to replace 2.0 FTEs. As a result, the District now employs fewer FTEs per 1,000 ADM when compared to the peer average (see **Table 3-1**). Furthermore, these reductions will help the District improve its financial condition.
- In order to maintain participation in the Trumbull County Schools Consortium for health insurance, the District will no longer provide the HMO and Traditional plans effective July 1, 2008, and instead will offer three PPO plans. The District will reduce total insurance costs by approximately 12 percent when the new plans take effect on July 1, 2008. Furthermore, the District's premium costs for the new PPO plans, dental, vision and life insurance are either lower or comparable to data published by SERB and the Ohio Education Association (OEA)<sup>1</sup>.

*In the area of Facilities:*

- The District's utility expenditures per square foot in FY 2006-07 were 19.2 percent lower than the peer average and AS&U national median. The Treasurer attributed the lower utility expenditures per square foot to using a consortium for electricity and gas.

*In the area of Transportation:*

- The District's expenditures per rider, per bus and per mile for transportation services provided directly by LLSD were lower than peer average in FY 2006-07 for all categories, with the exception of benefits per mile.

## **Assessments Not Yielding Recommendations**

Assessments conducted which did not warrant changes and did not yield recommendations include the following:

- **Financial Systems:** projections for state funding, real property tax, and benefits; internal controls for purchasing; and other revenues;
- **Human Resources:** certificated and classified salaries; and substitute rates; and
- **Facilities:** overtime costs.

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<sup>1</sup> SERB and OEA health insurance premium data was adjusted for inflation to allow for reliable comparisons to LLSD's new PPO plans.



## Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to LLSD. The following are the key recommendations from the report:

*In the area of Financial Systems, LLSD should:*

- Analyze and use **Table 2-6** to evaluate the effect of the recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits. In addition, the Treasurer should update **Table 2-6** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.
- Update its policy to identify the process used in developing the financial forecast including supporting documentation for key assumptions, and define the involvement of other District administrators besides the Treasurer. In addition, the Treasurer should include more detail in the assumptions accompanying the forecast and consider using a separate methodology to forecast health insurance expenditures.
- Include measurable objectives, performance measures and related timeframes in the strategic plan. In addition, the District should link the strategic plan to the budget and five-year forecast. These measures would help ensure that the District achieves the goals and objectives stated in the strategic plan, identifies additional relevant goals, and prioritizes its goals.
- Consider lowering the minimum threshold requirement for obtaining multiple price quotes, and gain membership in purchasing consortiums to increase the pool of products and prices to compare and potentially purchase.

*In the area of Human Resource, LLSD should:*

- Consider eliminating 2.0 non-librarian educational service personnel (ESP) and 2.0 library technicians/aide FTEs, beyond its most recent reductions. Alternatively, LLSD could eliminate 2.0 librarian/media specialists to reduce both ESP and overall library staffing. The District should further review this alternative in an effort to maximize cost savings, but also ensure it would be practical from an operational perspective. According to the Superintendent, the District eliminated 1.0 librarian / media specialist FTE during the course of this audit.

- Negotiate to require all employees receiving medical insurance benefits to contribute at least ten percent towards monthly premiums. The District should also consider eliminating the payment of the employees' retirement contribution for administrators.
- Eliminate the retirement incentive language in its certificated negotiated agreement, or modify language to allow LLSD to offer the incentive only when it is economical for the District. Subsequently, the District should complete a thorough cost/benefit analysis that includes goals prior to offering the incentive.
- Seek the removal of the certificated contract language pertaining to desirable class sizes and related overload payments, and strive to reduce the severance payout provisions for both certificated and classified employees.
- Review its staffing levels to eliminate 9.5 daily labor hours in food service operations.

*In the area of Facilities, LLSD should:*

- Consider eliminating 1.5 FTE facility positions. Doing so would bring staffing levels more in line with industry standards.
- Continue to develop a comprehensive facilities master plan, in conjunction with the OSFC. This will allow the District to continue to evaluate costs of maintaining its old school buildings versus building new ones.
- Consider closing a building in the future, assuming that enrollment continues to decline. However, prior to making a decision to close a school and merge students into existing facilities, the District should ensure that it has sufficient capacity in the remaining buildings to house current and future students.

*In the area of Transportation, LLSD should:*

- Review its current routes to identify changes that correspond to its current ridership levels and continuously do so going forward; consider implementing cluster stops that will not jeopardize the safety of students; and review the current routing software to determine whether the software meets LLSD's needs or a new system should be purchased. Taken collectively, these strategies should enable the District to eliminate at least four, and up to seven, active buses under its current two-tier system.
- Establish formal policies and procedures to ensure accurate transportation reports (T-reports) are prepared, reviewed, and reconciled before submission to the Ohio Department of Education (ODE).

## **Issues for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified the following issues for further study.

*In the area of Financial Systems, LLSD should:*

- Review the miscoded expenditures of approximately \$450,000 to ensure it accurately identifies these costs. This, in turn, would help the District identify the appropriate strategies to potentially reduce these costs.

*In the area of Human Resource, LLSD should:*

- Review its educational programs and related factors (e.g., individual education programs for special education) alongside its current and projected financial condition (see **financial systems**) to determine whether it should reduce staffing levels closer to State minimum requirements for regular education, special education, and ESP. However, LLSD should weigh decisions to reduce teacher and ESP staffing levels against the impact the reductions may have on the quality of education. The District should also ensure that the orthopedic program is cost-effective.

*In the area of Transportation, LLSD should:*

- Explore cooperative purchasing programs to determine whether participating in such programs would reduce fuel costs.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

<b>Recommendation</b>	<b>Estimated Annual Costs</b>	<b>Estimated Annual Cost Savings</b>
<b>Recommendations Not Subject to Negotiations</b>		
<b>R3.1</b> Reduce 2.0 ESP FTEs and 2.0 Library Technicians/Aide FTEs		\$144,000
<b>R3.4</b> Eliminate paying the employee's portion of retirement for administrators.		\$62,000
<b>R4.1</b> Reduce facility staffing by 1.5 FTEs.		\$44,000
<b>R4.3</b> Purchase a work order system.	\$2,500 <sup>1</sup>	
<b>R5.1</b> Eliminate at least four active buses		\$50,500
<b>TOTAL (Not Subject to Negotiations)</b>	<b>\$2,500</b>	<b>\$300,500</b>
<b>Recommendations Subject to Negotiations</b>		
<b>R3.4</b> Negotiate to have all employees contribute at least 10 percent towards monthly medical insurance premiums.		\$96,700
<b>R3.5</b> Reduce the District severance payouts		Savings will depend on amount of retirements
<b>R3.9</b> Reduce the amount of sick leave taken by employees		\$1,700
<b>R3.10</b> Eliminate 9.5 daily labor hours for food services		\$20,600 <sup>2</sup>
<b>Subtotal Subject to Negotiations (HR)</b>		<b>\$119,000</b>
<b>TOTAL (Subject to Negotiations)</b>		<b>\$119,000</b>
<b>TOTAL FINANCIAL IMPLICATIONS</b>	<b>\$2,500</b>	<b>\$419,500</b>

Source: AOS recommendations

<sup>1</sup> While this would be the cost for a three year subscription for a particular system, the total amount is used as the annual cost to be conservative, and account for potential training and future updates.

<sup>2</sup> Savings would affect the Food Service Fund.



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# Financial Systems

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## Background

This section focuses on the financial systems within the Lakeview Local School District (LLSD or the District). The executive summary of this performance audit includes the audit objectives for the financial systems section. Various sources were used for comparison purposes, which include the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and selected peer school districts.<sup>1</sup>

### *Treasurer's Office Operations*

The Treasurer's office consists of two separate departments: Accounting and Payroll. The Accounting Department has one full-time employee whose responsibilities include data entry related to accounts payable and budgetary accounts. The Payroll Department consists of one full-time employee who processes payroll for all staff members and reconciles leave. In addition, one of the District's secretaries performs duties as a student activities clerk. The Treasurer stated that financial services duties make up 50 percent of this person's daily duties.

### *Financial Condition*

**Table 2-1** presents the five-year forecast submitted to ODE in October 2007. It was prepared by the Treasurer and used to assist Board members, administration, and other stakeholders in understanding the District's financial situation. AOS reviewed the assumptions that significantly impact the forecast, primarily real estate taxes, state funding, salaries and benefits. See *Assessments Not Yielding Recommendations*, **R2.4** and **Table 2-6**.

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<sup>1</sup> See **executive summary** for a list of the peer districts and an explanation of the selection methodology.

**Table 2-1: LLSD Financial History and Forecast (in 000s)**

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12
Real Estate Property Tax	\$5,552	\$5,896	\$6,259	\$6,320	\$6,400	\$5,610 <sup>1</sup>	\$5,675	\$5,740
Tangible Personal Property Tax	\$1,362	\$1,121	\$1,010	\$500	\$300	\$200	\$100	\$100
Unrestricted Grants-in-aid	\$6,803	\$6,943	\$7,112	\$6,900	\$6,900	\$6,900	\$6,900	\$6,900
Restricted Grants-in-aid	\$42	\$47	\$58	\$27	\$25	\$25	\$25	\$25
Property Tax Allocation	\$716	\$755	\$1,009	\$1,103	\$1,313	\$1,432	\$1,441	\$1,307
Other Revenues	\$677	\$869	\$544	\$503	\$500	\$600	\$600	\$600
<b>Total Operating Revenues</b>	<b>\$15,152</b>	<b>\$15,632</b>	<b>\$15,993</b>	<b>\$15,353</b>	<b>\$15,438</b>	<b>\$14,767</b>	<b>\$14,741</b>	<b>\$14,672</b>
Salaries & Wages	\$9,072	\$9,023	\$9,506	\$9,720	\$9,820	\$9,900	\$10,000	\$10,100
Fringe Benefits	\$3,086	\$3,148	\$3,528	\$3,600	\$3,700	\$3,800	\$3,900	\$4,000
Purchased Services	\$1,213	\$1,696	\$1,414	\$1,500	\$1,550	\$1,600	\$1,650	\$1,708
Supplies, Materials & Textbooks	\$538	\$832	\$725	\$600	\$600	\$600	\$600	\$600
Capital Outlay	\$32	\$69	\$86	\$53	\$53	\$50	\$50	\$50
Debt Service	\$33	\$88	\$33	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$607	\$717	\$1,080	\$700	\$700	\$720	\$740	\$760
<b>Total Operating Expenditures</b>	<b>\$14,582</b>	<b>\$15,574</b>	<b>\$16,373</b>	<b>\$16,173</b>	<b>\$16,423</b>	<b>\$16,670</b>	<b>\$16,940</b>	<b>\$17,218</b>
Net Transfers/Advances	(\$95)	\$89	(\$3)	\$0	\$0	\$0	\$0	\$0
Other Financing Sources	\$2	\$0	\$1	\$0 <sup>2</sup>	\$0	\$0	\$0	\$0
<b>Net Financing</b>	<b>(\$93)</b>	<b>\$89</b>	<b>(\$2)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Result of Operations (Net)</b>	<b>\$477</b>	<b>\$147</b>	<b>(\$383)</b>	<b>(\$820)</b>	<b>(\$985)</b>	<b>(\$1,903)</b>	<b>(\$2,199)</b>	<b>(\$2,546)</b>
Beginning Cash Balance	\$584	\$1,061	\$1,208	\$826	\$6	(\$979)	(\$2,882)	(\$5,081)
<b>Ending Cash Balance</b>	<b>\$1,061</b>	<b>\$1,208</b>	<b>\$826</b>	<b>\$6</b>	<b>(\$979)</b>	<b>(\$2,882)</b>	<b>(\$5,081)</b>	<b>(\$7,627)</b>
Encumbrances	\$269	\$271	\$352	\$0 <sup>3</sup>	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$793</b>	<b>\$938</b>	<b>\$474</b>	<b>\$6</b>	<b>(\$979)</b>	<b>(\$2,882)</b>	<b>(\$5,081)</b>	<b>(\$7,627)</b>
Renewal of Levy	\$0	\$0	\$0	\$0	\$0	\$890	\$1,780	\$2,670
<b>Ending Fund Balance</b>	<b>\$793</b>	<b>\$938</b>	<b>\$474</b>	<b>\$6</b>	<b>(\$979)</b>	<b>(\$1,992)</b>	<b>(\$3,301)</b>	<b>(\$4,957)</b>

Source: LLSD

Note: Totals may vary due to rounding.

<sup>1</sup> This figure represents the removal of the entire \$890,000 emergency levy by the Treasurer. However, the collection schedule of the levy calls for the District to receive half of the proceeds in this year. See **Table 2-6** for the updated recovery plan including adjustments made to this line-item by AOS.

<sup>2</sup> The District issued \$600,000 in Tax Anticipation Notes in January 2008 through the County Auditor after the issuance of this forecast.

<sup>3</sup> The Treasurer did not forecast encumbrances due to oversight. See **Table 2-6** for the adjustment to this line-item.

**Table 2-1** shows that the District has experienced positive ending fund balances each of the last three years. However, the District projects a minimal positive fund balance for FY 2007-08, followed by negative ending fund balances each year thereafter. Also, the District's declining financial position led to the issuance of a tax anticipation note of \$600,000 in January 2008 to meet payroll obligations.

LLSD operates with a total General Fund millage of 43.0, which includes a Permanent Improvement levy of 1.0 mills and a bond retirement for school facilities maintenance and site acquisition of 2.15 mills for 2008. In addition, the District receives funds from two emergency levies generating nearly \$1.5 million annually. The lesser of these two emergency levies (\$613,471 annually) was renewed in November 2007 and will run throughout the forecast period, whereas the larger levy (\$890,000 annually) will expire in FY 2008-09. Furthermore, the Permanent Improvement levy does not expire until the end of the forecast period.

### *Revenue and Expenditure Comparisons*

**Table 2-2** compares LLSD's General Fund expenditures per pupil to the peer average for FY 2006-07.

**Table 2-2: General Fund Expenditures Per Pupil**

	LLSD FY 2006-07	LLSD FY 2006-07 <sup>1</sup>	Peer Average FY 2006-07
Wages	\$4,357	\$4,553	\$4,668
Fringe Benefits	\$1,660	\$1,690	\$1,642
Purchased Service	\$565	\$1,096	\$733
Supplies & Textbooks	\$344	\$344	\$250
Capital Outlays	\$41	\$41	\$140
Debt Service	\$16	\$16	\$4
Miscellaneous	\$77	\$99	\$170
Other Financing Uses	\$4	\$4	\$103
<b>Total Expenditures</b>	<b>\$7,065</b>	<b>\$7,842</b>	<b>\$7,710</b>

Source: District and peer 4502s

<sup>1</sup>This column includes LLSD's expenditures from its emergency fund as they are used for general fund purposes.

**Table 2-2** shows that the District's total General Fund expenditures per pupil were significantly lower than the peer average. However, when including the emergency levy fund to account for total General Fund expenditures, the District's total expenditures per pupil exceed the peer average by approximately 2 percent. This is mainly due to higher costs per pupil in benefits, supplies and textbooks, and purchased services. Requiring a higher employee contribution towards health insurance would help reduce the District's benefit expenditures per pupil (see **human resource** section for further details), along with potential staffing reductions (see **human resources, facilities and transportation**). The higher supply and textbook costs per pupil is mainly attributable to the purchase of a new textbook series in FY 2006-07 as well as the District's continued attempts to meet the textbook set-aside requirements. Furthermore, the District's spending on general supplies was approximately 57 percent higher per pupil than the peer average. General supplies represented the largest expenditure category within supplies and materials, comprising 44 percent of the District's total supply and material expenditures in FY 2006-07. The lack of memberships in consortiums and LLSD's high threshold for obtaining bids



increases the risk of the District not obtaining the “best” price for supply purchases (see **R2.6**). Lastly, **Table 2-2** shows that when including the emergency levy fund, the District’s purchased service expenditures per pupil become higher than the peer average. This is primarily due to the District spending approximately \$874,000 on special education and busing (see ensuing analysis accompanying **Table 2-3**).

**Table 2-3** shows the governmental fund expenditures per pupil and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for LLSD and the peer average.

**Table 2-3: Governmental Fund Expenditures**

USAS Function Classification	LLSD FY 2005-06		LLSD FY 2006-07		Peer Average FY 2006-07	
	Per Pupil	% of Exp	Per Pupil	% of Exp	Per Pupil	% of Exp
<b>Instructional Expenditures</b>	<b>\$4,705</b>	<b>60.2%</b>	<b>\$4,875</b>	<b>58.4%</b>	<b>\$4,860</b>	<b>59.0%</b>
Regular Instruction	\$3,524	45.1%	\$3,821	45.7%	\$3,850	46.8%
Special Instruction	\$795	10.2%	\$835	10.0%	\$758	9.1%
Vocational Education	\$23	0.3%	\$23	0.3%	\$151	1.8%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$1	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$364	4.7%	\$197	2.4%	\$100	1.2%
<b>Support Service Expenditures</b>	<b>\$2,885</b>	<b>36.9%</b>	<b>\$3,262</b>	<b>39.0%</b>	<b>\$3,068</b>	<b>37.2%</b>
Pupil Support Services	\$359	4.6%	\$384	4.6%	\$449	5.4%
Instructional Support Services	\$327	4.2%	\$378	4.5%	\$326	4.0%
Board of Education	\$20	0.3%	\$7	0.1%	\$30	0.4%
Administration	\$787	10.1%	\$1,072	12.8%	\$624	7.6%
Fiscal Services	\$190	2.4%	\$205	2.5%	\$177	2.2%
Business Services	\$0	0.0%	\$0	0.0%	\$39	0.5%
Plant Operation & Maintenance	\$877	11.2%	\$854	10.2%	\$875	10.6%
Pupil Transportation	\$326	4.2%	\$361	4.3%	\$465	5.7%
Central Support Services	\$0	0.0%	\$0	0.0%	\$84	1.0%
<b>Non-Instructional Services</b>	<b>\$3</b>	<b>0.0%</b>	<b>\$3</b>	<b>0.0%</b>	<b>\$57</b>	<b>0.7%</b>
<b>Extracurricular Activities</b>	<b>\$223</b>	<b>2.9%</b>	<b>\$214</b>	<b>2.6%</b>	<b>\$256</b>	<b>3.1%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$7,817</b>	<b>100.0%</b>	<b>\$8,354</b>	<b>100.0%</b>	<b>\$8,240</b>	<b>100.0%</b>
Facilities Acquisition and Construction	\$3	0.0%	\$2	0.0%	\$604	5.3%
Debt Service Expenditures	\$347	4.3%	\$358	4.1%	\$828	8.2%
<b>Total Governmental Fund Expenditures</b>	<b>\$8,167</b>	<b>100.0%</b>	<b>\$8,714</b>	<b>100.0%</b>	<b>\$9,672</b>	<b>100.0%</b>

Source: District and peer 4502 Exhibit 2

As shown in **Table 2-3**, LLSD's total Governmental Fund operational expenditures per pupil exceeded the peer average in FY 2006-07. In addition, the District's total Governmental Fund operational expenditures per pupil increased by \$537, or 6.9 percent, in FY 2006-07. The District's total Governmental Fund expenditures were well below the peer average due to significantly lower spending in capital and debt service. Explanations for higher per pupil expenditures include the following:

- *Special Instruction-* The District spent \$77 more per pupil than the peer average on special instruction. When including the \$425,000 miscoded as administrative expenses with the other reported costs for special instruction (see below discussion) and only including special education students as reported in the December Child Count information, the District spent \$7,940 per special education student in FY 2006-07. This is 16.7 percent higher than the peer average of \$6,802 per special education student. Employing a higher level of special education teachers contributes to the higher expenditures per special education student. Additionally, the District indicated that its orthopedic program contributes to the higher special education costs (see the **human resources** section for further details).
- *Other Instruction-* The District spent \$97 more per pupil than the peer average on other instruction. This line item accounts for the District's tuition payments for students attending other school districts through open enrollment. Despite the overall decline in other instruction expenditures per student from FY 2005-06 to FY 2006-07, the District spent approximately \$235,000 on open enrollment tuition in FY 2006-07 which was an increase of nearly 51 percent from FY 2005-06.
- *Instructional Support Services-* The District spent \$52 more per pupil than the peer average on instructional support services. This is due to employing higher library staffing levels (see the **human resources** section).
- *Administration-* The District spent \$448 more per pupil than the peer average on administration in FY 2006-07. In addition, LLSD's spending in this category increased by \$285, or 36 percent from FY 2005-06. This is due to coding errors. Specifically, the District classified various purchased services including special busing as administrative expenses. These expenses totaled approximately \$874,000 in FY 2006-07. The Treasurer indicated that \$425,000 of this sum should have been recorded as special instruction costs and the remainder of nearly \$450,000 should be classified as special needs transportation costs. When removing these expenses from administration costs, the total per pupil spending amount is reduced to \$653, which is 4.6 percent higher than the peer average. However, when including \$450,000 in the transportation category, the District spent \$577 per student in transportation, which is significantly higher than the peer average of \$465 (see *Issues for Further Study*). See the above discussion for the impact of an additional \$425,000 on special instruction.

- *Fiscal Services-* The District spent \$28 more per pupil than the peer average on fiscal services in FY 2006-07. The higher costs are attributed to County Auditor and Treasurer fees (\$105,000), and State financial audit fees (\$36,000).

### *Assessments Not Yielding Recommendations*

In addition to the analyses in this report, assessments conducted on areas within the **financial systems** section which did not warrant changes and did not yield recommendations include the following:

- **State Funding Projections:** Based on the SF-3 for FY 2007-08, actual revenues in FYs 2005-06 and 2006-07, current per pupil funding levels, and the District trends in formula ADM, the Treasurer's projections for state funding appear reasonable.
- **Real Property Tax Projections:** Based on the Certificate of Estimated Resources from the County Auditor, district trends in valuations, and the economic condition in the District, the Treasurer's projections for real property taxes appear reasonable.
- **Benefit Projections:** Based on the year-to-date expenditures through February 2008, historical trends, and changes in health insurance premium rates, the Treasurer's projected figures for benefits appear reasonable.
- **Purchasing Internal Controls:** The District uses an automated purchasing system with signature controls in place to review purchase orders. Additionally, the most recent financial audit did not reveal any material citations or findings in regards to purchasing.
- **Other Revenues:** The District's generates revenue from student workbook and classroom fees, and plans on implementing pay to participate programs for sports and other extracurricular activities.

### *Issues for Further Study*

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified transportation reported expenditures as an issue for further study. As previously stated, the District spent more per pupil in transportation when including the \$450,000 miscoded as administrative expenses. According to the Treasurer, the \$450,000 is attributable to special needs transportation costs. The District contracts for the transportation of special needs riders through the Trumbull County Educational Service Center (Trumbull ESC). Trumbull ESC reported that LLSD spent approximately \$105,000 in contracted transportation costs, significantly lower than

indicated by the Treasurer. When including approximately \$105,000 instead of \$450,000, the District spent \$411 per pupil in transportation, which is lower than the peer average of \$465. Therefore, the District should further review the \$450,000 in miscoded expenditures to ensure it accurately identifies these costs. This, in turn, would help the District identify the appropriate strategies to potentially reduce these costs.

## Recommendations

### *Strategic and Financial Planning*

**R2.1 LLSD should expand its existing financial policies to address stabilization funds, one-time revenues, debt issuance and management including debt level and capacity, unpredictable revenues, revenue diversification, and contingency planning. Addressing such areas would aide the decision-making process.**

Despite having comprehensive policies for some areas of financial management (i.e., tax budget preparation, investments, fiscal planning, etc.), the District lacks specific policies recommended by *Best Practices in Public Budgeting* (GFOA, 2000), which include the following:

- Stabilization funds;
- One-time revenues;
- Debt issuance and management;
- Debt level and capacity;
- Unpredictable revenues;
- Revenue diversification; and
- Contingency planning.

By not having policies that address these areas, the District increases the risk of making decisions that do not align with the Board's intent and/or that result in adverse consequences.

**R2.2 The District should include measurable objectives, performance measures and related timeframes in the strategic plan. In addition, the District should link the strategic plan to the budget and five-year forecast. These measures would help ensure that the District achieves the goals and objectives stated in the strategic plan, identifies additional relevant goals, and prioritizes its goals.**

The District established a comprehensive strategic plan on November 5, 2007. The plan identifies the District's mission statement of supporting the three A's of student excellence (Academics, Arts, and Athletics) as well as the core values of the Lakeview Board of Education.

LLSD's strategic plan contains three goals including the following:

- Take action to increase student performance in academics, arts, and athletics;

- Operate as an efficient and effective organization; and
- Ensure safe and secure learning environments.

The strategic plan also identifies several strategies that the District should pursue to accomplish each of the goals noted above. While the strategies address the tasks necessary to accomplish each goal, they do not include measurable objectives or timeframes for their accomplishment. For example, some of the strategies listed to meet the above goals include demonstrating higher performance on standardized tests (ACT, SAT, etc) by District students. However, these strategies do not provide a benchmark or certain score that the District wishes to achieve nor do they list a specific timeframe within which the District will achieve the goal. In addition, the lack of timeframes increases the risk of the District not prioritizing its goals. Prioritization becomes more important based on LLSD's projected financial condition (see **R2.8**), which may require the District to identify additional goals and objectives. Furthermore, there is no evidence that the strategic plan is tied to the District's budget or the five-year financial forecast. According to the Treasurer, the strategic plan does not really influence the budget.

*Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005) recommends that all governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are met, and provide an important link between the goals in the strategic plan and the activities funded in the budget.

According to "*Getting Your Priorities Straight*" (International City/County Management Association (ICMA), June 2008), prioritization is a way to provide clarity about how a government should invest resources in order to meet its stated objectives and about what services could be funded at a reduced level without impacting those objectives. Prioritization as a process helps better articulate why the programs offered exist, what value they offer to citizens, how they benefit the community, what price is paid for them, and what objectives and citizen demands are they achieving. Furthermore, successful execution of prioritization depends on three factors:

- **The right results.** Accurate prioritization of programs depends on the comprehensive identification of the results needed to be achieved;

- **The right definitions.** Precision in prioritization results from the articulation of the cause-and-effect relationship between a program and a result. With clearly defined causality and an understanding of the influences on results, entities minimize subjectivity in linking programs with results; and
- **The right valuation.** With the right results and with clear definitions, entities can accurately value programs relative to their influence on achieving results.

The final steps in the prioritization process involve weighting the results, calculating program scores, and developing a top-to-bottom summary of all programs, in approximate order of priority. It is critical that this process be completed before making any budget decisions.

**R2.3 LLSD should update its policy to identify the process used in developing the financial forecast including supporting documentation for key assumptions, and define the involvement of other District administrators besides the Treasurer. In addition, the Treasurer should include more detail in the assumptions accompanying the forecast. Doing so would help the Board and public better understand the underlying elements of the District's projected financial condition, including the Treasurer's methodology and assumptions.**

The District's fiscal planning policy states that Treasurer is directed by the Board to maintain an annually detailed five year projection of estimated revenues and expenditures. Although the policy requires the development of a forecast, it does not specify the process to be used in preparing the forecast, the participation of other administrators, or the supporting materials to be used in developing significant assumptions. In actual practice, the District's development of the forecast is an ongoing and collaborative process throughout the year. Typically, the Treasurer and Board discuss the forecast in detail twice each year. These discussions occur at the monthly Board meetings near the May and October filing periods. The Treasurer provides the forecast and assumptions to the Board members and allows the members to propose changes or express their opinions. Any issues are resolved before the forecast is approved by the Superintendent. In addition, the Treasurer monitors the budget to actual figures on a monthly basis, and keeps the Board up to date with the District's performance.

The Treasurer prepares the forecast by developing a trend analysis, and keeping informed on current legislative developments and recent property valuation. Although the Treasurer includes assumptions in the forecast document, the notes to the forecast generally do not provide adequate disclosure concerning issues that have a significant impact on the District. For example, the notes lack any kind of disclosure concerning the following:

- Historical and projected health insurance rates;

- Historical and projected enrollment;
- Historical and projected number of open enrollment students and funding levels;
- Historical and projected staffing levels;
- Historical and projected negotiated wage increases and salary schedule step increases;
- Levy details (amount generated, collection cycle, etc); and
- Explanations when projected amounts deviate from historical trends.

According to the *Guide for Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported.
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.

Although the Treasurer was able to verbally explain and confirm the basis for the projections, not disclosing the supporting reasons in the assumptions prevents readers from fully understanding the District's forecast. It also hinders the ability of other stakeholders (e.g., the Board) to effectively review the forecast and ensure it reasonably reflects the District's future financial condition.

**R2.4 The Treasurer should review the methodology and assumptions used in projecting the key expenditure line-items within the forecast. Specifically, the Treasurer should consider including a negotiated wage increase (NWI) in the salary projections. As health insurance costs are independent of salaries and comprised 58 percent of total benefit expenditures in FY 2006-07, the Treasurer should consider using a separate methodology to forecast health insurance expenditures. Accordingly, the Treasurer**



**should disclose the methodology and assumptions for the benefit projections in the forecast notes. Ideally, the Treasurer should consider preparing a spreadsheet detailing each employee's position on the salary schedule as well as the actual benefit costs (Medicare, retirement, health insurance, etc.) for each year of the forecast period.**

A summary of the major expenditure line-items include the following:

- **Personnel Services:** This line-item represents employee salaries and wages, including extended time, severance pay and supplemental contracts. The Treasurer projected personnel services to increase 2.3 percent in FY 2007-08 and approximately one percent each year thereafter with the exception of FY 2009-10, in which the Treasurer applied a lower step cost of 0.8 percent. The Treasurer acknowledged that this lower rate was due to oversight. Furthermore, the projected increase in salaries accounts only for step increases and does not account for any negotiated wage increase (NWI) for staff members due to the District's financial difficulties. In addition, the Treasurer does not prepare a spreadsheet plotting each employee and their place on the salary schedule throughout the forecast period. AOS verified the Treasurer's assumption of a one percent step increase by testing actual employee salaries along the salary schedule.

The Treasurer's projection for FY 2007-08 is reasonable based on year-to-date expenditures through February 2008. LLSA has negotiated 2.75 percent wage increases for certificated and classified staff through FY 2007-08 upon which the collective bargaining agreement expires. The District recently negotiated a one year contract with the certificated and classified staff which calls for no NWI for FY 2008-09. The projection for FY 2008-09 appears reasonable as the Treasurer included only step increases for staff members in FY 2008-09. However, the projection of only a one percent increase from FY 2009-10 through FY 2011-12 appear understated because the historical average (FY 2001-02 to FY 2006-07) NWI for both the classified and certificated staff is 2.5 percent. Lastly, forecasting zero NWI to base wages for multiple years beyond the expiration of the most recent negotiated agreement may be difficult to achieve, especially since staff will not receive a NWI in FY 2008-09.

- **Benefits:** Based on the year-to-date expenditures through February 2008, historical trends, and changes in health insurance premium rates, the Treasurer's projected figures for benefits appear reasonable. However, the assumptions do not disclose the different percentages used to project the components of employee benefits (workers compensation, Medicare, and health insurance) (See **R2.3**). In addition, while the Treasurer provided support for the components within the

benefits line item for FY 2008-09, the Treasurer was unable to provide support for the employee benefits line-item through the remainder of the forecast.

Based on the issues noted above, LLSD's personnel services will be adjusted to include a 2.0 percent negotiated wage increase in FY 2009-10 through FY 2011-12. This is slightly lower than the historical average because of the District's current and projected financial condition. The projection for FY 2009-10 will also be adjusted to account for a one percent step increase. Additionally, the benefits line-item will be adjusted by applying the appropriate percentages for Medicare, workers' compensation, and retirement to the revised personnel services figure calculated by AOS. **Table 2-5** shows the impact these revisions will have on LLSD's forecast.

**Table 2-5: Impact of Forecast Adjustments**

	FY 2010	FY 2011	FY 2012
<b>LLSD Personnel Services Projection</b>	\$9,900,000	\$10,000,000	\$10,100,000
<b>AOS Revised Personnel Services Projection</b>	\$10,133,258	\$10,437,256	\$10,750,373
<b>LLSD Benefits Projection</b>	\$3,800,000	\$3,900,000	\$4,000,000
<b>AOS Revised Benefits Projection</b>	\$3,838,676	\$3,972,500	\$4,107,836
<b>Net Impact on Forecast</b>	<b>(\$271,934)</b>	<b>(\$509,755)</b>	<b>(\$758,209)</b>

Source: AOS analysis

### *Budgetary and Financial Management*

**R2.5 LLSD should prepare a budget document that contains key policies, plans, goals, and key issues. This would help link the budget to the District's strategic plan (see R2.2). The document should also include a financial overview (obtained from the five-year forecast), a guide to operations, explanation of the basis of accounting, a budget summary, and key performance measures. Furthermore, the document should be made available to the public. By developing a budget document, the District would provide stakeholders with a mechanism to clearly understand the budget and financial condition, and its relationship to the strategic plan (see R2.2) and five-year financial forecast.**

The Treasurer indicated that the budget is mainly based on historical costs rather than performance or achievement of specified goals and objectives in the District's strategic plan (see **R2.2**). The Treasurer monitors the budget versus actual figures on a monthly basis to determine the District's adherence to the budget. This information, as well as a list of all receipts and expenses related to athletics, a student activity report, bank reconciliation, and schedule of bills paid, are presented to the Board at each monthly meeting. However, the District does not prepare, publish, or circulate a formal budget document. The only document that is prepared is the appropriations resolution, which quantifies the District's expenditures but does not provide any explanations regarding

significant line-item changes. This limits the ability of the local community to understand the District's financial situation and to evaluate the use of their tax dollars. Lastly, the Treasurer indicated that the District does not use performance measures.

*Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999) recommends that governments develop budgets that are consistent with approaches to achieve goals, and that they include the following items:

- **Description of key policies, plans and goals.** The identification of key programmatic and financial policies, plans, and goals assists stakeholders in determining the appropriateness of a government's direction and allows them to develop their own opinions as to whether programs and decisions conform to, or are likely to achieve, those policies, plans, and goals.
- **Identification of key issues.** The identification of key issues focuses attention on critical areas, improves the likelihood that an appropriate level of deliberation will occur regarding decisions, provides accountability to stakeholders, and promotes trust.
- **A financial overview of the short and long-term financial plan.** Stakeholders need to have the financial plan of the entity clearly identified in order to make the best budgetary decisions. A financial overview typically consists of financial statements and accompanying narrative, charts and graphs. The overview should clearly describe the current and projected financial position, fund balances, financial activities and expectations for the budget period, and the expected implications for future periods.
- **A guide to operations.** This information provides a context for the allocation of resources in the budget, which helps to enable reasoned decision making about the use of resources. It also provides readers with a guide to the government's programs and the organizational structure in place to provide those programs and services.
- **Explanation of the budgetary basis of accounting.** Explaining the differences between the budgetary basis of accounting and the basis used in preparing the annual financial report helps stakeholders understand and interpret the numbers presented in each document, and helps to prevent errors during preparation or interpretation of the budget.
- **A budget summary.** A concise summary of the key issues, choices, and financial trends is needed to inform and direct the reader to the appropriate location for additional information, because most stakeholders do not want to take the time to read and understand all of the details in a budget.

- **Performance measures.** Performance measures, including efficiency and effectiveness measures, should be presented in the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives as defined by the District-wide strategic plan.

### *Purchasing, Training, & Payroll*

**R2.6 The District should consider lowering the minimum threshold requirement for obtaining multiple price quotes. Furthermore, LLSD should gain membership in purchasing consortiums to increase the pool of products and prices to compare and potentially purchase. These practices will provide the Board with more assurance that the District's goods and services are being purchased at a competitive price.**

LLSD has Board policies governing fiscal management which includes a specific section governing purchasing. However, the District's purchasing policies are broad and only require competitive pricing in the following instances:

- The District will comply with State law regarding competitive bidding requirements (anything exceeding \$25,000 as noted in ORC § 3313.46); and
- The District will seek two quotes for any item or group of items in a single transaction costing between \$10,000 and \$25,000.

In contrast to the District's \$10,000 threshold, Akron Public Schools requires district employees to obtain three price quotes on anything costing more than \$6,000. By establishing the minimum purchasing threshold at \$10,000, the Board is limiting the number of supplies and materials subject to price quotes. This increases the risk of not purchasing items at the "best" price.

The Treasurer indicated that the District is not a member of any purchasing consortiums. Exploration of membership in other relevant consortiums could help the District ensure it purchases products at the most economical price. For example, the U.S. Communities: Government Purchasing Alliance (USC) is a nonprofit entity that assists public agencies in reducing the cost of purchased goods by pooling their purchasing power nationwide. Specifically, USC combines potential purchasing power of up to 87,000 local agencies, expands purchasing choices beyond state boundaries, and includes over 8,000 public agencies in 50 states. USC offers technology products such as computer hardware, software, and peripherals, as well as office/school supplies, janitorial supplies, office and school furniture, and office machines. Likewise, the Ohio Schools Council has a cooperative purchasing program that offers various items, including office supplies; paper and maintenance products; bakery, ice cream and food service paper products; and

fuel (*see Issues for Further Study* in the **transportation** section). Furthermore, the Ashtabula/Mahoning/Trumbull County Purchasing Cooperative offers products to districts in the respective counties, such as school paper, office supplies, and building care and food service products.

**R2.7 The District should take steps to cross-train employees in functions related to the Treasurer's office. This would help the District avoid potential difficulties should one or more of the employees leave the District or incur extended absences.**

With the exception of the Treasurer who is able to handle payroll related duties, the District does not have any employees in the fiscal services unit who are considered cross-trained to handle duties outside of their job description. The opportunity exists to incorporate one of the administrative staff into the Payroll Department to serve as a backup to the one and only full time employee who processes payroll should she be absent for an extended period of time.

The Society of Human Resource Management (SHRM) indicates that cross-training increases employee knowledge and ability to perform different tasks by using current skills or learning new skills. Most organizations benefit from cross-training as it:

- Creates a more flexible and versatile workforce;
- Improves productivity;
- Prevents stagnation;
- Allows for effective succession planning;
- Increases retention and avoids recruiting costs; and
- Enables employees to understand organizational goals and objectives.

*Revised Financial Condition*

**R2.8 LLSLD should analyze and use Table 2-6 to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits. In addition, the Treasurer should update Table 2-6 on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.**

**Table 2-6** presents the revised projections discussed throughout this section of the audit report, and the cumulative effect of the Board-approved reductions (see **human resources**) and performance audit recommendations.

**Table 2-6: Revised Five-Year Forecast (in 000s)**

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12
Real Estate Property Tax	\$5,552	\$5,896	\$6,259	\$6,320	\$6,400	\$6,055 <sup>1</sup>	\$5,675	\$5,740
Tangible Personal Property Tax	\$1,362	\$1,121	\$1,010	\$500	\$300	\$200	\$100	\$100
Unrestricted Grants-in-aid	\$6,803	\$6,943	\$7,112	\$6,900	\$6,900	\$6,900	\$6,900	\$6,900
Restricted Grants-in-aid	\$42	\$47	\$58	\$27	\$25	\$25	\$25	\$25
Property Tax Allocation	\$716	\$755	\$1,009	\$1,103	\$1,313	\$1,432	\$1,441	\$1,307
Other Revenues	\$677	\$869	\$544	\$503	\$500	\$600	\$600	\$600
<b>Total Operating Revenues</b>	<b>\$15,152</b>	<b>\$15,632</b>	<b>\$15,993</b>	<b>\$15,353</b>	<b>\$15,438</b>	<b>\$15,212</b>	<b>\$14,741</b>	<b>\$14,672</b>
<i>Salaries &amp; Wages-Revised</i>	\$9,072	\$9,023	\$9,506	\$9,720	\$9,820	\$10,133	\$10,437	\$10,750
<i>Fringe Benefits-Revised</i>	\$3,086	\$3,148	\$3,528	\$3,600	\$3,700	\$3,839	\$3,972	\$4,108
Purchased Services	\$1,213	\$1,696	\$1,414	\$1,500	\$1,550	\$1,600	\$1,650	\$1,708
Supplies, Materials & Textbooks	\$538	\$832	\$725	\$600	\$600	\$600	\$600	\$600
Capital Outlay	\$32	\$69	\$86	\$53	\$53	\$50	\$50	\$50
Debt Service	\$33	\$88	\$33	\$0	\$176 <sup>2</sup>	\$144 <sup>2</sup>	\$138 <sup>2</sup>	\$132 <sup>2</sup>
Other Expenditures	\$607	\$717	\$1,080	\$700	\$700	\$720	\$740	\$760
<b>Total Operating Expenditures</b>	<b>\$14,582</b>	<b>\$15,574</b>	<b>\$16,373</b>	<b>\$16,173</b>	<b>\$16,599</b>	<b>\$17,086</b>	<b>\$17,588</b>	<b>\$18,108</b>
Net Transfers/Advances	(\$95)	\$89	(\$3)	\$0	\$0	\$0	\$0	\$0
Other Financing Sources	\$2	\$0	\$1	\$600 <sup>2</sup>	\$0	\$0	\$0	\$0
<b>Net Financing</b>	<b>(\$93)</b>	<b>\$89</b>	<b>(\$2)</b>	<b>\$600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Result of Operations (Net)</b>	<b>\$477</b>	<b>\$147</b>	<b>(\$383)</b>	<b>(\$220)</b>	<b>(\$1,161)</b>	<b>(\$1,874)</b>	<b>(\$2,847)</b>	<b>(\$3,436)</b>
Beginning Cash Balance	\$584	\$1,061	\$1,208	\$826	\$606	(\$555)	(\$2,429)	(\$5,276)
Ending Cash Balance	\$1,061	\$1,208	\$826	\$606	(\$555)	(\$2,429)	(\$5,276)	(\$8,712)
Encumbrances	\$269	\$271	\$352	\$297 <sup>3</sup>	\$297 <sup>3</sup>	\$297 <sup>3</sup>	\$297 <sup>3</sup>	\$297 <sup>3</sup>
<b>Unreserved Ending Fund Balance June 30</b>	<b>\$793</b>	<b>\$938</b>	<b>\$474</b>	<b>\$309</b>	<b>(\$852)</b>	<b>(\$2,726)</b>	<b>(\$5,573)</b>	<b>(\$9,009)</b>
Renewal of Levy	\$0	\$0	\$0	\$0	\$0	\$445	\$1,335	\$2,225
<b>Revised Unreserved Ending Fund Balance June 30</b>	<b>\$793</b>	<b>\$938</b>	<b>\$474</b>	<b>\$309</b>	<b>(\$852)</b>	<b>(\$2,281)</b>	<b>(\$4,238)</b>	<b>(\$6,784)</b>
<i>Cumulative Impact of Board-Approved Actions</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$585</i>	<i>\$1,788</i>	<i>\$3,015</i>	<i>\$4,266</i>
<b>Revised Ending Fund Balance</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(\$267)</b>	<b>(\$493)</b>	<b>(\$1,223)</b>	<b>(\$2,518)</b>
<i>Cumulative Impact of Performance Audit Recommendations</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$198<sup>4</sup></i>	<i>\$606</i>	<i>\$1,027</i>	<i>\$1,460</i>
<b>Revised Ending Fund Balance</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(\$69)</b>	<b>\$113</b>	<b>(\$196)</b>	<b>(\$1,058)</b>

**Source:** LLS and AOS

**Note:** Totals may vary from actuals due to rounding.

<sup>1</sup> This figure was corrected from the Treasurer's original forecast to exclude half of the emergency levy due to the collection schedule, rather than the entire amount.

<sup>2</sup> The District issued \$600,000 in Tax Anticipation Notes in January 2008 through the County Auditor after the issuance of the October 2007 forecast.

<sup>3</sup> As the Treasurer did not forecast encumbrances due to oversight, AOS included \$297,000 based on the average annual encumbrances from FY 2004-05 to FY 2006-07.

<sup>4</sup> This assumes LLS would realize only half of the potential annual savings due to timing.

**Table 2-6** shows that even when including the Board-approved actions and the performance audit recommendations, the District is projected to experience a negative ending fund balance in FY 2008-09, FY 2010-11 and FY 2011-12. Therefore, LLSD may need to consider other options to ensure it maintains a sound financial position going forward. These options can include reductions to educational staffing levels to operate closer to State minimum requirements (see *Issues for Further Study* in **human resources**) and potential building closures in the future (see **R4.6** in facilities). Furthermore, the Superintendent indicated that, due to the failure of the March 2008 levy, the District will have to operate at State minimum standards for transportation, which has not been included in **Table 2-6** (see **R5.3** in **transportation** for more information).

Finally, the forecast projections in **Table 2-6** will depend, in part, on the attainment of the District and AOS revised projections. Therefore, monitoring the attainment of the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current information. For example, if LLSD was able to realize a growth rate of 2 percent annually in State funding and implemented all of the performance audit recommendations, the District would achieve positive ending fund balances throughout the forecast period.





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# Human Resources

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## Background

This section of the performance audit focuses on the human resource functions of the Lakeview Local School District (LLSD or the District). The executive summary of this performance audit includes the audit objectives for the human resources section. LLSD operations were evaluated against leading or recommended practices and industry standards from various sources, including the Kaiser Family Foundation Employee Health Benefits 2007 Annual Survey, the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and the State Employment Relations Board (SERB). In addition, LLSD operations were compared to a peer average of ten school districts.<sup>1</sup>

### *Organizational Structure*

LLSD does not have a separate department dedicated to human resource functions. Instead, the District's Superintendent, Assistant Superintendent / Curriculum Director, Treasurer, Payroll Clerk, and the Superintendent's Administrative Assistant complete the major human resources functions. These services include benefits administration; payroll; maintaining the EMIS and other management reports; contract negotiations; hiring; and firing.

The District's certificated personnel are covered under the collective bargaining agreement (CBA) between the Lakeview Teachers Association and the LLSD Board of Education. This CBA took effect September 1, 2006 and runs through June 30, 2008. The District's classified personnel (custodial, clerical, educational aides, etc) are covered under the CBA between the Lakeview School Support Association and LLSD Board of Education. This agreement took effect on July 1, 2006 and runs through June 30, 2008.

### *Staffing*

**Table 3-1** compares LLSD's full-time equivalent (FTE) employees per 1,000 average daily membership (ADM) to the peer average.

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<sup>1</sup> See the executive summary for a listing of the peer districts and an explanation of the selection methodology.

**Table 3-1: Comparison of FTEs per 1,000 ADM**

Staffing Category	LLSD FY 2007-08	LLSD FY 2007-08 with Reductions <sup>1</sup>	Peer Average FY 2006-07	FTE Differences: LLSD with Reductions and Peer Average
Average Daily Membership <sup>2</sup>	2,028.91	2,028.91	3,969.10	N/A
Administrators	4.58	4.09	5.10	(1.01)
Educational Staff	66.09	59.32	63.99	(4.67)
Professional Staff	2.17	2.17	1.90	0.27
Technical Staff	3.45	3.45	2.33	1.12
Office/Clerical Staff	6.67	6.67	12.19	(5.52)
Crafts & Trades Workers	1.48	1.48	1.68	(0.20)
Custodians/Groundskeepers	7.89	7.89	6.65	1.24
Bus Drivers	10.84	10.84	8.68	2.16
Food Service Workers	9.36	9.36	6.46	2.90
All Other Reported Personnel <sup>3</sup>	4.93	4.93	4.56	0.37
<b>Total FTEs</b>	<b>117.46</b>	<b>110.20</b>	<b>113.54</b>	<b>(3.34)</b>

Source: EMIS data reported to the ODE and LLSLD Board approved reductions.

<sup>1</sup> This column represents staffing reductions approved by the LLSLD Board as of April 25, 2008.

<sup>2</sup> Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

<sup>3</sup> The All Other reported personnel include 9.0 FTEs that function as teaching aides.

**Table 3-1** shows that LLSLD overall employs fewer FTEs per 1,000 ADM when compared to the peer average, after including the Board-approved reductions. However, the following classifications exceed the peer average by more than 1.0 FTE per 1,000 ADM:

- **Technical Staff:** (Practical Nurses, Library Technicians / Aides) **Table 3-1** shows that LLSLD employs 1.12 FTE more technical staff per 1,000 ADM than the peer average (see **R3.1**).
- **Custodians / Groundskeepers:** As reflected in **Table 3-1**, the District employs 1.24 FTE more custodians and groundskeepers per 1,000 ADM when compared to the peer average. See the **facilities** section for further staffing assessment based on the District's square footage.
- **Bus Drivers:** The District has 1.16 more FTE bus drivers per 1,000 ADM when compared to the peer average. See the **transportation** section for further assessment.
- **Food Service Workers:** As shown in **Table 3-1**, the District has more food service workers per 1,000 ADM than the peer average (see **R3.10**).

### *Assessments Not Yielding Recommendations*

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

- **Certificated and Classified Salaries:** The average salaries in FY 2006-07 and FY 2007-08 for certificated and classified staff, as grouped by the general EMIS classification, were each lower than the respective peer averages in FY 2006-07.
- **Substitute Rate:** The District's daily rate for substitute teachers of \$70 is comparable to other district in Trumbull County.

### *Issue for Further Study*

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified the following issue:

- **Teacher and Education Service Personnel Staffing:** Based on the District's projected financial condition (see **financial systems**), LLSD may need to consider additional strategies to reduce costs, including staffing reductions closer to State minimum requirements for teacher and education service personnel (ESP) positions. Based on the FY 2007-08 staffing levels after the District's reductions, LLSD employs 7.6 more regular teacher FTEs, 7.2 more special education FTEs, and 8.1 more education service personnel (ESP) FTEs, when compared to State minimum staffing requirements. It should be noted that the District employs fewer regular teacher FTEs per 1,000 students (39.3) than the peer average (45.5). However, the District employs more ESP FTEs per 1,000 students (8.4) than the peer average (7.3) (see **R3.1**). Likewise, the District serves a lower number of special education students per special education teacher (9.7) when compared to the peer average (17.4). The special education ratios are based on the special education students reported in the December Child Count report, which was also used to compare special education staffing to State minimum requirements.

Based on the above factors, the District should review its educational programs and related factors (e.g., individual education programs for special education) alongside its financial status to determine whether it should reduce staffing levels closer to State minimum requirements for regular education, special education, and ESP. However, LLSD should weigh decisions to reduce teacher and ESP staffing levels against the impact the reductions may have on the quality of education. Lastly, the District indicated

that its orthopedic unit contributes to its high special needs costs (see **financial systems**), which serves students throughout Trumbull County. LLSLD charges the other participating districts for the costs of this program. The District should ensure that the orthopedic program is cost-effective.

### *Noteworthy Accomplishment*

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are noteworthy accomplishments that were identified for the human resources section:

- **Staffing Reductions:** During the course of the audit, LLSLD's Board approved the reduction of 16.74 FTEs, which results in a net reduction of 14.74 FTEs because the District plans to replace 2.0 FTEs. As a result, the District now employs fewer FTEs per 1,000 ADM when compared to the peer average (see **Table 3-1**). Furthermore, these reductions will help the District improve its financial condition.
- **Health Insurance:** In order to maintain participation in the Trumbull County Schools Consortium for health insurance, the District will no longer provide the HMO and Traditional plans effective July 1, 2008, and instead will offer three PPO plans. All three plans require a higher level of employee cost-sharing in most areas than the previous PPO plan. The PPO #1 plan will be available to current employees, while the PPO #2 plan will be offered to all employees hired subsequent to the 2007-08 school year. While the employee monthly contributions decrease because the premium costs decrease (employee contribution is approximately 5 percent in each plan), the employee cost-sharing from the PPO #1 to #2 and to #3 plans increase in some areas. Based on the current employees, the District will reduce total insurance costs by approximately 12 percent when the new plans take effect on July 1, 2008. Furthermore, the new premiums in the PPO #1 plan are lower than adjusted premium data published by the State Employment Relations Board (SERB) and Ohio Education Association (OEA), with the exception of the adjusted family premium being in line with the OEA data<sup>2</sup>. Additionally, the single and family premiums in the other two PPO plans are lower than the actual premium data published by SERB and OEA. Similarly, the District's premium costs for dental, vision and life insurance are lower than the actual data published by OEA and SERB, with the exception of the family dental premium appearing similar to OEA.

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<sup>2</sup> SERB and OEA insurance data was adjusted for inflation to allow for reliable comparisons to LLSLD's premiums taking effect in FY 2008-09.

## Recommendations

### Staffing

**R3.1 The District should consider eliminating 2.0 non-librarian educational service personnel (ESP) and 2.0 library technicians/aide FTEs, beyond its most recent reductions. Alternatively, LLSD could eliminate 2.0 Librarian/Media Specialists to reduce both ESP and overall library staffing. The District should further review this scenario in an effort to maximize cost savings, but also ensure it would be practical from an operational perspective. In addition, the District could consider additional ESP reductions, based on State minimum requirements (see Issues for Further Study). Furthermore, the District should reassess the priority placed on nurse staffing levels, based on the peer comparisons. According to the Superintendent, the District eliminated 1.0 librarian / media specialist FTE during the course of this audit.**

Table 3-4 compares the District's education service personnel (ESP) staffing levels to the peer average.

**Table 3-4: ESP Staffing Comparison**

	LLSD FY 2007-08	LLSD with Reductions	Peer Average FY 2006-07	Difference LLSD With Reductions to Peer Average
ESP Teachers <sup>1</sup>	9.6	8.0	16.4	(8.4)
Counselors	5.0	5.0	8.8	(3.8)
Librarian / Media Specialist	3.0	3.0	2.0	1.0
School Nurses	1.0	1.0	1.6	(0.6)
<b>Total Education Service Personnel (FTE)</b>	<b>18.6</b>	<b>17.0</b>	<b>28.8</b>	<b>(11.8)</b>
<b>Total ESP per 1,000 Regular Students</b>	<b>10.4</b>	<b>9.5</b>	<b>8.1</b>	<b>1.4</b>
<b>Total ESP per 1,000 Total Students</b>	<b>9.2</b>	<b>8.4</b>	<b>7.3</b>	<b>1.1</b>

Source: LLSD's FY08 EMIS Reports, interviews with the LLSD Superintendent, Peer

<sup>1</sup>ESP teachers include K-8 art, music, and physical education teachers

As displayed in **Table 3-4**, LLSD employs more ESP FTEs per 1,000 regular students and per 1,000 total students, even after the reductions. The District would need to reduce 2.0 FTEs to maintain staffing levels that are more comparable to the peer average ESP staff per 1,000 total students and per 1,000 regular students. Likewise, after the reductions, the District employs approximately eight more ESP FTEs than required by

ORC § 3301-35-05, which indicates that districts must employ a minimum of 5.0 ESP FTEs per 1,000 regular students.

When compared to the peer average, LLS D's higher ESP staffing levels are partially due to employing more librarian/media specialists. However, the District employs fewer library technician/aide FTEs. While **Table 3-4** shows that the District employs fewer school nurse positions (registered nurses (RN)), it employs more practical nurse positions (PNs). In order to capture all staffing levels dedicated to nurse and library functions, **Table 3-5** compares the total number of RNs and PNs to the peer average, while **Table 3-6** compares the total number of librarian/media specialist and technician/aide staffing levels to the peer average.

**Table 3-5: Nursing Comparison (RNs and PNs)**

Classification	LLSD with Reductions	Peer Average FY 2006-07 <sup>1</sup>
School / Registered Nurse FTEs	1.00	1.59
Practical Nurse FTEs	3.00	0.00
<b>Total Combined Nurse FTEs</b>	<b>4.00</b>	<b>1.59</b>
<b>Combined Nurse FTEs per 1,000 Total Students</b>	<b>1.97</b>	<b>0.41</b>
<b>Combined Nurse FTEs per Building</b>	<b>1.00</b>	<b>0.25</b>
<b>Peer Average<sup>2</sup> – Combined Nurse FTEs per 1,000 Total Students</b>		<b>0.58</b>
<b>Peer Average<sup>2</sup> – Combined Nurse FTEs per Building</b>		<b>0.35</b>

Source: LLS D and peer EMIS Reports

<sup>1</sup>The first five figures in this column are based on a 10 peer average.

<sup>2</sup>Three of the ten peers reported zero registered nurse and practical nurse FTEs. These peer averages reflect a seven peer average.

As displayed in **Table 3-5**, LLS D employs more nurses per 1,000 total students and peer building, when compared both to the ten peer and seven peer averages. According to the Superintendent, the District has place priorities on nursing staff due to an incident a couple years ago which involved a student collapsing in the gymnasium.

**Table 3-6** compares the combined library FTEs on a per 1,000 total students basis and on a per building basis to the peer average.

**Table 3-6: Library / Media FTE Comparison**

Classification	LLSD with Reductions	Peer Average FY 2006-07
Librarian/Media FTEs	3.00	2.01
Library Technicians/Aide FTEs	3.53	4.29
Total Combined Lib/Media FTEs	6.53	6.30
<b>Combined FTEs per 1,000 Students</b>	<b>3.22</b>	<b>1.57</b>
<b>Combined FTEs per Building</b>	<b>1.63</b>	<b>1.01</b>

Source: LLS D and peer EMIS Reports

As shown in **Table 3-6**, LLSD has more than twice the number combined library FTEs per 1,000 students than the peer average. On a per building basis, LLSD's combined library staffing levels are 61.4 percent higher than the peer average. If the District eliminated 2.0 library technician/aide FTEs, it would employ 2.23 combined FTEs per 1,000 students and 1.13 combined FTEs per building. These ratios are still higher than the respective peer averages.

*Financial Implication:* If the District reduced 2.0 FTEs in the ESP category and 2.0 FTEs in the library technicians/aide category, it could save approximately \$144,000 in annual salary and benefit costs. This is based on the lower salaried staff. It is estimated that the District would save slightly more by eliminating 2.0 librarian/media specialists than by eliminating the lower salaried 2.0 non-librarian ESP FTEs and 2.0 library technician/aide FTEs. However, the performance audit reflects the lower-salaried 2.0 non-librarian ESP FTEs and 2.0 library technician/aide FTEs to be conservative.

**R3.2 LLSD should establish a staffing plan to address current and future staffing needs. Specifically, the District should consider establishing staffing allocations for both certificated and classified personnel, which consider the impact of the projected declining enrollment. By developing a staffing plan, the District will better ensure that it meets State requirements, maintains adequate staffing to serve students, and makes appropriate changes based on its specific circumstances. Furthermore, the District will have a better means for forecasting personnel costs.**

LLSD does not have a formal staffing plan. However, it does informally evaluate educational staffing levels by using current and projected enrollment, and available classroom space.

The Tulsa Public Schools Staffing Plan (2005) have established a staffing plan that outlines the allocation of regular and special education, administrative, other instructional, clerical, custodial, and food service staff. The instructional and administrative allocations are based on student enrollment or student caseload for special education. Custodial staffing levels are based on a calculation which considers the number of teachers, students, rooms, and the total area of the buildings. Food service allocations are based on minimum target meals per labor hour calculation established by the district. The staffing plan also outlines the procedures for developing the allocations in each area.

Personnel expenditures account for a significant portion of the District's total expenditures. The lack of a formal staffing plan could hinder the District's ability to establish efficient and effective staffing levels, which is particularly important in light of the District's recent and projected enrollment trends. More specifically from FY 2005-06 to FY 2007-08, the District's enrollment declined each year. Furthermore, LLSD's

enrollment projections that extend to FY 2017-18 show a continued decline in enrollment each year.

**R3.3 LLSD should develop policies and procedure to ensure that EMIS reports are accurately prepared and reconciled prior to submission to ODE. Accordingly, the District should consider having the appropriate staff member review the EMIS information. The District should then use the Information Technology Center for final verification of the EMIS data. Additionally, the District should provide formal EMIS training to staff on regular basis (e.g., annually) to account for changes in EMIS reporting. Taking these measures would help ensure that the District submits accurate EMIS reports to ODE. This subsequently would help ensure the District makes decisions based on accurate data and receives the correct level of funding.**

LLSD does not have formal policies and procedures for EMIS reporting, and has not provided ongoing training on entering data into the EMIS database. Additionally, the District does not internally review EMIS reports after the secretary compiles the data. Instead, the secretary sends the EMIS reports to the District's Information Technology Center (ITC), which will identify errors.

In 2006, the Ohio Association of EMIS Professionals (OAEP) presented "EMIS in Perspective – Pertinent Issues for New EMIS Coordinators." This presentation discussed why accurate EMIS reporting is vital for every school district. Specifically, EMIS data is directly related to:

- District funding and accountability;
- Public relations and district image; and
- Professional reputation.

OAEP also provides tips and recommendations to help ensure accurate EMIS data. EMIS staff should be periodically checking the ODE/EMIS web site to see if the EMIS guidelines (in the EMIS manual) have been updated or changed. Reporting changes can be located on the ODE/EMIS web site and in the EMIS manual. This manual is released annually, with periodic updates. Updates may also be made in the EMIS guide and/or outlined at the beginning of the affected chapter. Another way to keep up-to-date with changes is to attend any training conducted by the Information Technology Centers (ITCs), and to attend conferences or training seminars offered by professional organizations. Lastly, OAEP indicates that preliminary reports should be shared for pre-checks and state reports for validation.

Other ODE resources include Dr. Zelman's, Ohio's Superintendent, weekly e-mail to superintendents available at ([www.ode.state.oh.us/superintendent/email](http://www.ode.state.oh.us/superintendent/email)); and the



treasurer newsletter prepared by the ODE Center for School Finance located at ([www.ode.state.oh.us/finance-schoolaccountability/Treasurer](http://www.ode.state.oh.us/finance-schoolaccountability/Treasurer)).

By not maintaining formal policies and procedures, providing ongoing training, and having an internal review process, the District increases the risk of inaccurate reporting. For example, when completing sample tests of data in the District's EMIS reports, AOS identified one instance of LLSD incorrectly reporting FTEs.

### *Benefits*

**R3.4 During future bargaining unit negotiations the District should require all employees receiving medical insurance benefits to contribute at least ten percent towards monthly premiums. The District should also consider eliminating the payment of the employees' retirement contribution for administrators.**

While the District will experience insurance savings in FY 2008-09 (see *Noteworthy Accomplishments*), its employee contributions towards the monthly premium costs appear low. District employees currently contribute only approximately 5 percent towards monthly premiums for vision, dental, medical, and prescription insurance coverage, which will remain the same for FY 2008-09. By comparison, the Ohio Education Association (OEA) reported a median employee contribution in FY 2007-08 of 9.0 percent for single coverage and 10.0 percent for family coverage. The 2007 Kaiser national survey reports that the average medical contribution rates were 16.0 percent for single coverage and 28.0 percent for family coverage. Likewise, the 2007 SERB Report showed a statewide average contribution rate of 12.3 percent for single coverage and 13.3 percent for family coverage, for employers that require employee contributions.

In contrast to certificated and classified employees, the District pays the full employee retirement contribution for administrators, which ultimately increases their compensation by 10 percent. In FY 2006-07, the District's average salary for administrators<sup>3</sup> was \$71,200, which is lower than the peer average of \$75,441. However, when including the payment of the employee retirement contribution, the District's average salary for administrators increases to \$78,320, which is 3.8 percent higher than the peer average. Whether the peers pay the employee retirement contribution for their administrators is unknown. Furthermore, the District's average administrator salary when including the retirement payment increased to \$82,711 in FY 2007-08, an increase of 5.6 percent from FY 2006-07.

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<sup>3</sup> The average salaries for administrators reported in this paragraph exclude the administrator retiring at the end of FY 2007-08 because this position will not be filled.

By increasing the monthly employee contribution from 5 percent to at least 10 percent, the District would reduce premium costs and increase employee cost-sharing to levels that are comparable to OEA and closer to levels reported by SERB and Kaiser. Although the average salary for administrators without the retirement payment is lower than the peer average in FY 2006-07, the District is forecasting deficits beginning in FY 2008-09. Therefore, LLSLD will need to evaluate its ability to continue offering the added retirement benefit for administrators alongside other considerations, such as potential reductions to teacher and ESP staffing levels (see *Issues for Further Study*). In addition, only paying the employee retirement contribution for administrators fosters inequity in the District's provision of benefits for staff.

*Financial Implication:* Based on the PPO #2 premium costs to provide a conservative estimate, the District will experience annual cost savings of approximately \$96,700 by requiring 10 percent employee contributions. By eliminating the retirement payment for administrators, the District would save approximately \$62,000 annually.

### *Negotiated Agreements*

**R3.5 During future bargaining unit negotiations, the District should strive to reduce the severance payout provisions for both certificated and classified employees. This would help limit LLSLD's long-term liability associated with severance payments. Additionally, the District should negotiate to decrease the number of vacation days and holidays that are provided to classified employees. Doing so would allow the District to reduce the amount of time employees are away from work, which subsequently should increase productivity and limit the need for substitutes and/or overtime.**

Since contractual and employment issues directly affect the operating budget, an assessment was conducted to compare LLSLD's certificated and classified CBA to State requirements and recommended or leading practices. The following provisions within LLSLD's classified CBA were identified as being comparable to these benchmarks: work week, minimum staffing, building checks, minimum call in hours, sick leave incentive, annual sick leave accrual, number of personal days, retirement incentive, and negotiated wage increase. The following three areas concerning employee leave exceeded State requirements:

- ***Maximum Sick Leave Payout:*** Both the District's certificated and classified CBA allows for a maximum severance payout upon retirement of 85 sick days. This is nearly three times as much sick leave payout than required by ORC § 124.39, which stipulates that if an individual retires from active service with ten or more years of service with the State, they are entitled to be paid 25 percent of the value of accrued but unused sick leave, up to 30 days. A policy can be adopted allowing

an employee to receive payment for more than one-fourth the value of the unused sick leave, for more than the aggregate value of 30 days of the employee's unused sick leave, or allowing the number of years of service to be less than ten.

- **Vacation Accrual:** The District's classified CBA allows for vacation accrual rates that are higher than the minimum requirements stipulated in ORC § 3319.084. For example, an employee with 17 years of service receives 20 days of vacation per year at LLSD. In contrast, ORC § 3319.084 does not require the District to grant 20 days per year until employees have reached 20 years of service. Providing employees with more vacation time can potentially increase the District's operating costs if substitutes and/or overtime are needed to cover the absence.
- **Holidays:** Pursuant to ORC § 3319.087, 11 and 12 month employees are entitled to a minimum of seven holidays and nine or ten month employees are entitled to six holidays. LLSD's 12 month employees receive 12 holidays per year while all other employees receive nine holidays. Providing employees with more holidays can reduce productivity since there are fewer days devoted to District operations.

*Financial Implication:* The savings associated with a reduction in the severance payout could be substantial, depending on the amount and classification of the retirees in a given year. For example, if the District reduced the maximum severance payout to 30 days (55 day savings), the savings would be approximately \$14,988 for every teacher retiring, assuming they retire with a salary that corresponds to last step of the bachelors degree on the 2006-07 salary schedule. Similarly, the savings would be \$6,494 for every custodian retiring, assuming they retire with a salary that corresponds to last step of the salary schedule (step 6). However, the actual savings will vary depending on each employee's classification, pay rate, level of education and other similar issues.

**R3.6 LLSD should strive to reduce the amount of sick leave used by its employees by developing a policy that outlines "pattern abuse" and disciplinary actions. To identify potential pattern abuse, the District should begin actively monitoring the use of sick leave and require staff to provide physician statements, where appropriate.**

Both the District's certificated and classified CBAs do not identify guidelines for pattern abuse and possible consequences of sick leave abuse or misuse. Likewise, the District lacks a policy addressing sick leave abuse or misuse. In addition, the District does not formally monitor the use of sick leave or require physician signatures for extended absences.

**Table 3-9** compares the District's average sick leave hours per employee in FY 2006-07 to the State average reported by the Ohio Department of Administrative Services (DAS).

**Table 3-9: Sick Leave Hours per Employee**

Staff Grouping	LLSD FY 2006-07	SCOPE/OEA (Certificated), AFSCME (Classified) <sup>1</sup>	Excess Hours Used
<b>Certified</b>	55.0	53.7	<b>1.3</b>
<b>Classified</b>	57.9	56.2	<b>1.7</b>

Source: LLSD sick leave reports and DAS

<sup>1</sup> DAS State Average for FY 2006, which is the last year available.

**Table 3-9** shows that LLSD employees used slightly more hours of sick leave per employee than the DAS averages. Additionally, according to the local report cards published by the Ohio Department of Education, LLSD's average attendance rate for teaching staff was 94.9 percent in FY 2006-07 while the peer average was 96 percent.

The State of Ohio has collective bargaining agreements with the State Council of Professional Educators (SCOPE), Ohio Education Association, and the Ohio Civil Service Employees Association (OCSEA), Local 11. Teachers, librarians and educational specialists comprise the majority of positions represented by SCOPE. OCSEA Local 11 represents numerous classifications including clerks, administrative assistants, custodial workers, electricians, equipment operators, food service workers, and maintenance repair workers. Both of these collective bargaining agreements (2003-2006) contain provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays; weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

Additionally, the SCOPE agreement indicates that for absences exceeding seven consecutive calendar days, a physician's statement is routinely required that specifies the employee's inability to work and probable recovery date. The OCSEA agreement indicates that the employer may request a physician's statement to be submitted within a reasonable period of time.

By establishing a sick leave policy that outlines pattern abuse and disciplinary actions, and monitoring sick leave use, the District would be in a better position to control sick leave usage and reduce related costs.

*Financial Implication:* A reduction in certificated sick leave use to the DAS SCOPE average would result in a financial savings of approximately \$1,700 for the District in substitute teacher wages. A reduction in classified sick leave usage could not be quantified because substitutes are not consistently used to cover absences.

**R3.7 The District should annually complete performance evaluations for classified employees. The employee evaluation process should be structured to improve performance, and acknowledge excellent performance and productivity along with following the District's goals outlined in Board Policy 4220.**

According to the Treasurer, LLS D does not complete evaluations for classified staff. The District is currently in the process of updating all its job descriptions. Although the classified collective bargaining agreement addresses employee evaluations, it does not specify how often employee evaluations are to be conducted. LLS D's Board Policy 4220 states that the "Board of Education recognizes the importance of implementing a program of classified staff member evaluations for the purpose of promoting individual job performance and improving services to students." The policy continues to explain that the Superintendent will prepare administrative guidelines for the conduct of classified staff member evaluations. Classified evaluations are addressed in OAC § 3301.35.01, which requires classified staff be evaluated in accordance with laws applicable to their positions and at regular intervals.

By failing to complete performance evaluations on a regular basis, the District is not providing formal feedback to employees regarding their performance. As a result, poor and exemplary performance can go unaddressed and unrecognized.

**R3.8 LLS D should eliminate the retirement incentive language in its certificated negotiated agreement, or modify language to allow LLS D to offer the incentive only when it is economical for the District. Subsequently, the District should complete a thorough cost/benefit analysis that includes goals prior to offering the incentive.**

LLS D's certificated bargaining agreement offers an early retirement incentive (ERI) of \$20,000 to be paid to the teacher 30 days after the Treasurer receives a copy of the teacher's first State Teachers Retirement System (STRS) check. The District's total severance payments (ERI plus sick leave payout) were \$226,455 during the 2006-07 school year and \$154,168 during the 2007-08 school year, and will be \$628,551 during the 2008-09 school year.

The District has an established limit in providing an ERI of ten percent of the bargaining unit employees during each year of the contract. The teacher must meet the following requirements:

- Have 30 years experience with State Teachers Retirement System (STRS); and
- Resign by April 1, with an effective retirement date not later than the last day of the current school year.

The Government Finance Officers Association (GFOA) states that governments occasionally offer early retirement incentives (ERIs) to employees as a strategy to reduce payroll costs or stimulate short-term turnover among staff. ERIs are temporary, offered during a window that usually covers a period of months. They increase the economic value of the standard retirement benefit. Historically, ERIs rarely have succeeded, since costs are often greater than initially anticipated by the government offering the incentive, and savings are lower than projected. GFOA recommends that extreme caution be exercised if considering ERIs. Organizations should take several actions prior to the decision to offer an ERI, including the following:

- Goal-setting: Organizations should be explicit in setting documented goals for the incentive.
- Cost/benefit analysis: In judging whether an ERI should be offered, governments should assess the potential costs and benefits of ERI proposals, and the cost/benefit analysis should be linked to the goals of the ERI.
- Budgetary analysis: In order to develop accurate budgetary estimates for the ERI, it is necessary to estimate the incremental cost of the ERI, which will vary according to the level of employee participation. Any budgetary analysis should project multiple scenarios for employee participation levels.
- Implementation plan: Once input is gained from the collective bargaining units, a communication plan is desirable to help employees understand the ERI in context of overall retirement planning. In addition, critical personnel whose services must be replaced should be identified and governments should consider the impact upon service delivery after employees retire.

Since the District is required to offer retirement incentives to its certificated staff based on language included within the certificated contract, it is doing so without first analyzing the financial implication of such an offer.

**R3.9 During future bargaining unit negotiations, the District should seek the removal of language pertaining to desirable class sizes and related overload payments. This will allow District administration to allocate teaching staff in the most cost effective manner, without facing penalties.**

LLSD's certificated contract contains the following language pertaining to class sizes:

*"It is agreed that a desirable class size in grades K-2 is 24 students, in grades 3-5 is 25 students and in grades 6-12 is 28 students. It is also agreed that the desirable daily teaching load for grades 6-12 is 170 students. Every effort shall be made to maintain these desirable sizes through scheduling and the addition of classes. Exceptions to class size and daily teaching load: physical education, study hall, instrumental music, vocal music, and other related duties such as media center and lunch room."*

The following certificated contract language defines payments to teachers when exceeding class sizes:

*"K-2 teachers whose numbers exceed 26 and 3-5 teachers whose numbers exceed 28 will receive an overload payment of \$100 per semester per student who causes the overload, providing all of the students calculated attended classes at least 45 days during the semester. Payment for Elementary Art will be prorated per classes taught."*

*"Teachers 6-12 whose daily instructional load exceeds 175 students based on 6 periods or 145 students based on 5 periods shall be paid an overload payment of \$100 per semester per student who causes the overload, providing all of the students calculated attended class at least 45 days during the semester."*

*"Special Education teachers whose class roster exceeds the limits found in the Operating Standards for Ohio's Schools Serving Children with Disabilities in effect for that school year shall be paid an overload payment of \$100 per semester per student who causes the overload, providing all of the students calculated attended class at least 45 days during the semester. However, in no event shall a special education teacher receive more than \$300 per semester."*

Although no teachers received overload payments during the FY 2005-06 or FY 2006-07, two teachers were paid nearly \$11,000 in overload payments during FY 2004-05. According to OAC § 3301-35-05, the ratio of teachers to students district-wide shall be at least one full-time equivalent classroom teacher for each twenty-five students in the regular student population.

*“Collective Bargaining for Schools”* (Mackinac Center for Public Policy, 1998) states that establishing class size requirements within a collective bargaining agreement restricts the school administration’s decision-making about the most effective use of staff, space, and scarce financial resources. Furthermore, researchers found that there is no evidence that supports the main justification for these proposals; namely that smaller classes produce improvements in student performance.

During the course of this audit, the District reduced teaching staff (11.17 FTEs) for FY 2008-09. Assuming enrollment stays constant or increases, this will increase the overall ratio of students-to-teachers. Negotiating the removal of the desirable class size and overload payment language from the certificated agreement would allow the District to avoid future overload payments.

### *Food Service Operations*

**R3.10 The District should review its staffing levels to eliminate 9.5 daily labor hours in food service operations. LLSD should also ensure that planned price increases would not negatively impact participation rates to a point where the District realizes a net loss by increasing prices. Furthermore, the District should implement improvements to purchasing practices to help ensure food service products are purchased at the “best” price (see the financial systems section for further details). Lastly, the District should consider charging the food service fund for the portion of applicable expenses (e.g., utilities and trash removal) that are attributable to food service operations.**

**Table 3-10** displays a financial overview of LLSD food service fund (FSF) from FY 2004-05 to FY 2006-07.



**Table 3-10: LLSD Food Service Fund**

	FY2004-05	FY2005-06	05-06 % Variance	FY2006-07	06-07 % Variance
	\$ Total	\$ Total		\$ Total	
Operating Revenue	\$422,438	\$433,643	2.7%	\$450,370	3.9%
Non-Operating Revenue	\$142,752	\$119,357	-16.4%	\$130,520	9.4%
<b>Total Revenue</b>	<b>\$565,189</b>	<b>\$553,000</b>	<b>-2.2%</b>	<b>\$580,890</b>	<b>5.0%</b>
Personal Services - Salaries	\$236,937	\$202,212	-14.7%	\$228,378	12.9%
Employees Retirement and Insurance	\$117,889	\$62,438	-47.0%	\$117,242	87.8%
Purchased Services	\$10,762	\$13,675	27.1%	\$11,850	-13.4%
Supplies and Materials	\$230,473	\$229,512	-0.4%	\$262,054	14.2%
Capital Outlay	\$8,632	\$10,565	22.4%	\$12,507	18.4%
Other Objects	\$0	\$0	n/a	\$0	n/a
<b>Total Expenditures</b>	<b>\$604,693</b>	<b>\$518,403</b>	<b>-14.3%</b>	<b>\$632,031</b>	<b>21.9%</b>
<b>Revenues Over (Under) Expenses</b>	<b>(\$39,504)</b>	<b>\$34,597</b>	<b>-187.6%</b>	<b>(\$51,141)</b>	<b>-247.8%</b>
Advances- In (General Fund)	\$0	\$0	n/a	\$8,000	n/a
<b>Revenues Over (Under) Expenses (Including Transfers)</b>	<b>(\$39,504)</b>	<b>\$34,597</b>	<b>-187.6%</b>	<b>(\$43,141)</b>	<b>-224.7%</b>
Beginning Fund Balance	\$49,530	\$10,027	-79.8%	\$44,623	345.1%
<b>Ending Fund Balance</b>	<b>\$10,027</b>	<b>\$44,623</b>	<b>345.1%</b>	<b>\$1,482</b>	<b>-96.7%</b>

Source: LLSD 4502s, Statement E, Fund 006

As shown in **Table 3-10**, LLSD FSF expenditures exceeded revenues during FY 2004-05 and FY 2006-07. **Table 3-10** also shows that the FSF needed an advance from the General Fund during FY 2006-07 to avoid ending the year with a negative fund balance. The Treasurer indicated that he meets with the Foodservice Supervisor on a monthly basis to go over materials, supplies and purchases. The Treasurer also indicated that the District does not charge the FSF for the portion of utilities, trash removal or custodial supplies attributed to food services.

**Table 3-11** shows an overview of the number of meals per labor hour (MPLH) served at each of the District's four schools, compared to staffing guidelines in *School Foodservice Management for the 21st Century* (in Team Associates, 1999).

**Table 3-11: LLS D 2006-07 Kitchen Efficiency**

Building	FY 2006-07 MPLH	Convenience System, High Productivity Level for MPLH	Labor Hour Difference
Bazetta Elementary	15.51	16.00	<b>0.54</b>
Cortland Elementary	16.86	18.00	<b>1.20</b>
Lakeview High School	13.21	19.00	<b>10.33</b>
Lakeview Middle School <sup>1</sup>	16.61	18.00	<b>1.74</b>
<b>Totals</b>	<b>N/A</b>	<b>N/A</b>	<b>13.80</b>

**Source:** LLS D EMIS reports (labor hours) and ODE's Claims Reimbursement and Reporting System

<sup>1</sup> According to District MR Reports, Lakeview Middle School began serving breakfast in January 2007. **Table 3-11** includes a projected number of meals served for the entire school year, based on the number breakfasts served in FY 2006-07 after January 2007.

**Table 3-11** shows that all four of LLS D's schools were operating below the MPLH standard, for a total of approximately 14 more labor hours than industry standards. This is most apparent at Lakeview High School. During FY 2006-07, Lakeview High School only served 13.21 MPLH compared to the industry standard of 19.00 MPLH.

From FY 2006-07 to FY 2007-08, the number of daily labor hours changed at Bazetta Elementary, Lakeview Middle, and Lakeview High Schools. Because current data was not available during the course of this audit, **Table 3-12** projects the operational efficiency of the District's four schools including the staffing changes outlined in EMIS and assuming that the same number of meal equivalents will be served during FY 2007-08 that were served during FY 2006-07.

**Table 3-12: Projected FY 2007-08 Kitchen Efficiency**

Building	FY 2007-08 MPLH	Convenience System, High Productivity Level for MPLH	Labor Hour Difference
Bazetta Elementary	<b>22.32</b>	16.00	-4.78
Cortland Elementary	<b>16.86</b>	18.00	1.20
Lakeview High School	<b>13.02</b>	19.00	10.83
Lakeview Middle School <sup>1</sup>	<b>16.25</b>	18.00	2.24
<b>Totals</b>	<b>N/A</b>	<b>N/A</b>	<b>9.48</b>

**Source:** LLS D EMIS reports (labor hours) and ODE's Claims Reimbursement and Reporting System

<sup>1</sup> According to District MR Reports, Lakeview Middle School began serving breakfast in January 2007. **Table 3-12** includes a projected number of meals served for the entire school year, based on the number breakfasts served in FY 2006-07 after January 2007.

**Table 3-12** shows that three out of the District's four schools are projected to operate below the benchmark standard MPLH, for a total of 9.48 more labor hours than industry standards. Lakeview High School increased the number of daily labor hours used from FY 2006-07 to FY 2007-08, pushing the school's operational efficiency further from the benchmark standard.

**Table 3-13** compares the District's FY 2007-08 lunch prices at the elementary, middle, and high school levels to the peer average of five other districts within Trumbull County (Bristol LSD, Champion LSD, Girard CSD, Southington LSD and Weathersfield LSD).

**Table 3-13: Lunch Price Comparison for the FY 2007-2008 School Year**

School	Price 1	Price 2
<b>LLSD</b>		
Elementary	\$1.65	\$0.00
Middle	\$1.85	\$0.00
High	\$2.00	\$2.25
<b>Peer Average</b>		
Elementary	\$1.69	\$1.75 – \$1.92 <sup>1</sup>
Middle	\$1.85 – \$1.96 <sup>2</sup>	\$2.28 – \$2.55 <sup>3</sup>
High	\$1.92 – \$2.03 <sup>2</sup>	\$2.28 – \$2.55 <sup>3</sup>

**Source:** ODE's Claims Reimbursement and Reporting System (CRRS), LLSD and peer National School Lunch Applications for FY2007-08.

**Note:** One peer district reported \$3.50 as a Price 3.

<sup>1</sup> \$1.75 only reflects one district (excludes Bristol and Southington LSDs, see footnote 3) while \$1.92 reflects three districts reporting Price 2

<sup>2</sup> \$1.96 and \$2.03 assume that the Price 2 for Bristol and Southington LSDs is charged for the Middle and High Schools.

<sup>3</sup> \$2.28 includes Bristol and Southington LSDs (four peer average) while \$2.55 excludes them based on footnote 3.

As shown in **Table 3-13**, the District's price 1 lunches are generally similar to the peer averages, although they fall slightly below the peer averages under different assumptions. **Table 3-13** also shows that LLSD does not have a price 2 for the elementary and middle schools. In contrast, at least one peer has a price 2 for elementary and middle school students.

The District plans to increase lunch prices by \$0.25. This will generate additional revenue and help improve the financial position of the FSF, assuming that the planned price increases do not negatively impact participation. The District's total lunch participation rate was 74 percent in FY 2006-07, which was higher than the peer average of 67 percent.

*Financial Implication:* Assuming the District serves the same number of meals during the FY 2007-08 school year as it did in the FY 2006-07 school year, the District could eliminate 9.48 labor hours per day to prepare and serve meals. This would result in annual cost savings of approximately \$20,600. This annual cost savings would be reflected in the District's FSF. However, the cost savings in the FSF would directly affect the District's General Fund by lessening the amount of potential subsidy the FSF requires due to the operating deficit.

## Financial Implications Summary

The following tables present a summary of estimated annual cost savings identified in this section of the report. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation.

### Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings
R3.1 Reduce 2.0 ESP FTEs and 2.0 Library Technicians/Aide FTEs	\$144,000
R3.4 Eliminate paying the employee's portion of retirement for administrators.	\$62,000
<b>Total</b>	<b>\$206,000</b>

Source: AOS recommendations

### Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.4 Negotiate to have all employees contribute at least 10 percent towards monthly medical insurance premiums.	\$96,700
R3.5 Reduce the District severance payouts	Savings will depend on amount of retirements
R3.9 Reduce the amount of sick leave taken by employees	\$1,700
R3.10 Eliminate 9.5 daily labor hours for food services	\$20,600 <sup>1</sup>
<b>Total</b>	<b>\$119,000</b>

Source: AOS recommendations

<sup>1</sup> Savings would affect the Food Service Fund.



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# Facilities

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## Background

This section of the performance audit focuses on various aspects of facility operations in the Lakeview Local School District (LLSD or the District). The executive summary of this performance audit includes the audit objectives for the facilities section. Throughout the section, LLSD's operations are also evaluated against peer school districts<sup>1</sup>, leading or recommended practices, and operational standards from applicable sources that include the American School and University Magazine (AS&U), the National Center for Education Statistics (NCES), and DeJong and Associates, Inc. (DeJong).

### *Summary of Operations*

LLSD currently operates four school buildings: two elementary schools (grades K through 5), one middle school (grades 6-8), and one high school (grades 9-12). As a result of average age of these facilities (61 years), declining enrollment, and fiscal condition, LLSD is working with the Ohio Schools Facility Commission (OSFC) to determine future building needs (see **R4.5**).

The District has a total of 18.7 full-time equivalents (FTEs) that include maintenance, custodial and grounds personnel. The custodial staff is responsible for cleaning buildings and performing grounds work that includes cutting and trimming grass at each respective school, as needed. The maintenance staff is responsible for painting and maintenance repairs that include electrical, heating, ventilation and air conditioning (HVAC). The District contracts for major repairs. Additionally, the District's maintenance staff is responsible for completing groundskeeping tasks such as mowing, weeding and removing snow, if needed. According to the Maintenance Supervisor, these employees cut grass approximately 20 hours a week during the growing season. Furthermore, the District hires three part time groundskeepers to assist with maintenance of the athletic fields starting in May through to the beginning of November.

### *Financial Data*

The District's facility expenses are paid out of the General, Emergency and Permanent Improvement (PI) Levy funds. The District's five year PI renewal levy is from 2007 to 2012 and generates \$164,000 annually. The District's maintenance and operation expenditures are primarily paid from the General and Emergency Levy funds. The District's total facility

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<sup>1</sup> See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

expenditures decreased from \$1,863,753 in FY 2005-06 to \$1,783,133 in FY 2006-07, a four percent reduction<sup>2</sup>. This is attributed to reductions in expenditures from the PI Fund and purchased service costs from the General Fund.

**Table 4-1** compares LLSD's facility expenditures per square foot to the peer average and AS&U national median.

**Table 4-1: Expenditures per Square Foot**

Object Code	LLSD FY 2005-06	LLSD FY 2006-07	Peer Average FY 2006-07	AS&U National Median FY 2006-07
Salaries / Benefits	\$2.91	\$2.95	\$2.83	\$2.56
Purchased Services	\$0.61	\$0.45	\$0.79	\$0.01
Utilities	\$1.34 <sup>1</sup>	\$1.39 <sup>1</sup>	\$1.72	\$1.71
Materials and Supplies	\$0.46	\$0.45	\$0.33	\$0.32
Capital Outlay	\$0.03	\$0.00	\$0.05	N/A
Miscellaneous	\$0.00	\$0.00	\$0.02	\$0.49
<b>Total General/Emergency Levy Fund</b>	<b>\$5.36</b>	<b>\$5.24</b>	<b>\$5.74</b>	<b>N/A</b>
<b>PI Levy Fund<sup>2</sup></b>	<b>\$0.67</b>	<b>\$0.53</b>	<b>N/A</b>	<b>N/A</b>
<b>Total All Funds</b>	<b>\$6.03</b>	<b>\$5.77</b>	<b>\$6.23</b>	<b>\$5.09</b>

Source: LLSD, Peer Districts, and AS&U

<sup>1</sup>Includes monies paid from 016 Emergency Levy Fund

<sup>2</sup>Used for building repairs, building supplies and materials, and capital improvements

**Table 4-1** shows that LLSD's All Fund expenditures per square foot is 13.3 percent higher than the AS&U national median, but 7.4 percent lower than the peer average for FY 2006-07. The salary and benefit expenditures were higher than the peer average by 4.2 percent in FY 2006-07 and increased slightly from FY 2005-06. Maintaining a higher number of employees contributes to the higher salary and benefit costs per square foot (see **R4.1**). Furthermore, in FY 2006-07, the District's material and supply expenditures per square foot were higher than the AS&U national median and peer average. Lowering the minimum threshold requirement for obtaining multiple quotes and participating in purchasing consortiums would help ensure the District pays the "best" price for supplies and materials (see **financial systems**).

<sup>2</sup> The District appropriated approximately \$1.85 million in FY 2007-08 to facility operations.

*Noteworthy Accomplishment*

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. As shown in **Table 4-1**, the District's utility expenditures per square foot in FY 2006-07 were 19.2 percent lower than the peer average and AS&U national median. The Treasurer attributed the lower utility expenditures per square foot to using a consortium for electricity and gas.

*Assessments Not Yielding a Recommendation*

In addition to the analyses presented in this section, an assessment of overtime costs was conducted and did not warrant a change or recommendation. Specifically, LLSD's overtime costs as a percentage of total salaries in FY 2006-07 were 4.3 percent, a decrease of one percent from FY 2005-06.



## Recommendations

### Staffing and Work Processes

**R4.1 LLSD should consider eliminating 1.5 FTE facility positions. Doing so would bring staffing levels more in line with industry standards.**

**Table 4-2** compares the District's staffing levels to benchmarks from *The Planning Guide for Maintaining School Facilities (Planning Guide)* (NCES, 2003) and five-year average medians (2003-2007) published in the annual studies from AS&U.

**Table 4-2: LLSD Facility Staffing Compared to Industry Standards**

LLSD Staffing FTEs <sup>1</sup>	Sq Ft/Acres	Sq Ft/Acreage per FTE	NCES/AS&U	Required Staffing based on Standards (FTEs)
14.14 FTE Custodian	336,467 sq. ft.	23,795 sq. ft.	29,500 sq. ft. <sup>2</sup>	11.41 Custodian
3.37 FTE Maintenance	336,467 sq. ft.	99,842 sq. ft.	92,000 sq. ft. <sup>3</sup>	3.66 Maintenance
1.15 FTE Grounds	89 acres	77 acres	42 acres <sup>3</sup>	2.12 Grounds
<b>18.7 Total FTEs</b>				<b>17.2 Total FTEs</b>

**Source:** NCES, AS&U, and District Staffing Reports and interviews

<sup>1</sup> The breakdown of FTEs by custodian, maintenance and grounds functions is based partially on interviews with the District.

<sup>2</sup> This represents the mid-point of the *Planning Guide* range of 28,000 to 31,000 square feet. Level 3 is the normal standard for most school facilities.

<sup>3</sup> This represents the median five-year average from AS&U

As shown in **Table 4-2**, LLSD has 1.5 more FTEs when compared to the benchmarks. This is due to custodians maintaining only 23,795 square feet per FTE, much lower than the Planning Guide benchmark of 29,500 square feet. In contrast, the District maintains more square footage per maintenance FTE and more acres per grounds FTE. The District does not use standards to determine appropriate staffing levels (see **R4.2**), which can partially account for the workload discrepancies in **Table 4-2**. However, due to fiscal concerns, the District is considering eliminating the summer grounds keeping staff and one custodial position, which would lead to a total reduction of 1.33 FTEs (0.33 Grounds FTEs and 1.0 Custodian FTE).

While **Table 4-2** indicates that the District can eliminate 2.7 custodian FTEs, eliminating 1.5 FTEs would ensure that the District allocates sufficient time to the maintenance and grounds functions.

*Financial Implication:* By eliminating 1.5 FTEs, the District would save approximately \$44,000 annually in salaries and benefits. This is based on the two lowest full time salaries in FY 2007-08.

- R4.2 LLSD should develop and implement a formal procedures manual for the facility staff. Once the manual is complete, the manual should be reviewed and updated as needed. The date of each update should be included in the manual to help users ensure that they have the most current resource. In addition, the District should develop job descriptions for all facility positions, and ensure job descriptions are up-to-date and contain sufficient detail. Furthermore, LLSD should develop and implement formal standards that will be used to evaluate facility operations and staff performance, and communicate job expectations. The District should periodically review these benchmarks against industry standards, peers, and historical data to make informed and objective decisions regarding staffing and facility operations.**

The Maintenance Supervisor indicated that a formal procedures manual has not been developed for its custodial or maintenance employees. The Maintenance Supervisor also indicated that while the District has job descriptions for custodial staff, they may not be current and detailed, and that LLSD lacks job descriptions for maintenance and grounds staff. The Maintenance Supervisor further indicated that the District does not use formal performance standards to evaluate custodial, maintenance, or grounds employee performance, nor does it regularly evaluate staff. See **human resources** for more information about classified employee evaluations.

The Treasurer indicated that in the past, the District compared employee staffing levels to other school districts as a form of benchmarking. However, the District currently does not use any measures or benchmarks to evaluate the cost-efficiency of their maintenance and custodial operations. The Maintenance Supervisor is new to the District, so there has not been time to implement benchmarks for evaluation purposes.

The *Custodial Methods and Procedures Manual* (OASBO, 2000) states that a manual can serve as a guideline for developing procedures for custodial and maintenance personnel. It should outline staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. In addition, the International Sanitary Supply Association has developed a training program manual designed to help train custodians. The program manual details the correct cleaning methods, as well as the proper use of custodial equipment and guidelines for the following:

- Floor finish application;

- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

*The Planning Guide for Maintaining School Facilities (Planning Guide)* (NCES, 2003) recommends that to assess staff productivity, organizations must establish performance standards and evaluation criteria (e.g., amount of floor space cleaned and facility cleanliness). *The Planning Guide* provides managers with the following guidelines for developing performance standards:

- Establish goals;
- Create an evaluation instrument (e.g., a checklist);
- Be as detailed and specific as possible;
- Define the performance scale (e.g., 0 = poor to 5 = excellent);
- Be flexible (i.e., acknowledge extraordinary circumstances when they arise);
- Convey expectations to affected staff people; and
- Review the performance standards on a regular basis (e.g., annually).

*The Planning Guide* also suggests when evaluating facilities, districts must collect and maintain accurate, timely, and comprehensive data. Good decision making requires good data and documentation. Collecting the data requires effort, but it is a necessary task. According to *the Planning Guide*, such data could include: annual snapshots (e.g., cost per square foot or per student), number of work orders completed, customer feedback, benchmark performance, comparisons with peers, and trend analysis. Lastly, the Government Finance Officers Association (GFOA) recommends the use of performance measures (i.e., input, output, effectiveness/outcome, and efficiency measures) to evaluate the performance of programs and services

Without formal procedures, benchmarks, and staff evaluations, LLSD increases the risk of staff inconsistently, inefficiently, and/or ineffectively performing job functions. In addition, the District does not have a means to easily communicate expectations and

objectively assess performance. This, in turn, increases the risk of making uninformed decisions.

**R4.3 The District should consider purchasing an automated work order system. Prior to the purchase, the District should ensure that the system has the ability to track the necessary information. The District should also provide training on the new work order system so that all the functions are being used to the full extent possible. An automated work order system would help in estimating future costs and timeframes for potential projects, and in formalizing the preventive maintenance program (see R4.4). At a minimum, the District should improve upon the current manual work order system by documenting labor and supply costs, job tracking numbers, and approval dates for the requested work. Subsequently, the District should develop a spreadsheet to track work orders and related information.**

The District has a manual work order process. Work orders are generic and filled out at the school level by anyone and submitted to the principal. The principal must approve the work order and assign a priority level. The request is sent to the Maintenance Supervisor who prioritizes and assigns specific staff members to each task. The Maintenance Supervisor indicated that he is aware of the status of open work orders by keeping in contact with the maintenance staff. Once the task is complete, the Maintenance Supervisor then signs off on it as does the maintenance employee that worked on the project. A copy of the work order is sent to the respective building for documentation that the task was completed and the head custodian of that specific school is notified that everything is completed. In addition, the work orders document request and completion dates, job priority and location, individual requesting the work, facility staff member assigned to the job, the Maintenance Supervisor's approval of the work performed by staff, and a summary of the completed work. However, the work orders do not document labor and supply costs and the approval date to perform the requested work. Furthermore, the work orders lack a job tracking number.

According to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that the work order is completed, and track the cost of parts and labor. A work order system can be a manual, paper-based, tracking tool. However, more efficient work order systems come in the form of automated systems. Their purpose is to manage work requests as efficiently as possible and meet the basic information needs of a district. *The Planning Guide* goes on to indicate that, at a minimum, work order systems should account for:

- The date the request was received;
- The date the request was approved;

- A job tracking number;
- Job status (received, assigned, ongoing, or completed);
- Job priority (emergency, routine, or preventive);
- Job location (where, specifically, is the work to be performed);
- Entry user (the person requesting the work);
- Supervisor and craftsperson assigned to the job;
- Supply and labor costs for the job; and
- Job completion date/time.

In terms of utility, the *Planning Guide* indicates that a good automated work order system will do the following:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured on a per-building basis (or, even better, on a per-task basis).

Tracking and maintaining a historical record of maintenance work would assist the District in identifying persistent problems and scheduling preventive maintenance tasks (see **R4.4**). Alternatively, the District could track data from the work orders by using a spreadsheet program to include the data suggested by NCES.

*Financial Implication:* The cost of an automated work order system could range in price depending on the features. One web-based system would cost LLSD approximately \$2,500 for a three year subscription. However, this does not include the cost to provide a computer and training to maintenance personnel.

**R4.4 LLSD should continue to review facility needs to help develop a formal preventive maintenance (PM) program, which should be used to schedule and budget for the routine and preventative maintenance. Using an automated work order system would help the District track and schedule PM tasks (see R4.3).**

According to the District, the maintenance program has historically been more reactive than proactive. The Maintenance Supervisor stated that he is in the process of implementing a preventive maintenance program throughout all schools. Although informal now, the District is moving toward a detailed formal process that consists of a

preventative maintenance schedule. Most recently, the District has been addressing neglected items as they review the facility needs. To date, most tasks have been primarily to maintain HVAC units that include replacing belts, cleaning boilers, greasing bearings, replacing exhaust fans, performing minor electrical work, and maintaining some of the smaller equipment.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), “A good maintenance program is built on a foundation of preventive maintenance. It begins with an audit of the buildings, grounds, and equipment.” Once the items that should receive PM are identified, entities need to decide on the frequency and type of inspections. When developing a PM schedule, manufacturers’ manuals are a good place to start. Ideally, the scheduling of PM tasks should be computerized.

The implementation of a formal PM program would help the District avoid emergency and costly repairs, and anticipate needed facility and equipment repairs and replacement. This, in turn, would help the District identify project financing sources before they are needed, helping to eliminate the affect of unforeseen costs on the District’s finances.

### *Planning*

**R4.5 LLSD should continue to develop a comprehensive facilities master plan, in conjunction with the OSFC. This will allow the District to continue to evaluate costs of maintaining its old school buildings versus building new ones. Assuming enrollment continues to decline, the District should consider closing a building in the future. However, prior to making a decision to close a school and merge students into existing facilities, the District should ensure that it has sufficient capacity in the remaining buildings to house current and future students.**

The District does not have a master plan, but is in the initial stages, with the help of OSFC, of collecting data such as historical enrollment, future enrollment projections, capacity analysis, condition of buildings, and capital improvement needs.

According to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), a master plan is the “blueprint” for daily decision making throughout a school district. It provides concrete documentation about the organization’s needs and intentions. Moreover, it is a formal way of communicating the district’s priorities, and establishes necessary documentation for funding authorities and other approving organizations. Good plans include short and long-term objectives, budgets, and timelines, all of which demonstrate organizational commitment to facilities maintenance. Effective planning also requires that planners evaluate both the organization’s overarching goals and the day-to-

day details needed to meet those targets. Thus, a comprehensive plan serves both as a blueprint for the here and now, and a road map to the future.

**Table 4-3** shows LLSD's enrollment from FY 1997-98 to FY 2006-07.

**Table 4-3: LLSD Historical Student Enrollment**

Fiscal Year	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
Final Enrollment	2,385	2,316	2,281	2,288	2,270
Student Difference from Previous Year	N/A	(69)	(35)	7	(18)
Fiscal Year	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Final Enrollment	2,242	2,234	2,240	2,215	2,156
Student Difference from Previous Year	(28)	(8)	6	(25)	(59)
<b>FY 1998 - FY 2007 Average Annual Enrollment Increase/Decrease</b>					<b>(22.9)</b>

Source: ODE Fall Enrollment Report

As shown in **Table 4-3**, LLSD's enrollment has steadily declined an average of one percent each year over the last ten years. In addition, the District's enrollment declined to 2,116 in FY 2007-08.

**Table 4-4** displays the current capacity and utilization rate of LLSD's buildings based on a review of building floor plans, District interviews and criteria from DeJong & Associates. Specifically, *Defining Capacity* (DeJong & Associates, 1999) suggests using 25 students per classroom for all grades and eliminating special use rooms, such as art and music, in the calculation of capacity for elementary schools. In addition, *Defining Capacity* suggests setting classroom use at 85 percent for middle schools and high schools because bell scheduling, teacher preparation work areas, and other factors limit the use of every space 100 percent of the time. In addition, **Table 4-4** assumes the capacity for special education classrooms to be nine based on conservative estimates of the special needs staffing requirements stipulated in Ohio Administrative Code (OAC) § 3301-51-09.

**Table 4-4: Current Capacity Analysis**

	FY 2007-08 Enrollment	School Capacity	School Utilization Percentage
<b>Bazetta Elementary School (K-2)</b>	434	534	81.3%
<b>Cortland Elementary School (3-5)</b>	461	500	92.2%
<b>Lakeview Middle School(6-8)</b>	481	558	86.2%
<b>Lakeview High School(9-12)</b>	669	929	72.1%

Source: LLSLD School Floor Plans and Enrollment

**Table 4-4** shows that the District's schools are operating under maximum capacity. When combining all buildings, the District is operating with a utilization rate of 81 percent. However, if the District closed any of the schools, it would have an overall utilization rate close to, or over, maximum capacity.

District enrollment projections completed by DeJong and Associates in conjunction with OSFC became available during the course of this audit. **Table 4-5** shows the enrollment projections prepared by DeJong and Associates for FY 2007-08 through FY 2011-12.

**Table 4-5: Five Year Enrollment Projections**

Fiscal Year	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Projected Enrollment</b>	1,997	1,950	1,918	1,870	1,857
<b>Student Diff from Previous Year</b>	N/A	(47)	(32)	(48)	(13)
<b>FY 2007-08 to FY 2011-12 Average Annual Enrollment Increase/Decrease</b>					<b>(35)</b>

Source: DeJong and Associates

**Table 4-5** shows that the DeJong and Associates projected student enrollment to decline an average of 35 students per year (1.4 percent) from FY 2007-08 through FY 2011-12, which is a slightly higher decline than the historical trends (**Table 4-3**). Furthermore, these enrollment projections extend to FY 2017-18, which show a continued decline in enrollment each year. **Table 4-6** shows the impact of the projected declining enrollment on each school building's capacity rates.



**Table 4-6: DeJong's Projected Enrollment Impact on School Buildings**

Schools	FY2009	FY2010	FY2011	FY2012
<b>Bazetta Elementary Capacity (Grade K-2)</b>	<b>534</b>	<b>534</b>	<b>534</b>	<b>534</b>
DeJong Projected Enrollment	393	391	374	381
<b>Percent Capacity</b>	<b>73.6%</b>	<b>73.2%</b>	<b>70.0%</b>	<b>71.3%</b>
<b>Cortland Elementary Capacity (Grade 3-5)</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
DeJong Projected Enrollment	482	468	436	408
<b>Percent Capacity</b>	<b>96.4%</b>	<b>93.6%</b>	<b>87.2%</b>	<b>81.6%</b>
<b>Lakeview Middle School Capacity (Grades 6-8)</b>	<b>558</b>	<b>558</b>	<b>558</b>	<b>558</b>
DeJong Projected Enrollment	475	473	469	489
<b>Percent Capacity</b>	<b>85.1%</b>	<b>84.7%</b>	<b>84.0%</b>	<b>87.6%</b>
<b>Lakeview High School Capacity (Grades 9-12)</b>	<b>929</b>	<b>929</b>	<b>929</b>	<b>929</b>
DeJong Projected Enrollment	588	575	581	567
<b>Percent Capacity</b>	<b>63.3%</b>	<b>61.9%</b>	<b>62.6%</b>	<b>61.1%</b>

**Source:** District building floor plans, calculated building capacities, and DeJong Enrollment Projection Report

**Note:** Current classroom configurations used to determine FY 2009-2012 School Capacity projection

As illustrated in **Table 4-6**, the District's projected capacity in each school falls below maximum capacity, with the High School projected to drop to the lowest capacity at 61 percent by FY 2011-12. In anticipation of future deficits, the District is considering closing an elementary school and reorganizing the middle and high schools within approximately three years. More specifically, the District is considering including elementary grades in the middle school and moving middle school grades up to high school as enrollment declines.

## Financial Implications Summary

The following table lists annual cost savings and annual costs for recommendations contained in this section of the report.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated Annual Implementation Costs</b>
<b>R4.1</b> Reduce staffing by 1.5 FTEs.	\$44,000	N/A
<b>R4.3</b> Purchase a work order system.	N/A	\$2,500 <sup>1</sup>
<b>Total</b>	<b>\$44,000</b>	<b>\$2,500</b>

**Source:** AOS Recommendations

<sup>1</sup> While this would be the cost for a three year subscription for a particular system, the total amount is used as the annual cost to be conservative, and account for potential training and future updates.

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# Transportation

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## Background

This section of the performance audit focuses on Lakeview Local School District's (LLSD or the District) transportation operations. The executive summary of this performance audit includes the audit objectives for the transportation section. For benchmarking purposes, LLSD's transportation operations are compared to a peer average consisting of ten school districts<sup>1</sup> and recommended practices and operational standards from applicable sources that include the Ohio Department of Education (ODE) and the American Association of School Administrators (AASA).

According to the Ohio Revised Code (ORC) § 3327.01, at a minimum, school districts must provide transportation services to "resident school pupils in grades kindergarten through eight that live more than two miles from the school." ORC § 3327.01 also states that the board, at its discretion, may "...provide transportation for resident school pupils in grades nine through twelve to and from the high school." The District's practice is to transport all students that request services (see **R5.3** for further assessment).

### *Organizational Structure and Responsibilities*

LLSD operated with 22 active buses and 3 spare buses to transport 1,553 riders per day in FY 2006-07 and 1,442 riders per day in FY 2007-08 to four public schools, a parochial school, and a career and technical center. The District's Transportation Supervisor has a number of duties that include overseeing bus driver assignments, and ensuring appropriate staffing of all District transportation services.

### *Operating Statistics*

**Table 5-1** compares LLSD's operational statistics to the peer average for FY 2006-07.

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<sup>1</sup> See the executive summary for a listing of the peer districts and an explanation of the selection methodology.

**Table 5-1: Key Statistics and Operating Ratios**

Key Statistics	LLSD FY 2006-07	Peer Average FY 2006 -07	% Difference vs. Peers
Square Miles	28.4	33.9	(16.2%)
ODE Enrollment	2,156	4,206	(48.7%)
<b>Total Students Transported (Type I)</b>	<b>1,565</b>	<b>2,922</b>	<b>(46.4%)</b>
Public	1,519	2,666	(43.0%)
Non-Public	34	181	(81.2%)
<b>Total Riders</b>	<b>1,553</b>	<b>2,878</b> <sup>1</sup>	<b>(46.0%)</b>
Active Buses	22	38.6	(43.0%)
Spare Buses	3	6.3	(52.4%)
Spare Bus % of Total Fleet	12.0%	14.3%	(2.3%)
Annual Routine Miles	193,680	418,014	(53.7%)
Annual Non-routine Miles	17,046	39,763 <sup>2</sup>	(57.1%)
<b>Total Miles</b>	<b>210,726</b>	<b>457,777</b>	<b>(54.0%)</b>
Enrollment per Square Mile	75.8	142.0	(46.6%)
Daily Miles per Rider	0.7	0.8	(12.0%)
Riders Per Square Mile	54.6	94.7	(42.3%)
Riders per Active Bus	70.6	76.6	(7.9%)

**Source:** District and peer Transportation Reports from ODE

**Note:** Totals may vary due to rounding.

<sup>1</sup> Includes community school and special needs Type I riders, which LLSD did not report transporting in FY 2006-07.

<sup>2</sup> Peer average excludes the one district reporting only 1,980 non-routine miles.

As shown in **Table 5-1**, the District averaged 71 riders per bus in FY 2006-07, which is 7.9 percent fewer riders per bus than the peer average. The District experienced a decline in enrollment over the last three years, which contributed to a decline in riders of 75 from FY 2005-06 to FY 2006-07, and further decline of 106 from FY 2006-07 to FY 2007-08. As a result, the average number of riders per bus declined to 66 in FY 2007-08. While the District's lower population density, as measured by enrollment per square mile and riders per square mile, can partially contribute to the lower number of riders per bus, the District can implement various strategies to increase the number of riders per bus and overall efficiency (See **R5.1**).

### *Noteworthy Accomplishment*

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. For the transportation section, LLSD's expenditure levels for services provided directly by the District (see **financial systems** for information on contracted costs) qualify as a noteworthy accomplishment. **Table 5-2** compares the District's transportation cost ratios to the peer average in FY 2006-07.

**Table 5-2: FY 2006-07 Transportation Cost Ratio Comparison**

	<b>LLSD FY 2006-07</b>	<b>Peer Average FY 2006-07</b>	<b>Percent Difference vs. Peers</b>
<b>Salaries</b>			
• Per Bus Rider	\$232	\$274	(15.3%)
• Per Active Bus	\$16,390	\$20,761	(21.1%)
• Per Routine Mile	\$1.86	\$1.96	(5.1%)
<b>Benefits</b>			
• Per Bus Rider	\$105	\$109	(3.7%)
• Per Active Bus	\$7,441	\$8,265	(10.0%)
• Per Routine Mile	\$0.85	\$0.77	10.4%
<b>Maintenance &amp; Repairs <sup>1</sup></b>			
• Per Bus Rider	\$70	\$80	(12.5%)
• Per Active Bus	\$4,944	\$6,087	(18.8%)
• Per Routine Mile	\$0.56	\$0.57	(1.8%)
<b>Fuel</b>			
• Per Bus Rider	\$40	\$57	(29.8%)
• Per Active Bus	\$2,856	\$4,296	(33.5%)
• Per Routine Mile	\$0.32	\$0.40	(20.0%)
<b>Bus Insurance</b>			
• Per Bus Rider	\$10	\$10	0.0%
• Per Active Bus	\$712	\$762	(6.6%)
• Per Routine Mile	\$0.08	\$0.08	0.0%
<b>All Other Costs</b>			
• Per Bus Rider	\$3	\$25	(89.9%)
• Per Active Bus	\$176	\$1,713	(89.7%)
• Per Routine Mile	\$0.02	\$0.16	(87.5%)
<b>Total Expenditures</b>			
• Per Bus Rider	\$461	\$555	(16.9%)
• Per Active Bus	\$32,520	\$41,884	(22.4%)
• Per Routine Mile	\$3.69	\$3.95	(6.6%)

**Source:** District and peer transportation reports (T-1 and T-2).

**Note:** Totals may vary due to rounding.

<sup>1</sup>Includes mechanic and mechanic helper salaries.

As shown in **Table 5-2**, the District's expenditures in all categories were lower than peer average in FY 2006-07, with the exception of benefits per mile. This is despite the District incorrectly including non-routine expenditures and reporting mileage for only morning runs in some case. See **R5.2** for further assessment on transportation reporting.

*Issues for Further Study*

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified fuel purchasing as an issue for further study. Specifically, the District is not a member of a purchasing consortium for fuel. Although the District's fuel expenditure ratios are lower than the peer average (see **Table 5-2**), it should explore cooperative purchasing programs to determine whether participating in such programs would reduce fuel costs.



## Recommendations

### *Operational Efficiency*

**R5.1 LLSD should review its routes to identify changes that correspond to its current ridership levels. Going forward, LLSD should continuously review its ridership levels, which would help the District alter routes in a manner that coincides with changes in ridership. This, in turn, would help the District achieve and maintain optimal efficiency. The District should also consider implementing cluster stops that will not jeopardize the safety of students. Furthermore, the District should determine whether its current routing software, if fully functional and used, would meet its needs and help improve its routing practices. If the Transportation Supervisor, Superintendent and Treasurer jointly determine that the current system does not meet its needs, the District should consider purchasing another routing software system, based on a review of multiple systems. If another system is purchased, LLSD should ensure that staff is trained on the system and optimizes system functionality.**

**Taken collectively, the above strategies should enable the District to eliminate active buses. For instance, assuming the District continued to operate a two-tier system, it could reduce at least four, and up to seven, active buses. When determining which buses to eliminate, the District should analyze the maintenance costs of each bus and eliminate the buses with the highest maintenance costs. Lastly, the District should review the potential of having some buses complete three runs, which could allow for additional bus reductions. This review should ensure that such a decision would be cost-effective, consider student ride times, and ensure the adjusted pick up and drop off times are appropriate.**

The District operates a two-tier system with 22 active buses that provide transportation services to four public schools, a parochial school, and a career and technical center<sup>2</sup>. From FY 2004-05 to FY 2007-08, the District's average number of riders per bus declined steadily each year, from 80.8 in FY 2004-05, to 73.9 in FY 2005-06, to 70.6 in FY 2006-07, and to 65.5 in FY 2007-08. Despite the decline in yellow bus riders from FY 2004-05 to FY 2005-06, the District added an active bus to its fleet in FY 2005-06. In addition, the District operated each bus at an average of approximately 52 percent capacity in FY 2007-08. By comparison, according to the article, "*Hidden Savings in*

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<sup>2</sup> The first run transports high school and middle school students between 6:50 a.m. and 7:15 a.m. The second run transports elementary school students to two elementary schools, a parochial school, and the Trumbull Career and Technical Center.

*Your Bus Budget*” (American Association of School Administrators (AASA), 2005)<sup>3</sup>, “Effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.”

LLSD’s decline in riders per bus and lower bus utilization rate can be attributed to its system of developing routes. More specifically, despite the drop in enrollment and riders, the District has maintained the same routes for several years. In addition, the District does not use cluster stops or routing software. The Transportation Supervisor indicated that the District previously had routing software but it was discarded because staff did not know how to use the software. The Transportation Supervisor was going to further investigate to determine whether the District still possessed the routing software. Furthermore, the current bell schedules inhibit LLSD from increasing the number of runs per bus, which may enable the District to operate with fewer buses. For instance, the starting times for the middle and high schools are 7:30 AM, while the two elementary schools start one hour later at 8:30 AM.

*The Brownsville Independent School District (BISD) Management and Performance Review* (The Texas Comptroller of Public Accounts, February 2003) states, in part, that the use of staggered bell times at each school level allows buses to operate on a three tier-system. Staggered bell times reduce the vehicle and driver requirements and maximize resources often reducing the time students spend on a bus ride and preventing mixing students of different ages. A district can also have a cluster stop policy for regular student riders to provide more efficient bus trips. Students are picked-up in groups at designated stops located throughout the communities. BISD chose cluster locations to decrease the number of stops made by each bus while ensuring that no student had to walk too far to be picked-up. Each cluster stop should be designed to optimize the balance between distance for students to walk and miles for buses.

According to *School Bus Routing Goes High-Tech* (Environmental Systems Research Institute (ESRI), Winter 2000/2001)), routing software can optimize routes, manage student and bus driver information, manage special education bussing, and provide driving directions and bus accounting. Bus routing software can also provide accident-tracking information to show the location of dangerous stretches of roadway. Additionally, bus routing software can assist a district’s fleet management by showing the number of buses, equipment, engines, and other equipment data required for conducting analyses. Finally, routing software can reduce the time it takes to create state reports and aide in the elimination of bus routes, ultimately saving money.

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<sup>3</sup> A private school transportation firm that conducts audits for more than 30 school districts including New York City and Kansas City, MO authored this article.

If the District implemented the aforementioned strategies and subsequently increased its capacity to 80 percent under the current two-tiered system, it could eliminate seven buses. However, LLSD transports high school and middle school students together in the first run and elementary school students in the second run. Therefore, it may be difficult for the District to achieve 80 percent bus utilization on the first run. Moreover, the District's lower population density (see **Table 5-1**) may hinder LLSD from achieving an 80 percent utilization rate. However, if the District increased the number of riders per bus to be more comparable to its average in FY 2004-05 (80.8), it could eliminate four buses. This would increase the utilization rate to approximately 63 percent, still well under the benchmark of 80 percent. Altering the bell schedules may also enable some buses to complete three runs to further assist in eliminating buses. However, the size of LLSD and student ride times may make it difficult for the District to cost-effectively implement three runs for buses. Lastly, a continued decline in future ridership would help the District eliminate more buses. As stated previously, the District experienced a decline in ridership each year from FY 2004-05 to FY 2007-08, due to declines in student enrollment. Likewise, LLSD's enrollment projections that extend to FY 2017-18 show a continued decline in enrollment each year.

*Financial Implication:* If the District eliminated four active buses, it could save approximately \$48,000 annually in salaries and benefits, based on the lower-salaried bus drivers. The District would also save approximately \$2,500 annually in bus insurance costs, based on the average cost per bus in FY 2006-07.

Furthermore, the District may be able to realize additional costs savings related to fuel, and maintenance and repairs, if the above-mentioned strategies reduce the number of total miles driven each year. For example, if the reduction in miles equated to savings based on the average cost per bus in FY 2006-07 for fuel, maintenance and repairs, the District could realize additional cost savings of approximately \$31,000 by eliminating four active buses. However, this will be excluded from the total financial implication to remain conservative and provide for additional funds in the event of the need to update or purchase routing software.

*Data Reporting*

**R5.2 LLSD should establish formal policies and procedures to ensure accurate transportation reports (T-reports) are prepared, reviewed, and reconciled before submission to the Ohio Department of Education (ODE). The policies and procedures should define parties responsible for each part of the process, and include review and reconciliation procedures (e.g., reconciling the expenditures reported on the T-2 form to other financial statements and identifying anomalies based on prior year data). Furthermore, the District should adopt formal policies and procedures that address tracking, billing, and reimbursement for non-routine transportation services. The District should also charge back the costs of non-routine transportation to the respective users.**

The District does not have formal policies and procedures in place to ensure transportation reports (T-1 or T-2) are accurately prepared, reviewed, and reconciled prior to submission to ODE. During a review of the District's T-reports, the following discrepancies were noted.

- **Expenditure reporting:** Fuel expenditures reported on T-2 report showed an increase of 354.3 percent, from \$15,121 in FY 2004-05 to \$68,700 in FY 2005-06. However, reported fuel expenditures dropped by 8.5 percent from \$68,700 in FY 2005-06 to \$62,830 in FY 2006-07. According to the Treasurer, there were misclassifications of fuel expenditures in FY 2004-05 leading to underreporting.
- **Mileage and ridership reporting:** The October 2007 headcount and mileage worksheets completed by the bus drivers were compared by AOS to the actual data recorded on the FY 2007-08 T-1 report to conclude the following:
  - The actual number of riders were entered on the T-1 report as the total daily miles;
  - Though insignificant in total, the actual riders listed on the October headcount per bus did not match the T-1 report in all cases; and
  - In some cases, the District only included mileage data for the AM runs and not the entire daily mileage.
- **Non-Routine expenditure reporting:** The District included non-routine expenditures on the T-2 report for FY 2006-07.

The District also lacks formal policies and procedures for non-routine transportation. Although the District tracks non-routine costs, it does not charge back the costs to the respective users. According to OAC § 3301-83-16, except for field trips on regular school days (for which no transportation charge may be imposed), school boards shall recover

the operational costs associated with the non-routine use of school buses, including reimbursements to cover driver salaries and benefits.

By adopting policies and procedures, the District will strengthen its management controls and minimize the inherent risk associated with compiling and reporting data. Policies and procedures would also help train applicable staff in the event of turnover and serve as a guide for current staff.

### *Transportation Policy*

**R5.3 The District should update its transportation policy to reflect actual transportation practices. Subsequently, the District should review its transportation policy annually and amend it as necessary to reflect potential changes to service levels based on its financial condition, enrollment, ridership, and pupil residence. Furthermore, prior to reducing transportation services to State minimum requirements, LLSD should work with Ohio Department of Education (ODE) to determine potential reductions in future State reimbursements, and identify safety hazardous that would preclude reducing services for affected students.**

The District's transportation policy states, in part, "children living beyond the following walking limits shall be entitled to bus transportation: kindergarten in morning or afternoon (2 miles), and grades one through six (2 miles)." However, ORC § 3327.01 states at minimum, school districts are required to provide transportation to resident pupils in kindergarten through eighth grade who live more than two miles from school. The District's policy neither addresses seven and eight grade transportation service, as required by the ORC, nor does it address the transportation of high school students. In practice, the District transports all students that request services, which exceeds the current policy and State required minimum standards.

According to the Superintendent, due to the failure of the March 2008 levy, the District will have to operate at State minimum standards for transportation. This includes eliminating transportation for all high school students and establishing a two-mile minimum transportation radius for all other students, with consideration to hazardous areas. Based on information received from the Transportation Supervisor, going to State minimums would affect at least 323 students (grade 9-12). Based on the District's average number of riders per bus in FY 2006-07 (70), the District could reduce 4 buses by adhering to State minimum transportation standards. Based on the average cost per bus in FY 2006-07, this would reduce costs by approximately \$130,000. There are an additional 241 kindergarten (K) through 8<sup>th</sup> grade students within the two-mile radius. However, it is unclear exactly how many students will lose transportation because of hazardous conditions (e.g., railroad crossing, lack of sidewalks, river, major highway).

Although the District would save costs by operating at State minimum standards, it is not clear how this would affect ODE's transportation funding to the District in the future. More specifically, school districts receive reimbursement for students in grades K-12 that reside more than one mile from the school of attendance. Transportation funding prior to FY 2005-06 relied on a regression formula, which established the relationship between per pupil transportation costs for Type I and Type II riders and daily miles per pupil and percent of pupils transported. However, the State suspended use of this formula and instead set transportation funding to increase by 2 percent annually in FY 2005-06 and FY 2006-07. Subsequently, the State set transportation funding to increase by 1 percent from the prior year, per House Bill (HB) 119, for FY 2007-08 and FY 2008-09.

## Financial Implications Summary

The following table summarizes the estimated annual costs savings identified in recommendations presented in this section of the report.

**Table 5-4: Summary of Financial Implications**

<b>Recommendation</b>	<b>Annual Cost Savings</b>
<b>R5.1</b> Eliminate at least four active buses (annual savings in salaries and benefits)	\$48,000
<b>R5.1</b> Eliminate at least four active buses (annual savings in bus insurance costs)	\$2,500
<b>Total</b>	<b>\$50,500</b>

Source: AOS recommendations

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## **District Response**

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The letter that follows is Lakeview Local School District's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.



# Lakeview Local Schools

*"A Past to Cherish...A Future to Fulfill"*

Robert A. Wilson  
Superintendent

Milt Williams  
Treasurer

300 Hillman Drive • Cortland • OH • 44410 • (330) 637-8741 • Fax (330) 282-4260

August 28, 2008

James Penning, Chief Auditor  
Performance Audit Section  
Auditor of State of Ohio  
Lausche Building  
615 Superior Ave. NW 12<sup>th</sup> Floor  
Cleveland, Ohio 44113-1801

Dear Mr. Penning:

A post audit conference was held Monday, August 18, 2008 with the Board of Education. The performance audit team provided a thorough and effective review of the audit findings. All board members were very pleased with the results and recommendations.

Many of the recommendations have already been implemented because the needs became evident during the course of the audit. Many of the recommendations are currently being studied. Some of the recommendations require discussions with the bargaining unit representatives because they cannot be implemented unilaterally.

The audit team, led by Dawn Bendel, did an outstanding job. All the auditors were highly professional and considerate during the course of the audit. Communication was excellent throughout all stages of the process.

One of the highlights of the audit related to our performance relative to peer groups. We found these comparisons to be very interesting.

We would like to thank all concerned for the strong effort and helpful recommendations that the study yielded.

Educationally,

Robert A. Wilson  
Superintendent



**Auditor of State  
Mary Taylor, CPA**

**Office of the Auditor of State of Ohio  
88 E. Broad Street  
Columbus, Ohio 43215  
(800) 282-0370  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)**