



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Austintown Local School District,

In consultation with the Ohio Department of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations and management. Functional areas selected for review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

**SkinnyOhio.org:** This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State  
October 18, 2016

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# Executive Summary

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## Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of Austintown Local School District (ALSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to improve ALSA's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including Financial Management, Human Resources, Facilities, Transportation and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

## Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight 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 United States Government Accountability Office develops and promulgates Government Auditing Standards that establish a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as Generally Accepted Government Auditing Standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards required that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

## Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;
- Statutes; and

- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons and extracurricular activities. This peer set was selected from a pool of demographically similar districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for a comparison of compensation, benefits, collective bargaining agreements, and extracurricular activities where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with similar area (square mileage) and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

**Table 1: Peer Group Definitions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Cuyahoga Falls City School District (Summit County)</li> <li>• Delaware City School District (Delaware County)</li> <li>• Jackson Local School District (Stark County)</li> <li>• Lancaster City School District (Fairfield County)</li> <li>• Miamisburg City School District (Montgomery County)</li> <li>• Perry Local School District (Stark County)</li> <li>• Plain Local School District (Stark County)</li> <li>• Springboro Community City School District (Warren County)</li> <li>• Wadsworth City School District (Medina County)</li> </ul>
<b>Local Peers (Compensation, Benefits, Bargaining Agreements, and Extracurricular Activities)</b>
<ul style="list-style-type: none"> <li>• Boardman Local School District (Mahoning County)</li> <li>• Canfield Local School District (Mahoning County)</li> <li>• Howland Local School District (Trumbull County)</li> <li>• Poland Local School District (Mahoning County)</li> <li>• Struthers City School District (Mahoning County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• Boardman Local School District (Mahoning County)</li> <li>• Findlay City School District (Hancock County)</li> <li>• Groveport Madison Local School District (Franklin County)</li> <li>• Perry Local School District (Stark County)</li> <li>• Plain Local School District (Stark County)</li> <li>• Springfield Local School District (Lucas County)</li> </ul>

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American School and University Magazine (AS&U), the Government Finance Officers Association (GFOA), the Ohio Department of Administrative Services (DAS), the National Center for Education Statistics (NCES), the Ohio Department of Education (ODE), and the Ohio State Employment Relations Board (SERB). District policies and procedures, as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC), were also assessed.



The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Austintown Local School District for their cooperation and assistance throughout this audit.

## Summary of Recommendations

**Table 2** summarizes performance audit recommendations and financial implications, where applicable.

**Table 2: Summary of Recommendations**

Recommendations		Savings
<b>R.1</b>	<b>Optimize the number of open enrollment students accepted into the District</b>	\$766,300
<b>R.2</b>	<b>Consider eliminating General Fund subsidy of extracurricular activities</b>	\$352,500
<b>R.3</b>	<b>Develop internal control policies and procedures</b>	N/A
<b>R.4</b>	<b>Ensure accuracy of the financial forecast and long-term financial planning</b>	N/A
<b>R.5</b>	<b>Renegotiate collective bargaining agreement provisions</b>	N/A
<b>R.6</b>	<b>Increase employee dental insurance contributions</b>	\$43,000
<b>R.7</b>	<b>Develop a staffing plan</b>	N/A
<b>R.8</b>	<b>Realign facilities staffing positions</b>	N/A
<b>R.9</b>	<b>Use DAS or comparable consortiums to purchase supplies and materials</b>	\$34,000
<b>R.10</b>	<b>Develop a formal facilities preventative maintenance program</b>	N/A
<b>R.11</b>	<b>Develop a facilities master plan</b>	N/A
<b>R.12</b>	<b>Develop a formal bus maintenance and replacement program</b>	N/A
<b>R.13</b>	<b>Eliminate 55.8 food service daily labor hours and 2.0 administrative FTEs</b>	\$253,200
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$1,449,000</b>

**Table 3** shows the District's ending fund balances as projected in the May 2016 five-year forecast and as updated and adjusted during the course of the audit (see **Table 6**). Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

**Table 3: Financial Forecast with Adjustments and Audit Recommendations**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>Original Ending Fund Balance</b>	\$4,884,769	\$1,735,125	(\$1,914,519)	(\$7,664,163)	(\$14,413,607)
<b>Cumulative Balance of Forecast Adjustments <sup>1</sup></b>	\$2,705,978	\$5,805,870	\$8,391,133	\$11,551,737	\$14,239,782
<b>Cumulative Balance of Performance Audit Recommendations</b>	N/A	N/A	\$1,449,000	\$2,898,000	\$4,347,000
<b>Revised Ending Fund Balance</b>	\$7,590,747	\$7,540,995	\$7,925,614	\$6,785,571	\$4,173,175

Source: ALS, ODE and performance audit adjustments and recommendations

Note: Savings from performance audit recommendations are only applied in years FY 2017-18 through FY 2019-20.

As shown in **Table 3**, fully implementing the performance audit recommendations to the adjusted May 2016 five-year forecast would result in a cumulative ending fund balance of over \$4.1 million by FY 2019-20.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability the District could face the unintended consequence of reductions in future federal aid,

<sup>1</sup> See page 7 for detailed forecast adjustments.

and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.<sup>2</sup> Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster, and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

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<sup>2</sup> IDEA Part B does not have a MOE waiver option.

## Background

On November 23, 2015, ALSD received notification that AOS, in consultation with ODE, would conduct a performance audit to assess the economy, efficiency, and/or effectiveness of the District's management and operations. ALSD's five-year forecast provides an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions as well as the basis for receiving a performance audit. **Table 4** shows ALSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in its October 2015 five-year forecast.

**Table 4: ALSD Financial Condition Overview (October 2015)**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$42,760,169	\$39,336,000	\$36,836,000	\$36,836,000	\$36,836,000
Total Expenditure	\$45,333,251	\$46,485,644	\$47,285,644	\$48,085,644	\$48,885,644
<b>Results of Operations</b>	<b>(\$2,573,082)</b>	<b>(\$7,149,644)</b>	<b>(\$10,449,644)</b>	<b>(\$11,249,644)</b>	<b>(\$12,049,644)</b>
Beginning Cash Balance	\$6,235,289	\$3,662,207	(\$3,487,437)	(\$13,937,081)	(\$25,186,725)
<b>Ending Cash Balance</b>	<b>\$3,662,207</b>	<b>(\$3,487,437)</b>	<b>(\$13,937,081)</b>	<b>(\$25,186,725)</b>	<b>(\$37,236,369)</b>
Outstanding Encumbrances	\$800,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Ending Fund Balance</b>	<b>\$2,862,207</b>	<b>(\$4,487,437)</b>	<b>(\$14,937,081)</b>	<b>(\$26,186,725)</b>	<b>(\$38,236,369)</b>

Source: ALSD and ODE

As shown in **Table 4**, the District's October 2015 five-year forecast projected a deficit of over \$4.4 million in FY 2016-17 accumulating to over \$38.2 million by FY 2019-20.

In May 2016, as required by ORC § 5705.391 and OAC 3301-92-04, the District approved an updated five-year forecast. **Table 5** shows total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balance as projected in this forecast. Examining this updated forecast relative to the October 2015 forecast provides an indication on any changes in the District's expected bottom line.<sup>3</sup>

**Table 5: ALSD Financial Condition Overview (May 2016)**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$44,841,539	\$43,236,800	\$43,236,000	\$42,136,000	\$42,136,000
Total Expenditure	\$45,392,059	\$46,385,644	\$46,885,644	\$47,885,644	\$48,885,644
<b>Results of Operations</b>	<b>(\$550,520)</b>	<b>(\$3,149,644)</b>	<b>(\$3,649,644)</b>	<b>(\$5,749,644)</b>	<b>(\$6,749,644)</b>
Beginning Cash Balance	\$6,235,289	\$5,684,769	\$2,535,125	(\$1,114,519)	(\$6,864,163)
<b>Ending Cash Balance</b>	<b>\$5,684,769</b>	<b>\$2,535,125</b>	<b>(\$1,114,519)</b>	<b>(\$6,864,163)</b>	<b>(\$13,613,807)</b>
Outstanding Encumbrances	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
<b>Ending Fund Balance</b>	<b>\$4,884,769</b>	<b>\$1,735,125</b>	<b>(\$1,914,519)</b>	<b>(\$7,664,163)</b>	<b>(\$14,413,807)</b>

Source: ALSD and ODE

As shown in **Table 5**, the District's May 2016 five-year forecast projects a greatly improved financial condition over that which was forecasted in October 2015. Specifically, the initial year-end fund deficit originally projected for FY 2016-17 was delayed one year to FY 2017-18. In

<sup>3</sup> See **Appendix C, Exhibit C-1** for the District's complete October 2015 five-year forecast.

addition, although year-end fund balance deficits are still projected for each of the final three years of the forecast period, they are significantly lower than previously estimated as shown by a 62.3 percent decrease in the expected FY 2019-20 year-end deficit, the final year of the forecast period.

Significant improvement in the District's projected financial condition was the result of an increase in revenues from the renewal of two five year levies in 2016. These renewals are for 4.9 mills and 7.3 mills and are projected to collectively generate \$2.5 million for partial collections starting in FY 2016-17 and \$5.0 million each year of full collections thereafter. Additionally, the District increased estimated revenue for FY 2015-16 by approximately \$2.1 million and the ending fund balance by approximately \$2.0 million.

In addition to information provided in the May 2016 five-year forecast, FY 2015-16 year-end financial data became available during the course of the audit which provided actual revenues and expenditures as of June 30, 2016 (i.e., the end of the fiscal year). This data showed that the District ended the year with a General Fund balance approximately \$3.9 million higher than projected in May 2016. Because of the significant variation between the October 2015 and May 2016 five-year forecasts and again between the May 2016 five-year forecast and the actual FY 2015-16 year-end financial data, further analysis was completed by AOS to assess the accuracy of the District's forecasting methods.

### *May 2016 Five-Year Forecast Updates and Adjustments*

According to ODE, *How to Read a Five-Year Forecast* (ODE, 2011); a five-year forecast "is viewed as a key management tool and must be updated periodically." As it pertains to the District, an accurate forecast is essential, as audit recommendations are developed to generate savings sufficient to eliminate negative General Fund balances for the entirety of the forecast period. Therefore, a detailed review of the forecast and assumptions was completed, and where necessary, expenditure projections were adjusted and reforecast. Ultimately, year-end cash balances were adjusted and used for the basis of gauging the financial impact of the audit. ALSD, however, is encouraged to complete its own review, update, and redevelopment of its own forecast assumptions (see **R.4**).

Updates and adjustments made to the May 2016 five-year forecast are as follows:

- Revenues, expenditures, encumbrances, and cash balances were adjusted to reflect the transactions reported by the District for the year ending June 30, 2016 resulting in an increase in the cash balance of approximately \$2.1 million.
- Unrestricted grants-in-aid were adjusted throughout the forecast period to the actual amount collected in FY 2015-16 based on discussions with the ODE Fiscal Advisor who recommended the revenue remain constant with the amount collected in FY 2015-16, resulting in additional revenues of approximately \$6.0 million.
- All other revenues were adjusted throughout the forecast period to the actual amount collected in FY 2015-16<sup>4</sup> resulting in a net positive impact of approximately \$2.2 million.

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<sup>4</sup> Of the \$4,550,850 all other revenues received in FY2015-16, \$4,356,983 was generated by open enrollment. Open enrollment is projected to increase by the District, and, according to ODE, open enrollment revenue will increase from \$5,900 per student in FY 2015-16 to \$6,000 per student in FY 2016-17.

- Employees' retirement/insurance benefits expenditures were adjusted to reflect the historical annual increase of 3.4 percent.<sup>5</sup> In addition, three premium holidays expected for FY 2016-17, were factored into this expenditure classification. The net impact of this adjustment resulted in reduction of approximately \$6.3 million in expenditures.
- Purchased services expenditures were adjusted to more closely align with the historical annual increase of 6.1 percent, significantly higher than the increase of 0.5 percent currently forecasted.<sup>6</sup> The net impact of this adjustment reduced the cumulative fund balance by approximately \$4.7 million.
- Operating transfers-out were decreased by \$500,000 per year to the annual amount of \$500,000 to more accurately reflect General Fund transfers to the Capital Fund and mirror historical capital expenditures.<sup>7</sup> The cumulative impact of this change is an approximate \$2.6 million increase in fund balance.

The net change of the above updates and adjustments was approximately \$14.2 million over the forecast period, which changes the ending unreserved fund balance to nearly \$608,000 by FY 2019-20. **Table 6** shows the application of these updates and adjustments to the May 2016 five-year forecast.

**Table 6: ALSD Financial Condition Overview with Updates and Adjustments**

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$45,293,593	\$44,791,714	\$44,791,714	\$44,691,714	\$44,691,714
Total Expenditures	\$43,763,360	\$44,216,241	\$45,595,495	\$47,020,153	\$48,492,714
<b>Results of Operations</b>	<b>\$1,530,233</b>	<b>\$575,473</b>	<b>(\$803,781)</b>	<b>(\$2,328,439)</b>	<b>(\$3,801,000)</b>
Beginning Cash Balance	\$6,235,289	\$7,765,522	\$8,340,995	\$7,537,214	\$5,208,775
<b>Ending Cash Balance</b>	<b>\$7,765,522</b>	<b>\$8,340,995</b>	<b>\$7,537,214</b>	<b>\$5,208,775</b>	<b>\$1,407,775</b>
Outstanding Encumbrances	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000
<b>Revised Ending Fund Balance</b>	<b>\$6,965,522</b>	<b>\$7,540,995</b>	<b>\$6,737,214</b>	<b>\$4,408,775</b>	<b>\$607,775</b>

Source: ALSD and ODE

As shown in **Table 6**, updates and adjustments to the District's five-year forecast result in a projected financial condition that avoids year-end fund deficits.

In assessing the District's operations, it should be noted that management control over operating decisions can directly affect expenditures. Consequently, the District's management, operations, and resulting expenses were examined by OPT in an effort to identify areas of potential cost savings. In contrast to expenditures, revenues are not directly controlled by school districts, but instead by federal and State laws, regulations, and support from local residents.

<sup>5</sup> This expenditure classification increased 3.4 percent from FY 2011-12 to FY 2015-16. In each year during this period, the District received at least one premium holiday from its health care provider, allowing it to avoid payment of one month of its health insurance premium.

<sup>6</sup> Purchased services increased by an annual average of 6.1 percent from FY 2011-12 to FY 2015-16.

<sup>7</sup> As a source of income, the Capital Fund receives transfers from the General Fund. The combined average annual capital expenditure from both funds from FY 2011-12 to FY 2015-16 was approximately \$792,600. To fund the forecast period at the same amount as the historical period, the District would expend approximately \$793,000 annually from the Capital Fund, requiring an annual transfer of \$500,000 from the General Fund.

*Food Service*

**Table 7** shows the District's food service operation financial results for FY 2012-13 through FY 2014-15. This data is important to examine, as it provides an indication on the efficiency of the District's food service operation.

**Table 7: Food Service Fund Revenues Over/ (Under) Expenditures**

	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Revenues	\$2,027,726	\$1,926,595	\$1,855,785
Expenditures	\$2,401,317	\$2,232,752	\$2,144,104
<b>Revenues Over/(Under) Expenditures</b>	<b>(\$373,591)</b>	<b>(\$306,157)</b>	<b>(\$288,319)</b>

As shown in **Table 7**, the District incurred losses from food service operations in all three years shown. Because the Food Service Fund is an enterprise fund, revenues from food sales are intended to cover operations. When revenues are not consistently able to cover expenditures, a deficit condition in the Food Service Fund requires subsidization from the General Fund. Therefore, although savings identified in **R.13** would not have a direct impact on the General Fund, they are intended to help eliminate the Food Service Fund deficit in FY 2016-17, thereby eliminating future General Fund subsidies.

# Recommendations

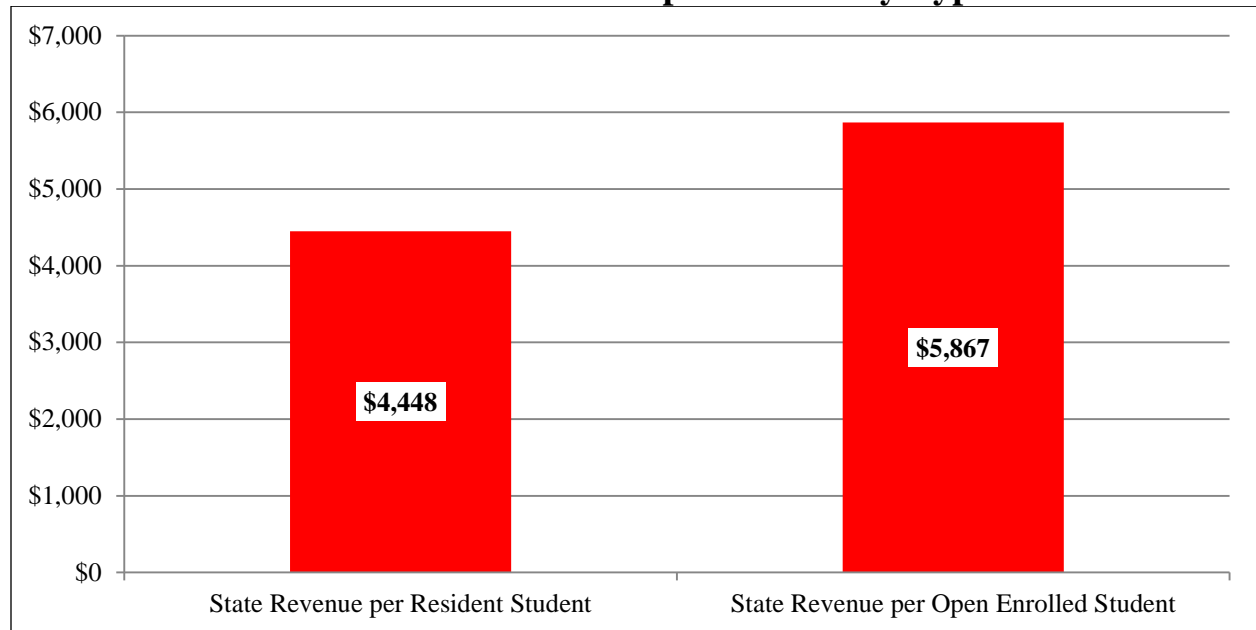
## R.1 Optimize the number of open enrollment students accepted into the District

### Detailed Revenue Analysis

Open enrollment is funded by the State primarily through the Opportunity Grant, which in FY 2014-15 was \$5,800 per student.<sup>8</sup> School districts receive the entire opportunity grant amount per student for open enrollment and a portion of the grant for resident students through the State Share Index, which is a calculation used to determine a district's capacity to raise local revenue when distributing State funds. The basis for this calculation is the three-year average property value, median income index, and a wealth index of the district. Using this formula, no district will have a State share index greater than 0.90 or less than 0.05. In FY 2014-15, ALSD received slightly over \$21.4 million in State revenue and applied a State Share Index of 0.5406, which translates to \$4,448 in State funding per student.

**Chart 1** compares ALSD's State revenue per resident student to the revenue generated from an open-enrolled student for FY 2014-15.<sup>9</sup> This comparison is important as it provides context as to the extent the State determines a district's wealth in relation to the revenue it receives per resident student and how that revenue compares to an open-enrollment student.

**Chart 1: State Revenue per Student by Type**



Source: ALSD and ODE

<sup>8</sup> The Opportunity Grant increased from \$5,800 in FY 2014-15 to \$5,900 in FY 2015-16 and will increase to \$6,000 in FY 2016-17.

<sup>9</sup> Medicaid was omitted from State revenue because it does not have a unique receipt code in the Uniform School Accounting System (USAS).

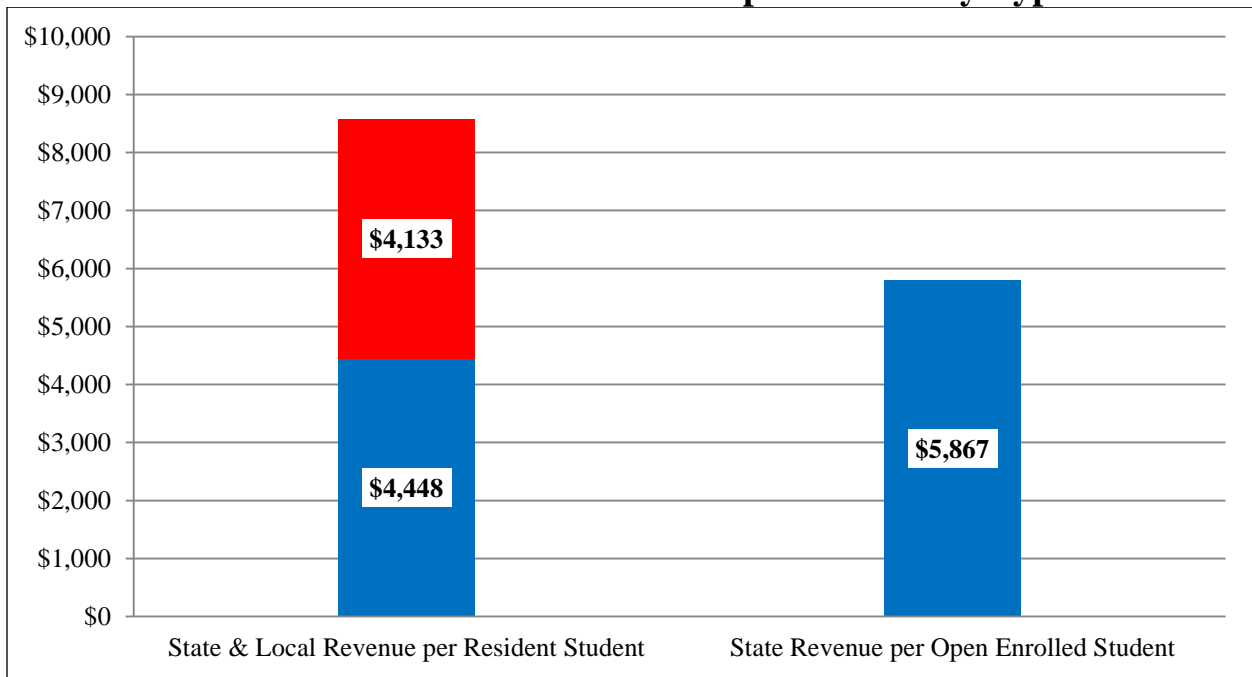


As shown in **Chart 1**, an ALSD resident student generates \$1,419, or 24.2 percent less State revenue compared to an open-enrollment student.

Local revenues are generated from the District’s property taxes and voted tax levies. ODE created a Local Tax Effort Index to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education while considering the ability of district residents to pay. A value of 1.0 indicates average local tax support, while values below or above 1.0 reflect below average or above average support, respectively. ALSD’s local tax effort for FY 2014-15 was 0.7490, signifying that its residents contribute less on a means-adjusted basis than the State average. The ability to generate a significant level of revenue from local taxes has a direct effect on the funding to educate a resident student.

**Chart 2** shows the local and State revenue per resident student compared to the State revenue per open enrollment student.

**Chart 2: State and Local Revenue per Student by Type**



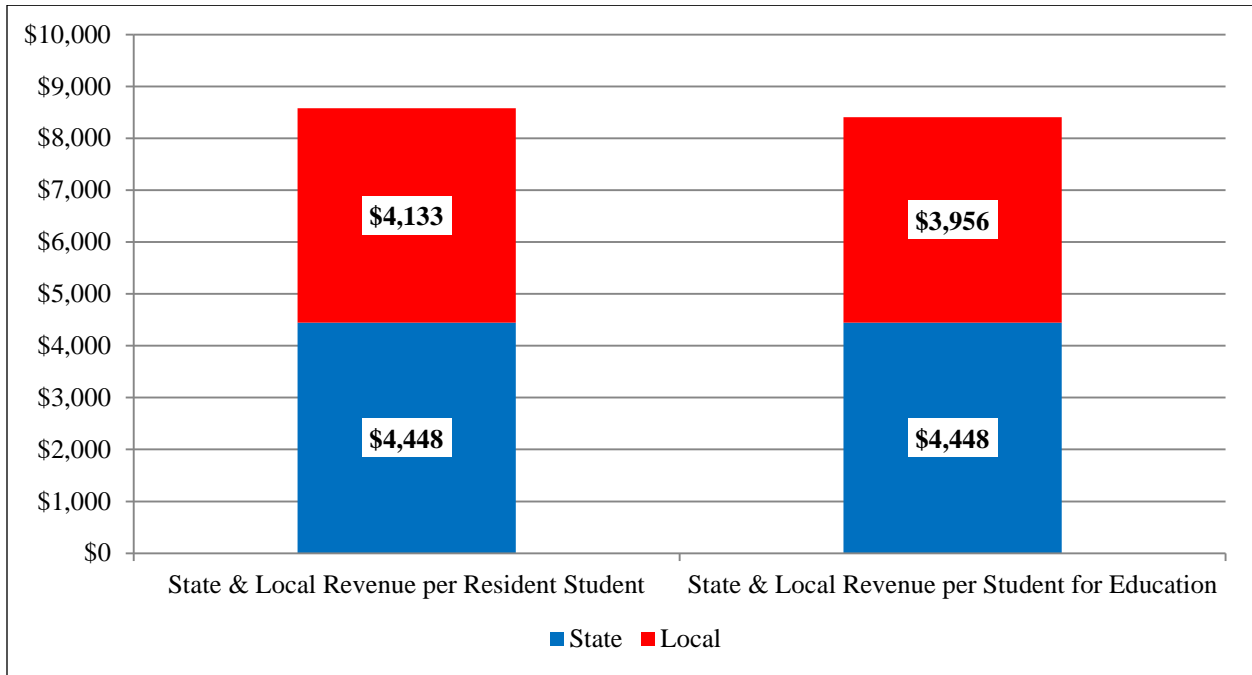
Source: ALSD and ODE

<sup>1</sup>Local revenue does not include revenue associated with open enrollment or Casino Tax

As shown in **Chart 2**, ALSD’s local and State tax revenue per student was 46.3 percent greater in comparison to the per student revenue for open enrollment. Not all revenue, however, can be dedicated to a student’s education. For example, expenditures associated with capital outlay and debt service are also funded through local taxes. In FY 2014-15, ALSD allocated local tax resources of approximately \$410,000 for capital outlay and expended approximately \$460,000 to debt service.

**Chart 3** breaks these allocation levels out, showing the amount of revenue that is dedicated to paying for capital outlay and debt service expenditures on a per student basis. This is important to examine as it shows the amount of local tax revenue generated per student that did not go to resident students’ classroom education.

**Chart 3: State and Local Revenue Dedicated to Education**

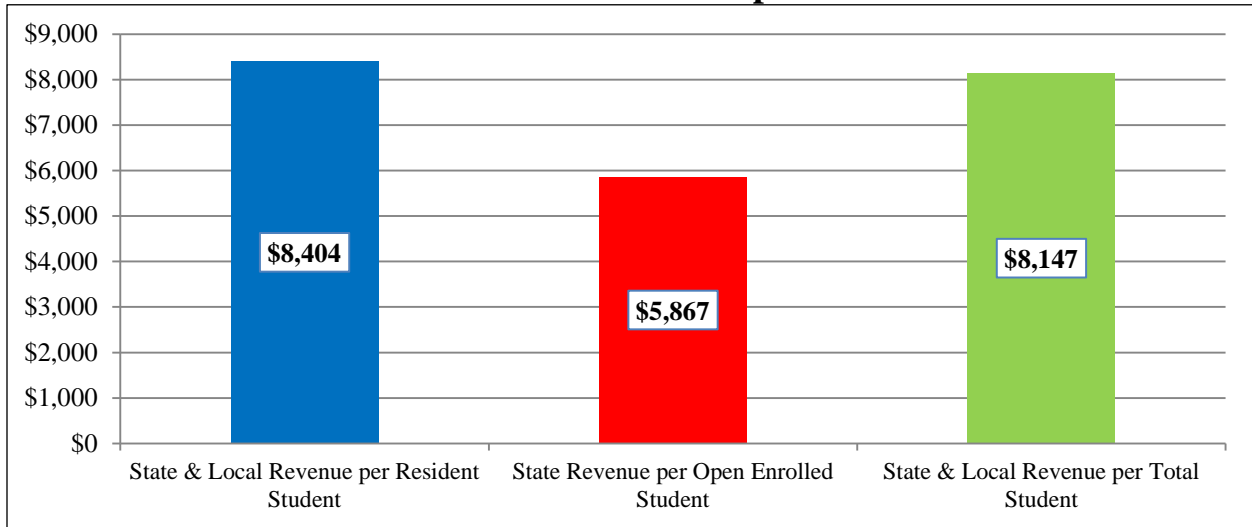


Source: ALS and ODE

As shown in **Chart 3**, local tax revenue per student decreased from \$4,133 to \$3,956. This means that \$177, or 4.2 percent, of the locally generated tax revenue per student is dedicated to pay off the District’s debt and does not go to the education of resident students. Also, the concept of dilution is important in the context of local tax revenue compared to open enrollment revenue. Because open enrollment generates \$5,867 per student compared to \$8,404 for resident students generated from State and Local taxes, every open enrolled student will diminish the efforts of the local community once the open enrollment into the District is greater than the open enrollment out of the District.

**Chart 4** shows this dilution factor, on a per student basis, for FY 2014-15.

**Chart 4: Revenue Dilution per Student**



Source: ALSD and ODE

As shown in **Chart 4**, the average revenue generated from a resident student, when open enrollment revenue is added, diluted the total revenue per student by \$257, or 3.1 percent. This is because State revenue is calculated using only resident students. Districts will receive the revenue based on their State Share Index despite which district their resident students attend.

Although per-student revenue decreased due to open enrollment, further analysis was completed to determine if open enrollment students have a net positive or negative impact on the District's financials after accounting for expenditures per student.

*Detailed Expenditure Analysis*

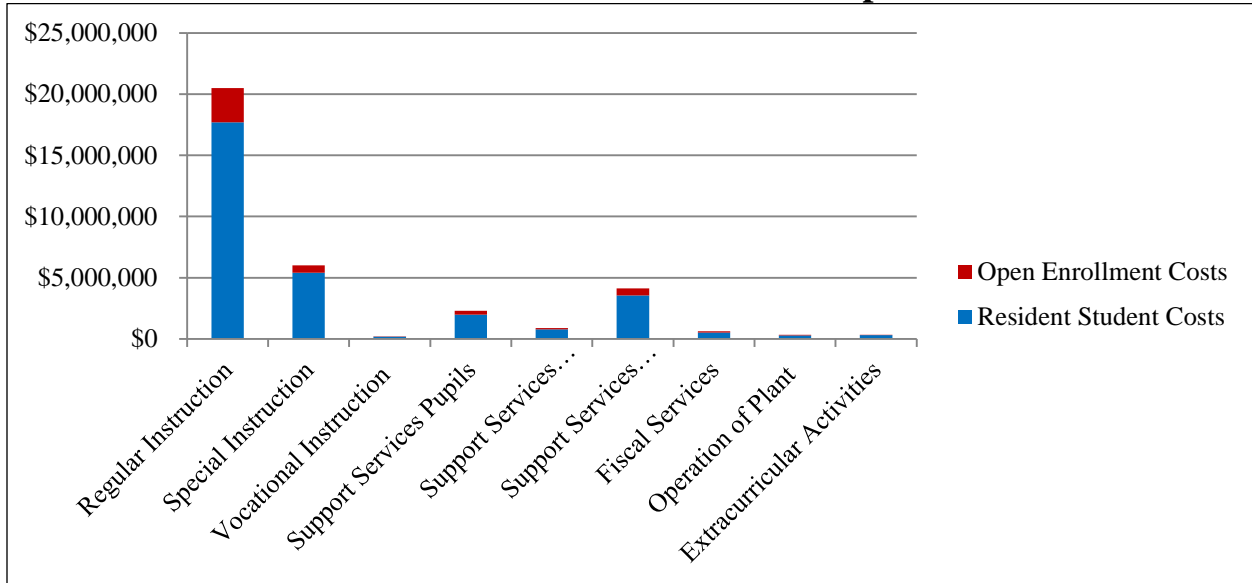
**Chart 5** shows FY 2014-15 expenditures, by function, attributed to educating open enrollment students and compares the open enrollment cost to the resident student cost for 2014-15.<sup>10</sup> The open enrollment costs were calculated by multiplying the percent of open enrollment students with expenditures in each function as follows:

- Special instruction expenditures were multiplied by the percent of special education open enrollment students (1.0 percent for FY 2014-15); and
- All other expenditures were multiplied by the total percent of open enrollment students (13.6 percent for FY 2014-15).

<sup>10</sup> Not all expenditures are available for, or have a direct relationship to, open enrolled students. Further, the Uniform School Accounting System, the structure under which all school districts are required to account for revenues and expenses, specifically defines certain expenses as being allocated specifically toward resident students. For example, Function 1131 Preparatory, Post-Secondary Education Curriculum is defined as being for resident students. The detailed expenditures shown here exclude all categories of expenditure that are specifically prohibited as well as categories of expenditure where no reasonable and appropriate relationship was determined to exist between an category and the cost to educate open enrolled students.

This type of analysis illustrates the relationship between the costs attributed to resident students and open enrollment students.

**Chart 5: FY 2014-15 Costs Attributable to Open Enrollment**



Source: Austintown and ODE

As shown in **Chart 5**, resident student costs exceeded open enrollment costs in every function.

**Table 8** shows the actual dollar amounts for the expenditures in **Chart 5**. Further, it compares the open enrollment cost to the revenue generated by these students. This type of analysis illustrates the net revenue or loss generated by open enrollment.

**Table 8: FY 2014-15 Costs and Revenue Attributed to Open Enrollment**

Total Students		5,061
Open Enrolled Students		686
Percentage of Open Enrolled Students		13.6%
<b>Expenditure Type</b>	<b>Total Costs</b>	<b>Attributed Costs</b>
Regular Instruction	\$20,489,883	\$2,786,624
Special Instruction	\$6,024,950	\$60,426 <sup>1</sup>
Vocational Instruction	\$213,434	\$29,027
Support Services Pupils	\$2,287,933	\$311,159
Support Services Instructional Staff	\$899,910	\$122,388
Support Services Administrative	\$4,129,755	\$561,647
Fiscal Services	\$614,935	\$83,631
Operation and Maintenance of Plant Services	\$334,421	\$45,481
Extracurricular Activities	\$352,578	\$47,951
<b>Total Expenditures</b>	<b>\$35,347,799</b>	<b>\$4,048,334</b>
<b>Open Enrollment Revenue</b>		<b>\$4,022,682</b>
<b>Net Revenue / (Loss)</b>		<b>(\$25,652)</b>

Source: ALSD and ODE

<sup>1</sup> Open enrollment special education students account for approximately 1.0 percent of total special education students. This percent was applied to the Special Instruction expenditures.

As shown in **Table 8**, ALSD's net loss to educate open enrolled students in FY 2014-15 was \$25,600 in FY 2014-15.

### *Optimized Open Enrollment*

If ALSD were to revise its current open enrollment practices and student to teacher ratio policies, it could still offer open enrollment by using those students to round out classes. This could allow the District to increase its revenue without adding additional staff. To demonstrate this concept, two approaches were developed including:

- **Table 9a** shows how the District could optimize revenue from open enrollment while maintaining the FY 2015-16 total students to general education teacher ratio of 23 students for K-2 and 25 students for grades 3-12.<sup>11</sup>
- **Table 9b** shows how the District could optimize revenue from open enrollment by increasing the total students to general education teacher ratio to 25:1.

Current open enrollment is subsidized by the General Fund; however, open enrollment can contribute to increased revenue over expenses if revenue associated with open enrollment is greater than the cost increase. If ALSD were to revise its current Board policies, it could still offer open enrollment to students to round out classes with 23 students for K-2 and 25 students for grades 3-12. This could allow the District to increase its revenue without adding additional staff. **Table 9a** shows the potential effect of this change in policy using FY 2015-16 enrollment data.

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<sup>11</sup> This is based on 89.0 FTE general education teachers and excludes the 2.0 FTE general education teachers at the elementary school dedicated to technology education.

**Table 9a: Optimizing Open Enrollment**

Grade	Number of Resident Students	Student: Teacher Ratio <sup>1</sup>	Number of Teachers Required	Number of Teachers Rounded to Next Whole FTE <sup>2</sup>	Additional Student Capacity - OE Students
K	255	23:1	11.09	12.00	21
1	246	23:1	10.70	11.00	7
2	285	23:1	12.39	13	14
<b>Austintown Elementary</b>	<b>786</b>	<b>23:1</b>	<b>34.17</b>	<b>36.00</b>	<b>42</b>
3	260	25:1	10.40	11.00	15
4	292	25:1	11.68	12.00	8
5	308	25:1	12.32	13.00	17
<b>Austintown Intermediate</b>	<b>860</b>	<b>25:1</b>	<b>34.40</b>	<b>36.00</b>	<b>40</b>
6	299	25:1	11.96	12.00	1
7	316	25:1	12.64	13.00	9
8	334	25:1	13.36	14.00	16
<b>Austintown Middle School</b>	<b>949</b>	<b>25:1</b>	<b>37.96</b>	<b>39.00</b>	<b>26</b>
9-12	1255	25:1	50.20	51.00	20
<b>Austintown High School</b>	<b>1,255</b>	<b>25:1</b>	<b>50.20</b>	<b>51.00</b>	<b>20</b>
<b>Total</b>	<b>3,850</b>		<b>156.73</b>	<b>161.00</b>	<b>128</b>
<b>Revenue from Open Enrollment Students</b>					<b>\$755,200</b>

Source: ALS and ODE

<sup>1</sup> ALSD teacher agreement differs from Board policy which sets a 24:1 student to teacher ratio for K-3.

<sup>2</sup> According to the *EMIS Reporting Manual* (ODE, 2015), a full time equivalent (FTE) is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) Full-time equivalent (FTE) is equal to the number of hours in a regular working day for that position, as defined by the District.

As shown in **Table 9a**, the District could admit 128 open enrollment students, based on FY 2015-16 resident student enrollment, and still maintain its current student to general education teacher ratios. However, this option limits the revenue the District could receive from open enrollment.

**Table 9b: Optimizing Open Enrollment**

Grade	Number of Resident Students	Student: Teacher Ratio	Number of Teachers Required	Number of Teachers Rounded to Next Whole FTE	Additional Student Capacity - OE Students
K	255	25:1	10.20	11.00	20
1	246	25:1	9.84	10.00	4
2	285	25:1	11.40	12.00	15
<b>Austintown Elementary</b>	<b>706</b>	<b>25:1</b>	<b>31.44</b>	<b>33.00</b>	<b>39</b>
3	260	25:1	10.40	11.00	15
4	292	25:1	11.68	12.00	8
5	308	25:1	12.32	13.00	17
<b>Austintown Intermediate</b>	<b>860</b>	<b>25:1</b>	<b>34.40</b>	<b>36.00</b>	<b>40</b>
6	299	25:1	11.96	12.00	1
7	316	25:1	12.64	13.00	9
8	334	25:1	13.36	14.00	16
<b>Austintown Middle School</b>	<b>949</b>	<b>25:1</b>	<b>37.96</b>	<b>39.00</b>	<b>26</b>
9-12	1255	25:1	50.20	51.00	20
<b>Austintown High School</b>	<b>1255</b>	<b>25:1</b>	<b>50.20</b>	<b>51.00</b>	<b>20</b>
<b>Total</b>	<b>3850</b>		<b>154.00</b>	<b>158.00</b>	<b>125</b>
<b>Revenue from Open Enrollment Students</b>					<b>\$737,500</b>

Source: ALSD and ODE

As shown in **Table 9b**, the District has a total additional open enrollment student capacity of 130 students, meaning it could admit 125 students without increasing general education teacher expenditures. It is important to note, however, that the District would experience a slight increase in purchased services and supplies and materials expenditures due to the additional students. Further, reducing the number of open enrollment students to this level would allow the district to close the learning center building. There are 19 classrooms in the learning center building occupied by District administrative personnel and students. Optimizing revenue from open enrollment would allow more than 19 classrooms to become available in the remaining four buildings on the main campus of the District since there would be less students and teachers.

**Table 10** shows the net savings to the District if it optimized open enrollment based on the scenario shown in **Table 9b**.

**Table 10: Potential Net Savings from Open Enrollment Optimization**

Net Reduction of Expenditures from Eliminating Open Enrollment	\$25,652
Additional Revenue from Limited Open Enrollment (125 students)	\$737,500
Reduction in Facility Expenditures from closing the Learning Center Building <sup>1</sup>	\$22,217
Increase in Utilities, Supplies and Materials, and Extracurricular Activities	(\$19,083)
<b>Net Savings from Optimizing Open Enrollment</b>	<b>\$766,286</b>

Source: ALSD and ODE

<sup>1</sup> If open enrollment is optimized, ALSD could reallocate staff from the Learning Center to classrooms vacated from open enrollment.

As shown in **Table 10**, reducing open enrollment to a level that optimizes staff resources could reduce the District's expenditures by approximately \$766,300 annually. The additional funds could be used to reduce debt payments, invest in capital and/or educate students.

Reducing total expenditures would impact the maintenance of effort (MOE) calculations completed by ODE for IDEA Part B<sup>12</sup> and Title I<sup>13</sup> federal funds. However, ODE calculates MOE based on total expenditures and expenditures per pupil and then selects the MOE with the most favorable outcome for the District. Reduced student enrollment is an exemption to the MOE requirements for IDEA-B which means reducing expenditures and enrollment associated with open enrollment are not likely to impact MOE and the District’s future funding. The amount of Title funds a district receives are based on the district’s census data, except for Title II-A which is based on enrollment. Although Title II-A funding may decrease, it would not be significant to District operations as it would only reduce a portion of the total Title II-A funding, which in FY 2014-15 was \$160,600. The District’s total Title I funding was approximately \$1,191,400 in FY 2014-15. Further, the District may request a waiver of MOE requirements due to a decline in financial resources. As such, reducing the District’s open enrollment population and associated expenditures will have an immaterial impact on its federal funding.

**Financial Implication:** The District could save approximately **\$766,300** annually by optimizing the number of open enrollment students it accepts.

**R.2 Consider eliminating General Fund subsidy of extracurricular activities**

The ALSD Student Extracurricular Activity Fund incurred an approximate \$352,500 deficit, which required subsidization from the General Fund in FY 2014-15. For FY 2014-15, the District expended over \$1.1 million on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures.

**Table 11** shows a comparison of the District’s student extracurricular activity net cost per pupil to the primary peer and local peer averages. This is important to examine as extracurricular activities impact the amount of funds available for classroom expenditures, as net cost represents General Fund subsidy of these activities.

**Table 11: Student Extracurricular Activity Net Cost Comparison**

	ALSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Student Activity Net Cost <sup>1</sup>	\$352,578	\$543,323	(\$190,745)	(35.1%)	\$828,150	(\$475,572)	(57.4%)
Number of Pupils <sup>2</sup>	5,255.6	2,768.4	2,487.2	89.8%	5,365	(109.4)	(2.0%)
<b>Net Cost per Pupil</b>	<b>\$67</b>	<b>\$196</b>	<b>(\$129)</b>	<b>(65.8%)</b>	<b>\$154</b>	<b>(\$87)</b>	<b>(56.5%)</b>

Source: ALSD, primary peers, and local peers

<sup>1</sup> Calculated by subtracting student activity revenue from student activity expenditures.

<sup>2</sup> Students educated percent of time.

<sup>12</sup> Part B of the Individuals with Disabilities Education Act (IDEA Part B) governs how states and public agencies provide special education and related services for children and youth ages 3-21.

<sup>13</sup> Funds made available under Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) are used to provide services that are in addition to the regular services normally provided by a school district.



As shown in **Table 11**, the District’s extracurricular activity net cost per pupil was \$129, or 65.8 percent, less than the local peer average and \$87, or 56.5 percent, less than the primary peer average. Although the District out performed both peer groups, its projected financial condition is not sufficient to support a net cost for extracurricular activities that requires a General Fund subsidy. Therefore, the District should analyze the revenue and expenditure structure of these activities in order to alleviate this net cost.

**Table 12** shows a comparison of the District’s student extracurricular activity human resource expenditures, by activity type. This analysis can aid the District in identifying areas with opportunity to reduce its student extracurricular activity expenditures as human resources (HR) expenditures represent a majority (52 percent) of the cost of activities.

**Table 12: Extracurricular Activity Human Resource Costs**

	ALSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Number of Pupils	5,255.6	2,768.4	2,487.2	89.8%	5,364.7	(109.1)	(2.0%)
Academic-Oriented HR Costs	\$141,135	\$127,380	\$13,755	10.8%	\$123,161	\$17,974	14.6%
<b>Cost per Pupil</b>	<b>\$26.85</b>	<b>\$46.01</b>	<b>(\$19.16)</b>	<b>(41.6%)</b>	<b>\$22.96</b>	<b>\$3.90</b>	<b>17.0%</b>
Occupation-Oriented HR Costs	\$1,542	\$622	\$920	148.0%	\$1,088	\$454	41.8%
<b>Cost per Pupil</b>	<b>\$0.29</b>	<b>\$0.22</b>	<b>\$0.07</b>	<b>30.7%</b>	<b>\$0.20</b>	<b>\$0.09</b>	<b>44.7%</b>
Sports-Oriented HR Costs	\$450,375	\$410,140	\$40,236	9.8%	\$753,061	(\$302,685)	(40.2%)
<b>Cost per Pupil</b>	<b>\$85.69</b>	<b>\$148.15</b>	<b>(\$62.45)</b>	<b>(42.2%)</b>	<b>\$140.37</b>	<b>(\$54.68)</b>	<b>(39.0%)</b>

Source: ALS, primary peers, and local peers

As shown in **Table 12**, occupation-oriented HR costs significantly exceeded the local peer and primary peer averages, however, the net cost of sports-oriented activities were significantly lower than both averages.

Because the examination of expenditures did not yield a definitive answer on the primary cause of the net cost of activities, revenues were also examined. **Table 13** shows a comparison of the District’s student extracurricular revenue per pupil. This comparison can aid the District in identifying areas with opportunity to increase its student extracurricular activity revenue.

Analysis of the District’s student extracurricular activity revenue by activity type was not feasible due to a lack of detailed financial coding of revenue receipts.<sup>14</sup> For example, admissions revenue was not identified with either an academic or sports-oriented activity. In determining the detail with which certain financial transactions should be coded, ALS should consider the

<sup>14</sup> OAC § 117-6-01 stipulates that all Ohio school districts maintain financial records in accordance with the Uniform School Accounting System (USAS) as prescribed by the USAS User Manual (ODE). USAS is a financial reporting system based upon the use of a combination of different financial dimensions (for example: fund, function, object) in order to identify the details of each financial transaction. The USAS user manual states that the use of certain dimensions is the responsibility of the school district.

informational needs of the District, ODE, and other regulatory agencies. While the District records its financial transactions in accordance with USAS, analysis of its student extracurricular activity financial transactions revealed that it does not select the most detailed USAS code when recording revenue. Therefore, AOS could not analyze the District's student extracurricular activity revenue by activity type.

**Table 13: Student Extracurricular Activity Revenue per Pupil**

	ALSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Number of Pupils	5,255.6	2,768.4	2,487.2	89.8%	5,364.7	(109.1)	(2.0%)
Admissions	\$183,281	\$153,669	\$29,612	19.3%	\$205,226	(\$21,946)	(10.7%)
<b>Revenue per Pupil</b>	<b>\$34.87</b>	<b>\$55.51</b>	<b>(\$20.63)</b>	<b>(37.2%)</b>	<b>\$38.25</b>	<b>(\$3.38)</b>	<b>(8.8%)</b>
Sales	\$330,610	\$118,384	\$212,226	179.3%	\$226,101	\$104,509	46.2%
<b>Revenue per Pupil</b>	<b>\$62.91</b>	<b>\$42.76</b>	<b>\$20.14</b>	<b>47.1%</b>	<b>\$42.15</b>	<b>\$20.76</b>	<b>49.3%</b>
Dues and Fees	\$30,172	\$99,475	(\$69,303)	(69.7%)	\$222,305	(\$192,134)	(86.4%)
<b>Revenue per Pupil</b>	<b>\$5.74</b>	<b>\$35.93</b>	<b>(\$30.19)</b>	<b>(84.0%)</b>	<b>\$41.44</b>	<b>(\$35.70)</b>	<b>(86.1%)</b>
Other Extracurricular Activity	\$244,585	\$74,276	\$170,309	229.3%	\$150,488	\$94,097	62.5%
<b>Revenue per Pupil</b>	<b>\$46.54</b>	<b>\$26.83</b>	<b>\$19.71</b>	<b>73.5%</b>	<b>\$28.05</b>	<b>\$18.49</b>	<b>65.9%</b>

Source: ALSA, primary peers, and local peers

As shown in **Table 13**, the District's dues and fees revenue was \$30.19, or 84.0 percent, lower per pupil than the local peer average and \$41.44, or 86.1 percent, lower than the primary peer average. Also, admissions were \$20.63, or 37.2 percent lower per pupil than the local peer average and \$3.38, or 8.8 percent, lower than the primary peer average.

Due to the severity of the District's forecasted deficit condition, it should evaluate all available options to reduce expenditures and/or increase revenue. In order to more accurately determine the source of its operating deficit, the District could select the most detailed USAS code when recording student extracurricular activity financial transactions.

**Financial Implication:** Reducing its student activity expenditures and/or increasing revenue so that the Student Extracurricular Activity Fund is self-sufficient would save the District approximately **\$352,500** annually.

### R.3 Develop internal control policies and procedures

The District does not have documented policies and procedures that direct operating and record keeping practices. As a result, it is not utilizing proper preventive controls to minimize opportunities for unintentional errors or intentional fraud.<sup>15</sup> Also, documenting preventive controls would help the District discover and correct any minor errors prior to gaining significance. During the audit, the following areas were identified as containing inconsistencies due to inadequate internal controls:

- **Transportation T-1 Report and rider count sheets** - The District's T-1 Report and the rider count sheets for FY 2015-16 were reviewed and tested for accuracy. Several errors were identified in these reports, including inaccurate counts of daily ridership and daily mileage. Inaccurate reporting could cause the District to receive the incorrect level of State transportation funding as it is based on either ridership or mileage; both of which are reported on the T-1 Report.
- **Transportation T-2 Report and financial reports** - The District's T-2 Report and the financial reports for FY 2014-15 were reviewed and tested for accuracy. Several errors were identified in the T-2 reports, including inaccurate reporting of expenditures.
- **Bus route recordkeeping** - The District did not keep adequate records of bus route changes and therefore inconsistently developed bus routes both manually and with software.
- **Educational Service Center (ESC) contract monitoring** - The District monitors the total cost of each service type provided by the ESC on a total hour basis, but did not have information regarding employees actually charged by the ESC in those service areas.
- **Food service retirement contributions** - While the District did contribute the correct amount for employer paid School Employees Retirement System (SERS) contributions, during the course of the audit \$52,200 was identified as potentially improperly charged to the Food Service Fund in FY 2014-15.
- **Education Management Information System (EMIS) data** - The District does not have formal policies and procedures for preparing, reviewing, or reconciling EMIS information prior to submission to ODE.<sup>16</sup>

According to OAC 117-02-1, public officials are responsible for creating and implementing a system of internal controls designed to assist in achieving objectives related to:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets against unauthorized acquisition, use, or disposition.

<sup>15</sup> No instances of fraud were identified in this performance audit.

<sup>16</sup> Although the District lacks these policies and procedures, data was determined to be sufficiently reliable for use in this performance audit. In determining reliability, data was able to be corroborated through multiple staffing and payroll sources as well supplemental testimony from District staff.

The GFOA recommends that state and local governments adopt the Committee of Sponsoring Organization's (COSO's) framework for designing, implementing, operating, and evaluating internal controls. *Internal Control-Integrated Framework* (COSO, 2013) defines internal control as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance." COSO further identifies five components of an internal control system:

- Control Environment - a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization;
- Risk Assessment - a dynamic and iterative process for identifying and assessing risks to the achievement of objectives;
- Control Activities - actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out;
- Information and Communication - continual, iterative process of providing, sharing and obtaining relevant and quality information from internal and external sources to support the functioning of other components of internal control; and
- Monitoring Activities - ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning.

The District should develop formal internal control policies and procedures. Without updated, documented internal controls, the District is at risk of not assuring all operational objectives, financial reporting, and compliance with laws and regulations are being met and achieved. Developing effective internal control policies should help to minimize the opportunity for fraud and the occurrence of errors.

#### **R.4 Ensure accuracy of the financial forecast and long-term financial planning**

The District does not have formal policies or procedures for developing its financial forecast. In addition, the District does not follow the assumptions as reported with the forecast. As a result, ALSA is not taking proper steps to ensure that its five-year forecast is accurate. (See **Background** *May 2016 Five-Year Forecast Updates and Adjustments*)

According to *Financial Forecasting in the Budget Preparation Process* (Government Finance Officers Association (GFOA), 2014), key steps in a sound forecasting process should include defining assumptions, gathering information, examining historical data and relevant economic conditions, and then selecting the quantitative/qualitative methods to use for developing the forecast. Furthermore, the forecast should be linked to decision making, with a long-term perspective to the budgeting process and emphasizing financially sustainable decisions.

Also, the District's annual budget is not linked to formal goals, objectives, or performance measures identified in its long-term comprehensive strategic plan. Instead, the Treasurer creates the District's annual budget without guidance from formal policies and procedures, or input from District administrators. *Best Practices in School District Budgeting* (GFOA, 2015) suggests that

school districts develop a budget that best aligns resources with student achievement goals by using the following steps:

- Mobilize key stakeholders;
- Gather information on academic performance and cost structure;
- Establish principles and policies to guide the budget process;
- Develop instructional priorities and goals;
- Analyze current resources and expenditures;
- Develop a long-term strategic financial plan linking instructional goals to the budget document; and
- Implement and evaluate the strategic financial plan.

The GFOA further specifies in *Long-Term Financial Planning* (GFOA, 2008) that long-term financial planning should encompass the following five key elements:

- **Time Horizon** - A plan should look at least five-to-ten years into the future. Governments may elect to extend their planning horizon further if conditions warrant.
- **Scope** - A plan should consider all appropriated funds, but especially those funds that are used to account for the issues of top concern to elected officials and the community.
- **Frequency** - Long-term planning activities should be updated as needed in order to provide direction to the budget process, though not every element of the long-range plan must be repeated.
- **Content** - A plan should include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health.
- **Visibility** - Public and elected officials should be able to easily learn about the long-term financial prospects of the government and strategies for financial balance. Hence, governments should devise an effective means for communicating this information, through either separate plan documents or by integrating it with existing communication devices.

The District should develop a long-term strategic financial plan that includes a detailed five-year forecast and budget that is linked to its goals, objectives, and performance measures. The absence of such plan places the District at risk of not accurately forecasting preventing management from fully evaluating the relationship between its spending decisions and program outcomes. This would ultimately increase the risk of inefficiently and/or ineffectively addressing critical needs.

**R.5 Renegotiate collective bargaining agreement provisions**

The District has a collective bargaining agreement (CBA) with the Austintown Education Association (certificated CBA) and with the Ohio Association of Public School Employees (classified CBA). An analysis of these CBAs identified certain provisions that exceeded State minimum standards and/or provisions in the local peer districts. The following provisions exceeded the local peer average or guidelines outlined in the ORC:

- Sick Leave Accumulation and Payout** – Both District CBAs allow employees to accrue 276 days of unused sick leave. Comparatively, classified CBAs of the local peers have an average maximum sick leave accrual of 276 days and certificated CBAs have an average of 275 days.<sup>17</sup> ORC § 3319.141 establishes a minimum level of sick leave accumulation specifying that unused sick leave shall be cumulative to 120 days. Specifically, ALSD offers a maximum severance payout of 69 days to classified employees and 52.8 days to certificated employees. In addition, classified employees are also entitled to a 10 percent compensation bonus at the time of retirement. On average, the local peer districts’ severance payouts were 77 days for certificated employees and 69 days for classified employees.<sup>18</sup> Although ALSD has a lower payout level than the local peer average, it provides higher payout than required by ORC § 124.39, which allows a school employee to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement.

**Table 14** shows the District’s previous two years of severance payout data compared to what it would have paid its certificated and classified employees had it been aligned with the State minimum caps.

**Table 14: Severance Days and Payout Comparison**

Severance Days	ALSD	ORC § 125.04	Difference	% Difference
FY 2013-14	475.8	313.2	162.6	52.0%
FY 2014-15	841.4	590.7	250.6	42.4%
<b>Total Severance Days</b>	<b>1,317.1</b>	<b>903.9</b>	<b>413.2</b>	<b>45.7%</b>
Severance Payout	ALSD	ORC § 125.04	Difference	% Difference
FY 2013-14	\$131,431	\$81,783	\$49,648	60.7%
FY 2014-15	\$309,213	\$207,340	\$101,872	49.1%
<b>Total Severance Payout</b>	<b>\$440,642</b>	<b>\$289,123</b>	<b>\$151,520</b>	<b>52.4%</b>

Source: ALSD and ORC

As shown in **Table 14**, the District provided severance payouts that exceeded ORC minimum levels by approximately \$151,500 in total for FY 2013-14 and FY 2014-15.

- Vacation** - The District’s classified CBA allows employees to accrue 525 vacation days over the course of a 30-year career. This is aligned with the local peer average, however,

<sup>17</sup> Excludes Howland Local School District which offers unlimited sick leave accumulation for classified employees. Excludes Howland Local School District and Struthers City School District which offer unlimited sick leave accumulation certificated employees.

<sup>18</sup> Excludes Howland Local School District which allows certificated employees to be paid out at 10 percent of all accrued and unused sick leave in excess of 42 days, and classified employees to be paid out 20 percent of all accrued but unused sick leave in excess of 45 days.

it is higher than the minimum requirement of 460 days established by ORC § 3319.084. A reduction would increase the number of available work hours at no additional cost to the District.

- **Paid Holidays** - The District's classified CBA allows 12-month employees to accrue 12 paid holidays per year, and 9- and 10-month employees to accrue eight paid holidays per year. This is higher than the local peer average of 10 paid holidays for 12-month employees, and seven paid holidays for 9- and 10-month employees. Additionally, ORC § 3319.087 requires that all 11- and 12-month non-teaching employees accrue seven paid holidays per year, and all 9- and 10-month non-teaching employees accrue six paid holidays per year. A reduction would increase the number of available work hours at no additional cost to the District.

An analysis of the classified CBA also identified the following provision pertaining exclusively to food service employees that exceeded State minimum requirements:

- **Calamity Day Compensation:** The classified CBA provides food service workers to be compensated for calamity days. While it is not uncommon for districts to compensate workers on calamity days, it is not required under the ORC. Additionally, it is important to note that on days that school is not in session, the District does not receive any revenue from food service operations to offset the salary and benefit expenditures. Given the current state of its food service operations, the District should eliminate calamity day compensation for food service employees.

The District should renegotiate costly collective bargaining agreement provisions. Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs.

## **R.6 Increase employee dental insurance contributions**

The District procures its health and dental insurance through the Stark County Schools Council of Governments (COG), which provides its members with greater insurance purchasing power by pooling their resources together to create one group under the same insurance plan. This spreads out the insurance risk across its members rather than a single district.

While its medical premiums were consistent with benchmarks, ALSD employees do not contribute to the cost of the dental plan premium. An analysis of the dental plan compared ALSD's employee contributions to data contained in the 23<sup>rd</sup> *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015).

**Table 15** shows ALSD's share of the dental premiums in FY 2014-15 compared to the average for all SERB reporting entities within Mahoning County for 2015. This comparison is important as insurance contributions are recognized as sensitive to local conditions and, where possible, a comparison to other local or regional plans provides a realistic benchmark for relative contribution competitiveness. Under the conditions of the medical plan, the District may not

offer any other dental plan other than the dental plan offered by the medical plan supplier. Therefore, the District can only control the employee dental contribution amounts.

**Table 15: Monthly Employee Dental Contribution Comparison**

	ALSD Dental Monthly Premium	ALSD Employee Contribution	Mahoning County Average Contribution	Employees Enrolled	Annual Savings
Dental (Single)	\$68.44	0.0%	6.9%	91	\$5,157
Dental (Family)	\$168.72	0.0%	6.7%	279	\$37,847
<b>Total Savings</b>					<b>\$43,004</b>

Source: ALSA and SERB

As shown in **Table 15**, ALSA employees do not contribute to the cost of their dental insurance. Requiring employees to bear a greater portion of the cost of dental insurance will help to reduce the District's insurance costs.

Financial Implication: The District could save **\$43,000** annually by increasing employee contributions to 6.9 percent and 6.7 percent for single and family dental plans, respectively.

### **R.7 Develop a staffing plan**

The District does not have a formal staffing plan. Staffing levels are determined on a year-to-year basis with enrollment being a driving factor. The lack of a staffing plan limits the District's effectiveness in determining whether staffing levels are efficient, and as a result, changes to staffing levels are made on a reactionary basis.

According to *Your Next Move: Strategic Workforce Planning in the Public Sector* (Deloitte, 2006), strategic workforce planning "is an ongoing process for defining and anticipating long term workforce needs." Five key stages in developing a strategic workforce plan are as follows:

- Identify critical workforce segments;
- Establish one source of truth (data consistency);
- Analyze labor supply/demand;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

The District should develop a staffing plan that will help communicate staffing strategies and priorities as well as contingency plans. ALSA should develop and implement a comprehensive staffing plan that incorporates allocation factors such as workload measures, available resources, contractual agreements, and educational goals. A comprehensive staffing plan with these elements would allow the District to explain or defend its decisions to hire or reduce personnel based on the objective analysis and clear reasoning that a staffing plan offers.



## R.8 Realign facilities staffing positions

The District maintains over 680,000 square feet within its five buildings, which include Austintown Early Learning Center, Austintown Elementary School, Austintown Middle School, Austintown Intermediate School, and Austintown Fitch High School.

**Table 16** shows a summary of the District's overall facilities staffing for FY 2015-16 compared to industry benchmarks from America School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency relative to the size of the District's facilities.

**Table 16: Buildings & Grounds Staffing Comparison**

<b>Grounds Staffing</b>	
Grounds FTEs	2.0
Acreage Maintained	166.4
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	4.1
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(2.1)</b>
<b>Cleaning Staffing</b>	
Cleaning FTEs	30.3
Square Footage Cleaned	680,609
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	23.1
<b>Cleaning FTEs Above/(Below) Benchmark</b>	<b>7.2</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	3.0
Square Footage Maintained	680,609
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	7.2
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(4.2)</b>
<b>Total Buildings &amp; Grounds Staffing</b>	
Total FTEs Employed	35.3
Total Benchmarked Staffing Need	34.4
<b>Total FTEs Above/(Below) Benchmark</b>	<b>0.9</b>

Source: ALS, AS&U, and NCES

As shown in **Table 16**, the District is overstaffed in cleaning staff and understaffed in maintenance and grounds staff. Accordingly, it could shift the extra cleaning positions to maintenance and grounds and thereby balance those respective staffing levels relative to the benchmarks. In doing so, the District would still be marginally overstaffed by 0.9 FTEs, but staffing would be allocated in a more efficient and effective manner, assuming current staff is qualified to fill the positions. As cleaning staffing is reduced through attrition, the District could consider further part-time position reduction.

**R.9 Use DAS or comparable consortiums to purchase supplies and materials**

The District’s process for purchasing supplies and materials for building operations and maintenance (O&M) is to reverse auction among local vendors.<sup>19</sup> The preference for local vendors can lead to the District overpaying for commonly purchased goods and/or services as price-competitiveness is not fully scrutinized. Without a consistently applied process for checking that current vendors are offering the best possible prices for items purchased, ALSD is not ensuring that it is obtaining the best available price for basic supplies and materials. ORC § 125.04(C) states, “A (school district) may purchase supplies or services from another party, including a political subdivision, instead of through participation in contracts described in division (B) of this section if the (school district) can purchase those supplies or services from the other party upon equivalent terms, conditions, and specifications but at a lower price than it can through those contracts.”

**Table 17** shows the District’s O&M supplies and materials expenditures per square foot as compared to the primary peer average for FY 2014-15. It is important to examine the cost of supplies and materials in relation to square footage to provide an accurate comparison by normalizing the effects of district size.

**Table 17: O&M Supplies and Material Expenditures Comparison**

	ALSD	Peer Avg.	Difference	% Difference
Total Square Footage	680,609	812,546	(131,937)	(16.2%)
Total Supplies and Materials Expenditures	\$253,653	\$256,090	(\$2,437)	(1.0%)
<b>Supplies and Materials Cost per Sq. Ft.</b>	<b>\$0.37</b>	<b>\$0.32</b>	<b>\$0.05</b>	<b>15.6%</b>

Source: ALSD and primary peers

As shown in **Table 17**, the District expended \$0.05, or 15.6 percent, more per square foot for O&M supplies and materials than the primary peer average. The District should competitively bid beyond local vendors for supplies and materials or use DAS to ensure competitive pricing. It is common practice for Ohio districts to use consortiums including the primary peers of Cuyahoga Falls City Schools District, Jackson Local School District, and Miamisburg City School District. When the District does purchase outside of DAS, it should maintain documentation to provide adequate information for future purchasing decisions.

Financial Implication: The District could save approximately **\$34,000**, annually, by purchasing through DAS or a comparable consortium for supplies and materials. This savings was based on the average per square foot cost of the primary peer average applied to the total square footage of ALSD.

<sup>19</sup> In a reverse auction vendors compete to provide a good or service to the buyer. Usually prices decrease during the auction process.

## **R.10 Develop a formal facilities preventative maintenance program**

Although the District has existing contracts in place to maintain certain equipment,<sup>20</sup> it does not have a formal preventive maintenance policy that encompasses all equipment. Instead, the majority of repairs are conducted in a reactionary manner.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative. A good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district should then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

The District should develop a formal preventative maintenance program. The absence of such a plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing an effective preventive maintenance plan would help to ensure that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

## **R.11 Develop a facilities master plan**

ALSD Board of Education bylaws state that the District follows a long-term building program to serve as a guide for capital improvements. While the bylaws indicate that the District does have a long term building program, it does not have a formal written master plan or capital plan for its facilities. As a result, the District is not well positioned to assess how such factors as building condition, building age, and student enrollment will affect future facility needs. Therefore, the District may not be able to accurately forecast and fund future large scale capital expenditures.

According to *How to Develop a Successful Master Plan* (School Planning & Management, 2001), school districts should have a district-wide facilities master plan that allows for changing demographics, building conditions, and potential capital improvement projects. Once implemented, master plans should be continuously updated as conditions and projects change. A useful facilities master plan should assist administrators in the financial forecasting and budgeting of major expenditures associated with a district's facilities.

ALSD should develop a facilities master plan. Planning and publishing a comprehensive plan would allow the District to more effectively prioritize and allocate funds for appropriate capital improvements as well as communicate to stakeholders the circumstances for which such funds are allocated.

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<sup>20</sup> The District has existing contracts for HVAC, roofing, and fire and safety equipment that cover preventive maintenance measures.

## R.12 Develop a formal bus maintenance and replacement program

ALSD does not have a formal bus maintenance or replacement plan. As a result, the District may be allocating resources for maintenance that could be more efficiently allocated towards the acquisition of newer busses.

**Table 18** shows a comparison of the District's bus maintenance and repair expenditure ratios to the transportation peer average for FY 2014-15. This comparison provides a relative gauge of the maintenance costs associated with maintaining the District's bus fleet.

**Table 18: Maintenance and Repair Expenditures Comparison**

	ALSD	Peer Average	Difference	% Difference
Cost per Rider	\$172.03	\$91.71	\$80.32	87.6%
Cost per Active Bus	\$10,832.22	\$6,346.37	\$4,485.85	70.7%
Cost per Routine Mile	\$1.73	\$0.56	\$1.17	209.6%

Source: ODE

Note: Cost ratios include the mechanic salary.

As shown in **Table 18**, the District's maintenance and repair costs were significantly higher than the peers for all three metrics shown. According to *School Bus Purchasing Guide* (Ohio Department of Education (ODE), 2006), older and higher mileage buses are more costly to operate. In 2015, 15 of 49 busses were replaced and the average age of the remaining bus fleet was 13 years. According to *School Bus Replacement Considerations*, (National Association of State Directors of Pupil Transportation Services, 2002), after 12 years of use, operating costs of school buses began to increase significantly.

A district's finances are an important consideration in the replacement of buses, and may be an obstacle to replacing them on a set schedule. Ultimately, a bus replacement plan allows a district to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state of the fleet. According to *Public Works Management Practices Manual* (American Public Works Association, 2001), a formal preventive maintenance program should be developed for all equipment that includes scheduling, recording performance, and monitoring the program.

The District should develop a formal program for maintaining and replacing buses. Adopting a formal bus replacement plan, even without the resources to fund the plan, could benefit the District, as it would set priorities and establish criteria for when funding is available. In addition, it could help to anticipate and avoid the need to replace a major portion of the fleet at the same time, and allow the District to demonstrate the impact of not funding capital improvements.

## R.13 Eliminate 55.8 food service daily labor hours and 2.0 administrative FTEs

In FY 2015-16, the District employed a total of 55 food service employees. Three full-time employees were dedicated to administrative duties and two part-time food service employees were dedicated to stocking the vending machines and performing courier related duties. The remaining employees were responsible for meal production.

Salaries and benefits is the primary component of food service expenditures, accounting for approximately 60.0 percent of total food service expenditures in FY 2014-15. A comparison to the primary peers found that in FY 2014-15, the District was spending 54.2 percent more on salaries per meal and 59.3 percent more on benefits per meal relative to the peer average.<sup>21</sup> Excess personnel expenditures can be driven by two factors, higher salary levels and/or higher relative staffing levels. In order to determine which of these factors is the primary driver at ALSD, both of these areas were examined in greater detail.

In order to assess salary levels, an examination of food service step schedules was made to the local peer district average. **Table 19** shows this comparison, examining food service staff compensation over the course of a 30-year career to the local peer average, based on FY 2015-16 salary schedules. Comparing career compensation to other local districts provides a gauge as to the appropriateness of salary levels on a regional basis.

**Table 19: Food Service Career Compensation Comparison**

	ALSD	Local Peer Average	Difference	% Difference
Cook (Short-hour)	\$273,209	\$240,081	\$33,128	13.8%
Head Cook (7-hour)	\$673,982	\$619,346	\$54,636	8.8%

Source: ALSD and local peers

As shown in **Table 19**, the District's career compensation for both food service positions was higher than that of the local peer average.

Food service staffing levels were assessed by examining meals per labor hour, an industry accepted method of benchmarking food service efficiency. **Table 20** shows the District's daily meals and labor hours in each building compared to benchmark data outlined in *School Food and Nutrition Service Management for the 21st Century* (Pannell-Martin and Boettger, 2014). It is important to compare and monitor staffing using workload measures in order to gauge staffing levels and maintain efficiency.

**Table 20: Food Service Workload Comparison**

Building	Meal Equivalents per Day	Daily Labor Hours	Benchmark Required Daily Labor Hours	Difference
Austintown Elementary School	751	51.3	36.6	14.7
Austintown Intermediate School	869	51.2	40.4	10.8
Austintown Middle School	810	54.3	37.7	16.6
Fitch High School	914	55.2	41.5	13.7
<b>Total</b>	<b>3,344</b>	<b>212.0</b>	<b>156.2</b>	<b>55.8</b>

Source: ALSD and Pannell-Martin and Boettger

As shown in **Table 20**, each of the District's four buildings operated less efficiently compared to the benchmark. In total, District-wide, food service operations daily hours exceeded the benchmark by 55.8 hours. The District had taken steps in FY 2013-14 to reduce total labor hours through reductions in force and by reducing part-time employee hours from 3.75 hours per day to 3.0 hours per day. While these actions helped reduce operational costs, the savings from these

<sup>21</sup> Springboro Community City School District was omitted due to lack of available data.

actions did not eliminate operational deficits. In order to reduce expenditures per meal and minimize the Food Service Fund deficit, the District should align staffing levels with the industry benchmark, as excess staffing levels are the primary driver of ALSD's relatively high food service salaries expenditures. A reduction of 55.8 daily labor hours would equate to eliminating 18 part-time food service employees.

In addition to the assessment of daily labor hours, ALSD's food service administrative staff was also examined. The District employs three full-time food service administrative staff including the Food Service Director, a secretary, and the Food Service IT Director. Of the eight primary peer districts that were selected for peer comparisons, Lancaster CSD, Perry LSD, and Wadsworth CSD had positive operating balances in FY 2014-15. All three of these profitable peer districts employed a full-time food service director; however, additional administrative staffing levels for the profitable peer districts varied. In particular, Lancaster CSD employed two full-time food service administrative positions; Wadsworth CSD employed a food service administrative worker for two hours per day with some additional administrative duties completed by the District's business manager; and Perry LSD did not employ any additional food service administrative staff. Given the financial condition of the District's Food Service Fund, it should reduce its food service administrative staffing levels.

Financial Implication: Reducing 18 part-time food service workers, equivalent to 55.8 daily labor hours, and 2.0 FTE food service administrative staff could save the District approximately **\$253,200** in salaries and benefits, annually. This savings was calculated by using the hourly rates and fringe benefits of the 18 lowest-paid employees multiplied by the number of hours worked and by using salary and benefit levels of the lowest two administrative positions.

## Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Eight of the 24 objectives did not yield a recommendation (see **Appendix B** for additional information, including comparisons and analyses that did not result in recommendations).

**Table A-1: Audit Objectives and Recommendations**

Objective	Recommendation
<b>Financial Management</b>	
Are the open enrollment policies financially beneficial?	<b>R.1</b>
Are the extracurricular activities appropriate to the peers and/or financial condition?	<b>R.2</b>
Are internal controls appropriate for accurate reporting?	<b>R.3</b>
Does the five-year forecast reasonably and logically project future revenues and expenditures?	<b>R.4</b>
Are budgeting and forecasting practices comparable to leading practices?	<b>R.4</b>
<b>Human Resources</b>	
Is staffing efficient compared to peers and OAC State minimums, where applicable?	N/A
Are the salaries comparable with regional peer districts?	N/A
Are the collective bargaining agreements consistent with leading practices?	<b>R.5</b>
Are the insurance benefits consistent with leading practices?	<b>R.6</b>
Is there a staffing plan?	<b>R.7</b>
Is the EMIS data process sufficiently reliable and consistent with leading practices?	N/A
Is the special instruction spending consistent with leading practices?	N/A
<b>Facilities</b>	
Is the facilities staffing consistent with leading practices?	<b>R.8</b>
Are the District's purchasing practices comparable to best practices?	<b>R.9</b>
Is there a preventive maintenance plan comparable to leading practices?	<b>R.10</b>
Are capital planning efforts consistent with leading practices?	<b>R.11</b>
Are the District's facilities expenditures consistent with leading practices?	N/A
<b>Transportation</b>	
Is the fleet maintenance consistent with leading practices?	<b>R.12</b>
Are the bus replacement practices consistent with leading practices?	<b>R.12</b>
Are the T-Report procedures accurate and consistent with leading practices?	N/A
Is the routing consistent with leading practices?	N/A
Is the fuel purchasing practice consistent with leading practices?	N/A

<b>Food Service</b>	
Is the Food Service Fund self-sufficient and consistent with peers and/or leading practices?	<b>R.5 and R13</b>
Are the food service staffing levels efficient compared to peers and / or leading practices?	<b>R.13</b>

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.



## Appendix B: Additional Comparisons

### Staffing

**Table B-1** shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average. The latest available peer data was from FY 2014-15 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing levels for FY 2015-16. **Table B-1** provides a measure of staff efficiency when comparing to the primary peers.

**Table B-1: ALSD Staffing Comparison**

	ALSD	Primary Peer Avg.	Difference		
Students Educated <sup>1</sup>	5,061	5372	(311)		
Students Educated (thousands)	5.061	5.372	(0.311)		
	FTE	FTEs Per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
Administrative Positions	24.00	4.33	4.59	(0.26)	(1.44)
Teaching Positions	289.13	52.11	55.81	(3.70)	(18.73)
Other Educational Positions	17.67	3.18	3.70	(0.52)	(2.63)
Professional Positions	20.00	3.60	6.88	(3.28)	(16.60)
Office/Clerical Positions	25.45	4.59	6.74	(2.15)	(10.88)
Non-Certificated Support Positions	41.86	7.54	12.96	(5.42)	(27.43)
Technology Positions	4.00	0.72	0.91	(0.19)	(0.96)
Operational Positions	96.35	17.36	20.60	(3.24)	(16.40)
Extra/Intra - Curricular Positions	0.00	0.00	0.11	(0.11)	(0.56)
<b>Total</b>	<b>518.46</b>	<b>93.43</b>	<b>112.30</b>	<b>(18.87)</b>	<b>(95.63)</b>

Source: ALSD and ODE

Note: The District's operational staffing, including custodians, maintenance workers, bus drivers, and food service employees were also assessed based on industry and operational standards.

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average.

**Table B-1** shows that the District has fewer employees per 1,000 students in every category when compared to the primary peer group.

## Salaries

**Table B-2** shows the District's FY 2015-16 salary schedules compared to the local peer average over the course of 30 years. Comparing career compensation to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis.

**Table B-2: Career Compensation Comparison**

	ALSD	Local Peer Average	Difference	% Difference
<b>Certificated</b>				
Bachelor's Degree	\$1,451,472	\$1,585,262	(\$133,790)	(8.4%)
Master's Degree	\$1,650,067	\$1,782,788	(\$132,721)	(7.4%)
Master's Degree-Maximum <sup>1</sup>	\$1,787,020	\$1,885,663	(\$98,643)	(5.2%)
<b>Classified</b>				
Bus Driver	\$395,767	\$432,436	(\$36,669)	(8.5%)
Custodian	\$1,089,850	\$1,136,760	(\$46,910)	(4.1%)
Clerical	\$1,081,114	\$1,067,270	\$13,844	1.3%

Source: ALSA and local peers

<sup>1</sup> Canfield LSD and Howland LSD were excluded from the master's degree maximum analysis due to lack of comparable salary schedules.

As shown in **Table B-2**, the District's career compensation for certificated staff and classified staff was lower or comparable to the local peer average.

## Special Education

**Table B-3** shows the District's special education spending in FY 2014-15 compared to the peer average.

**Table B-3: Special Education Spending per Student**

	ALSD	Peer Average	Difference	% Difference
Total Special Education Spending	\$6,042,600	\$7,162,400	(\$1,119,800)	(15.6%)
Total Special Education Students	587.6	598.7	(11.1)	(1.9%)
<b>Total Special Education Spending Per Student</b>	<b>\$10,283.53</b>	<b>\$11,963.25</b>	<b>(\$1,679.72)</b>	<b>(14.0%)</b>

Source: ALSA, Peer Districts

As shown in **Table B-3**, the District expended 14.0 percent less per student on special education instruction relative to the peer average. The District and peer special education enrollment was relatively similar, with ALSA having 1.9 percent less special education students than the peer districts. However, it is important to note that the District had a higher number of category six special education students, which according to the ODE State funding formula, are more costly to educate.

## Facilities

**Table B-4** shows the District's custodial staffing workload measures by building for FY 2015-16 in comparison to the benchmark of 29,500 square feet cleaned per FTE. It is important to consider custodial staff on a per square foot basis as building size serves as a workload measure for custodial staff.

**Table B-4: Cleaning Benchmark by Building**

Cleaning Benchmark - Median Square Footage per FTE					29,500
Building	Square Feet <sup>1</sup>	FTEs <sup>2</sup>	Sq. Ft. per FTE	Benchmark Staffing Need	Difference
Learning Center	34,434	1.5	22,956	1.2	0.3
Elementary School	120,108	5.3	22,662	4.1	1.2
Intermediate School	122,883	6.3	19,505	4.1	2.2
Middle School	176,793	8.7	20,321	6.0	2.7
High School	226,391	8.5	26,634	7.7	0.8
<b>Total</b>	<b>680,609</b>	<b>30.3</b>	<b>22,462</b>	<b>23.1</b>	<b>7.2</b>

Source: ALSD and NCES

<sup>1</sup> The square footage of the bus garage and Board of Education space are included in the middle school and high school totals.

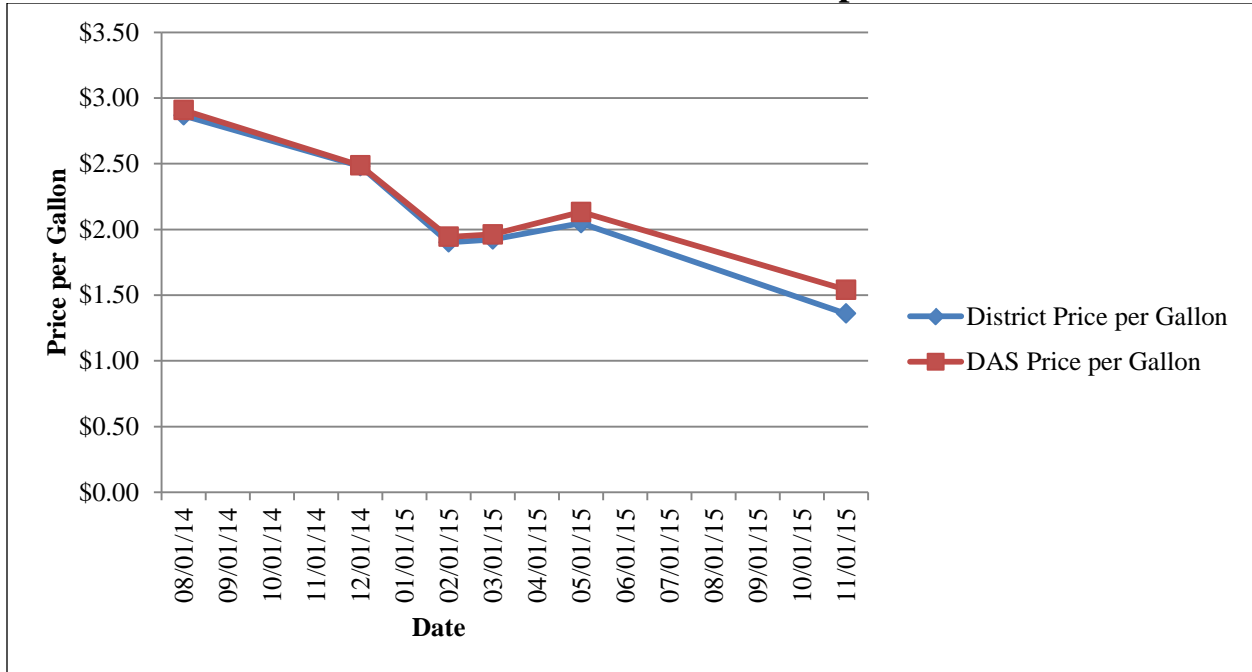
<sup>2</sup> The intermediate and middle schools each include one District flex cleaning staff member not assigned elsewhere.

As shown in **Table B-4**, cleaning staff are responsible for 7,038 fewer square feet per FTE than the NCES benchmark. Although cleaning staff exceeded the benchmark, the District should consider realigning the allocation of its maintenance and operations staff (see **R.8**).

## Transportation

**Chart B-1** shows a comparison between the price per gallon of diesel fuel paid by the District and the prices offered through the DAS Cooperative Purchasing Program (CPP) on the same dates from August 1, 2014 to November 1, 2015. This analysis provides an indication if the District paid less through competitive bidding rather than acquisition through the CPP.

**Chart B-1: Diesel Fuel Price Comparison**



Source: ALSD and DAS

As shown in **Chart B-1**, the District obtained lower fuel pricing than was offered through the CPP on corresponding dates in from August 1, 2014 to November 1, 2015.

**Table B-6** shows the District’s transportation expenditures per rider, per active bus, and per routine mile compared to the transportation peer average from August 1, 2014 to November 1, 2015. Comparing transportation expenditures in relation to ridership, fleet size, and mileage normalizes expenditures driven by differences in the size of a districts’ respective transportation operation.

**Table B-6: Transportation Cost Ratio Comparison**

	ALSD	Transportation Peer Average	Difference	% Difference
Total Bus Riders	2,894	2,750.75	143.25	5.2%
Active Buses	46	40	6	15.0%
Total Miles	287,640	451,215	(163,575)	(56.9%)
Total Expenditures	\$1,813,014	\$2,108,726	(\$295,712)	(16.3%)
Cost per Rider	\$626.47	\$766.60	(\$140.13)	(18.3%)
Cost per Active Bus	\$39,413.35	\$53,049.72	(\$13,636.37)	(25.7%)
Cost per Routine Mile	\$6.30	\$4.67	\$1.63	34.9%

Source: ODE

As shown in **Table B-6**, the District’s cost metrics were all lower than the transportation peer average with the exception of cost per routine mile.

# Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2015 Five-Year Forecast.

**Chart C-1: ALSD October 2015 Five-Year Forecast**

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	14,927,390	14,986,061	15,320,056	15,000,000	12,500,000	10,000,000	10,000,000	10,000,000
1.020 Tangible Personal Property Tax	704,011	777,359	921,348	700,000	700,000	700,000	700,000	700,000
1.035 Unrestricted Grants-in-Aid	17,901,236	19,052,051	20,806,061	19,750,000	19,000,000	19,000,000	19,000,000	19,000,000
1.040 Restricted Grants-in-Aid	69,315	535,919	606,891	500,000	500,000	500,000	500,000	500,000
1.045 Restricted Federal Grants-in-Aid - SFSF	242,086							
1.050 Property Tax Allocation	2,574,876	1,403,194	3,803,407	2,375,000	2,400,000	2,400,000	2,400,000	2,400,000
1.060 All Other Operating Revenue	3,711,613	4,243,580	4,242,440	4,094,525	4,000,000	4,000,000	4,000,000	4,000,000
1.070 Total Revenue	40,130,527	40,998,164	45,700,203	42,419,525	39,100,000	36,600,000	36,600,000	36,600,000
2.040 Operating Transfers-In	109,970	284,564	122,000	60,644	36,000	36,000	36,000	36,000
2.060 All Other Financial Sources	33,857	147,759	252,195	280,000	200,000	200,000	200,000	200,000
2.070 Total Other Financing Sources	143,827	432,323	374,195	340,644	236,000	236,000	236,000	236,000
2.080 Total Revenues and Other Financing Sources	40,274,354	41,430,487	46,074,398	42,760,169	39,336,000	36,836,000	36,836,000	36,836,000
3.010 Personnel Services	22,238,842	22,411,705	22,898,819	22,888,437	23,000,000	23,500,000	24,000,000	24,500,000
3.020 Employees' Retirement/Insurance Benefits	7,786,139	8,490,965	9,036,101	10,152,260	11,000,000	11,300,000	11,600,000	11,900,000
3.030 Purchased Services	7,924,748	7,889,225	8,625,058	8,820,150	9,000,000	9,000,000	9,000,000	9,000,000
3.040 Supplies and Materials	823,480	1,020,927	753,006	1,191,192	1,200,000	1,200,000	1,200,000	1,200,000
3.050 Capital Outlay	297,600	1,289,715	410,494	743,739	750,000	750,000	750,000	750,000
4.050 Debt Service: Principal - HB 264 Loans	23,592	24,754	25,981	25,644	25,644	25,644	25,644	25,644
4.060 Debt Service: Interest and Fiscal Charges	12,052	10,890	9,663	10,000	10,000	10,000	10,000	10,000
4.300 Other Objects	440,922	419,205	425,126	501,829	500,000	500,000	500,000	500,000
4.500 Total Expenditures	39,547,375	41,557,386	42,184,248	44,333,251	45,485,644	46,285,644	47,085,644	47,885,644
5.010 Operational Transfers - Out	868,363	1,358,797	2,483,572	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5.040 Total Other Financing Uses	868,363	1,358,797	2,483,572	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5.050 Total Expenditure and Other Financing Uses	40,415,738	42,916,183	44,667,820	45,333,251	46,485,644	47,285,644	48,085,644	48,885,644
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-141,384	-1,485,696	1,406,578	-2,573,082	-7,149,644	-10,449,644	-11,249,644	-12,049,644
7.010 Beginning Cash Balance	6,455,792	6,314,409	4,828,711	6,235,289	3,662,207	-3,487,437	-13,937,081	-25,186,725
7.020 Ending Cash Balance	6,314,409	4,828,711	6,235,289	3,662,207	-3,487,437	-13,937,081	-25,186,725	-37,236,369
8.010 Outstanding Encumbrances	974,932	1,092,230	770,286	800,000	1,000,000	1,000,000	1,000,000	1,000,000
10.010 Fund Balance June 30 for Certification of Appropriations	5,339,477	3,736,481	5,465,003	2,862,207	-4,487,437	-14,937,081	-26,186,725	-38,236,369
11.020 Property Tax - Renewal or Replacement					2,500,000	5,000,000	5,000,000	5,000,000
11.300 Cumulative Balance of Replacement/Renewal Levies					2,500,000	7,500,000	12,500,000	17,500,000
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	5,339,477	3,736,481	5,465,003	2,862,207	-1,987,437	-7,437,081	-13,686,725	-20,736,369
15.010 Unreserved Fund Balance June 30	5,339,477	3,736,481	5,465,003	2,862,207	-1,987,437	-7,437,081	-13,686,725	-20,736,369

Source: ODE

Chart C-2 shows the District's May 2016 Five-Year Forecast

### Chart C-2 ALSD May 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	14,927,390	14,986,061	15,320,056	15,330,052	15,300,000	15,300,000	15,300,000	15,300,000
1.020 Tangible Personal Property Tax	704,011	777,359	921,348	1,084,099	800,000	800,000	700,000	700,000
1.035 Unrestricted Grants-in-Aid	17,901,236	19,052,051	20,806,061	20,758,117	20,000,000	20,000,000	19,000,000	19,000,000
1.040 Restricted Grants-in-Aid	69,315	535,919	606,891	520,000	500,000	500,000	500,000	500,000
1.045 Restricted Federal Grants-in-Aid - SFSF	242,086							
1.050 Property Tax Allocation	2,574,876	1,403,194	3,803,407	2,375,000	2,400,000	2,400,000	2,400,000	2,400,000
1.060 All Other Operating Revenue	3,711,613	4,243,580	4,242,440	4,393,627	4,000,000	4,000,000	4,000,000	4,000,000
1.070 Total Revenue	40,130,527	40,998,164	45,700,203	44,460,895	43,000,000	43,000,000	41,900,000	41,900,000
2.040 Operating Transfers-In	109,970	284,564	122,000	60,644	36,000	36,000	36,000	36,000
2.060 All Other Financial Sources	33,857	147,759	252,195	320,000	200,000	200,000	200,000	200,000
2.070 Total Other Financing Sources	143,827	432,323	374,195	380,644	236,000	236,000	236,000	236,000
2.080 Total Revenues and Other Financing Sources	40,274,354	41,430,487	46,074,398	44,841,539	43,236,000	43,236,000	42,136,000	42,136,000
3.010 Personnel Services	22,238,842	22,411,705	22,898,819	22,888,437	23,500,000	24,000,000	24,500,000	25,000,000
3.020 Employees' Retirement/Insurance Benefits	7,786,139	8,490,965	9,036,101	10,152,260	10,500,000	11,000,000	11,500,000	12,000,000
3.030 Purchased Services	7,924,748	7,889,225	8,625,058	8,820,150	9,000,000	9,000,000	9,000,000	9,000,000
3.040 Supplies and Materials	823,480	1,020,927	753,006	1,000,000	1,200,000	1,200,000	1,200,000	1,200,000
3.050 Capital Outlay	297,600	1,289,715	410,494	643,739	650,000	650,000	650,000	650,000
4.050 Debt Service: Principal - HB 264 Loans	23,592	24,754	25,981	25,644	25,644	25,644	25,644	25,644
4.060 Debt Service: Interest and Fiscal Charges	12,052	10,890	9,663	10,000	10,000	10,000	10,000	10,000
4.300 Other Objects	440,922	419,205	425,126	501,829	500,000	500,000	500,000	500,000
4.500 Total Expenditures	39,547,375	41,557,386	42,184,248	44,042,059	45,385,644	46,385,644	47,385,644	48,385,644
5.010 Operational Transfers - Out	868,363	1,358,797	2,483,572	1,350,000	1,000,000	500,000	500,000	500,000
5.040 Total Other Financing Uses	868,363	1,358,797	2,483,572	1,350,000	1,000,000	500,000	500,000	500,000
5.050 Total Expenditure and Other Financing Uses	40,415,738	42,916,183	44,667,820	45,392,059	46,385,644	46,885,644	47,885,644	48,885,644
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-141,384	-1,485,696	1,406,578	-550,520	-3,149,644	-3,649,644	-5,749,644	-6,749,644
7.010 Beginning Cash Balance	6,455,792	6,314,409	4,828,711	6,235,289	5,684,769	2,535,125	-1,114,519	-6,864,163
7.020 Ending Cash Balance	6,314,409	4,828,711	6,235,289	5,684,769	2,535,125	-1,114,519	-6,864,163	-13,613,807
8.010 Outstanding Encumbrances	974,932	1,092,230	770,286	800,000	800,000	800,000	800,000	800,000
10.010 Fund Balance June 30 for Certification of Appropriations	5,339,477	3,736,481	5,465,003	4,884,769	1,735,125	-1,914,519	-7,664,163	-14,413,807
11.020 Property Tax - Renewal or Replacement								
11.300 Cumulative Balance of Replacement/Renewal Levies								
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	5,339,477	3,736,481	5,465,003	4,884,769	1,735,125	-1,914,519	-7,664,163	-14,413,807
15.010 Unreserved Fund Balance June 30	5,339,477	3,736,481	5,465,003	4,884,769	1,735,125	-1,914,519	-7,664,163	-14,413,807

Source: ALSD

**Exhibit C-3** shows the District's May 2016 Five-Year Forecast Assumptions.

### **Exhibit C-3: ALSD May 2016 Five-Year Forecast Assumptions**

#### ASSUMPTIONS FOR FIVE YEAR FORECAST—MAY 2016

#### AUSTINTOWN LOCAL SCHOOL DISTRICT

The Five-Year Forecast for the Austintown Local School District provides an overall review of the financial activities for Fiscal Years 2013 through 2020. Fiscal years 2013 through 2015 are actual numbers; 2016 and beyond are predictions.

Ohio is currently working in the first year of the Biennial Budget.

Since only one forecast can be submitted, it is essential that readers understand that issues surrounding school finance change on a daily basis. What may be true at the time of this forecast may be totally false in a week or a month. This is a forecast that is prepared with the combined knowledge gained from historical perspectives, trends, known facts, administrative discussions, and educated guesses. We make no claim that this forecast is or ever will be 100% accurate. Since factors contained in the forecast are subject to changes in legislation and economic developments, the forecast can change significantly between two required reporting periods.

For further information about reading a five-year forecast, please refer to the document "How to Read a Five-Year Forecast" on the Ohio Department of Education website.

#### REVENUE:

Line 1.010	<p>General Property Tax (Real Estate)</p> <p>Taxes voted by the community based on the assessed valuation of real property located within the school district. Tax year 2011 was a reappraisal year for Mahoning County; and 2014 was a triennial update year. (2011 reappraisal--property values (countywide) decreased overall by 4.2% (residential by -7.4%). 2014 triennial update--residential property values remained the same, while agricultural increased 5%.) Based on this decrease, our projected revenue from county real estate decreased in fiscal year 13 and beyond. Although HB920 adjusts the millage for many of our levies, it does not affect inside millage. Our collections have remained consistent in the last few years as is shown on the forecast. We renewed two levies for tax year 2015, collect in 2016 in the November 2015 election.</p> <p>Tax Year 2014/Calendar Year 2015—Total Valuation \$607,438,850</p> <p>Inside Millage: 6.4—not subject to HB920</p> <p>Voted Millage: 48.2 (residential collected—23.183; commercial collected—27.224) (Does not include 2.9 and 2.3 --voted 2.4 but reduced for tax year 2015-- Construction Bonds and .5 Facilities Maintenance)</p> <p>Current Delinquent Taxes as of 06/30/2014--\$1,535,349.61 as provided by the Mahoning County Auditor</p>
Line 1.020	<p>Tangible Personal Property Tax</p> <p>Tangible Personal Property Tax is paid by business on equipment or supplies/materials owned. This tax has been phased down and based on current information, this will continue to be collected. This is subject to change should there be changes at the state level. (Beginning in 2016-2017, the district will no longer receive any state reimbursement from the lost of tax due to the phase down.)</p>
Line 1.030	<p>Income Tax—Non-Applicable to Austintown Local Schools.</p>

Line 1.035	<p><b>Unrestricted State Grants-in-Aid</b>  Funds received through the State Foundation program with no restriction. It also includes dollars from the casino funding. It is estimated that we will receive just over \$250,000 in casino funding, although indications are that this may be lower than expected. The district does not anticipate any increase in state foundation funding. Projections are that it will remain equal to 2014-15 levels. The forecast is showing a slight decrease as we are not sure about final totals in particular line items in the state funding.  (Previously the State changed from the Evidence Based Model to a Bridge formula to the current Foundation Funding Report. The forecast show this line in future years as flat due to the uncertainty.</p>
Line 1.040	<p><b>Restricted State Grants-in-Aid</b>  Funds received through the State Foundation program for restricted purposes. Recently, the state has begun sending Economically Disadvantaged dollars for deposit in this line item. At the current time, we are not required to show spending for this funding. The district also received money for Career Tech programs.</p>
Line 1.045	<p><b>Restricted Federal Grants-in-Aid (SFSE)</b>  Funds received through the State Foundation program which included State Fiscal Stabilization Funds and Education Jobs Funds that are restricted for specific purposes. Following the guidelines for these funds, the district used these funds for personal services, benefits, and supplies. Fiscal year 2012 was the final year for these federal funds. Since the district used the funds to pay staff for FY2012, some funds were not received until FY13. There will be no additional revenue in this line item.</p>
Line 1.050	<p><b>Property Tax Allocation</b>  This line item includes the Homestead and Rollback reimbursement from the state. In fiscal year 14, only one payment was received prior to fiscal year close. In fiscal year 15, three payments received. In fiscal year 16, two payments are expected. On average, the district receives approximately \$2.4 million dollars in reimbursements. Adjustments were made to show the fiscal year 14 and 15 payments.  This line also includes: funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation. Tangible Personal Property Tax Reimbursement is being phased out. Beginning in Fiscal Year 16, the district will not receive any state reimbursement.  Previous reimbursements were: FY11, (approx) \$1,500,000; FY12, \$994,934, FY13 through FY 15, \$212,543.</p>
Line 1.060	<p><b>All Other Operating Revenue</b>  Funds received through the Open Enrollment Program. It also includes any other income the district receives from student fees, district rentals, and account interest. The district became an Open Enrollment District beginning with the 2009-2010 school year. (This is an annual school board decision.) For each student enrolled in the Austintown Schools through Open Enrollment, the district receives the per pupil funding amount from the state. Students must apply each year for this program. Currently there are approximately 730 students attending the Austintown Schools through Open Enrollment. (The district also loses per pupil funding dollars for residential students who attend charter schools or other open enrollment districts—approximately 450.) The district assumes a continuation of this program. As numbers are verified, this line item will be adjusted.</p>
Line 1.070	<p>Total Lines 1.010 through 1.060.</p>



**OTHER FINANCING SOURCES—Lines 2.010 through 2.080**

- Line 2.010 Sale of Notes—n/a  
 Line 2.020 State Emergency Loans & Advancements—n/a  
 Line 2.040 Operating Transfers In—Permanent movement of money between funds  
 This section includes general fund debt.  
 HB264 Project—\$35,644.08 paid per year through 2021.  
 Line 2.050 Advances In—n/a  
 Line 2.060 All Other Financing Sources—Sale and Loss of Assets and Refund of Prior Year  
 Expenditures. We estimate that we will receive approximately \$200,000 per year in these  
 categories.  
 Line 2.070 Total Lines 2.010 through 2.060.

**Total Revenues and Other Financing Sources**

- Line 2.080 Total Lines 1.070 and 2.070

**EXPENDITURES:**

- Line 3.010 Personal Services (Staff Salaries—including extended time, severance pay, supplemental contracts, etc.)  
 The district is beginning negotiations with the AEA (Austintown Education Association) and the Local OAPSE. No future salary increases have been included in the staffing numbers. Estimates do include salary step increases and teacher staff column changes—Bachelors—Masters +30.  
 Previous negotiated agreement included a 1% increase for union employees in FY11. The district negotiated items in the current contract that would save money in staffing and overtime. In FY13 a new contract was negotiated with both unions granting a 1.95% increase in year 1, and a 0% - 1.95% increase based on state funding increases in year 2 and 3. We determined that the unions would receive a 1% increase in FY14 and a 1.95% increase in FY15. FY16, negotiations resulted in a contract rollover. Through service to the district, staff members advance on the salary schedule. Teaching employees may also increase their salary with advancing educational degrees. The forecast includes an approximate \$500,000 per year in these increases.
- Line 3.020 Employees' Retirement/Insurance Benefits (Employee benefits—including retirement, insurance, workers compensation, Medicare, unemployment, etc.)  
 These benefits are calculated as a percentage of salaries. Currently the retirement is 14%, Medicare is 1.45%, and worker's compensation is 1.8%. (Employees also pay a portion of their retirement and medicare.)  
 Employee medical/dental insurance is through the Stark County Council of Governments. Current monthly premiums for district medical insurance are: \$663.18 for individual; \$1610.86 for family. Current monthly premiums for district dental insurance are: \$84.26 for individual; \$207.72 for family. Stark County COG advise that we include a 9% increase per year. The increase for this fiscal year was lower than expected at about 2.5%. We will continue to plan for increases to insurance costs. We have received Premium Holidays with our insurance consortium. This has not been included in the budgeting figures. With premium holidays, our benefit costs should be reduced.  
 The worker's compensation premium is high. We are currently penalty rated and this year are in group retro-rating program. The district is working diligently to decrease this premium cost. Currently the premium is approximately \$250,000. BWC employees have estimated that the premium could go as high as \$350,000.

- Line 3.030 Purchased Services (Payments made for services from other sources—utilities, contractors, legal fees, maintenance agreements, and community school/open enrollment deductions). Most purchases require multiple quotes to assure the district is getting the best price available. Utilities such as natural gas are difficult to predict as it is completely dependent on weather conditions. This also includes approximately \$3,000,000 in services purchased from the Mahoning County Educational Service Center for primarily special education services including physical and occupational therapy, school psychologist testing services, special education unit programs, preschool services, and work programs.
- Line 3.040 Supplies and Materials (District supplies such as maintenance supplies, bus fuel and materials; instructional supplies including textbooks and media materials.) Again we use multiple quotes for price comparison.
- Line 3.050 Capital Outlay (Expenditures for items having at least a five-year life expectancy such as land, buildings, improvements of ground, equipment, computers/technology, furnishings, buses, and vehicles.)  
The district does have permanent improvement funds (.5 mill PI levy with OFCC Project) for the new elementary and intermediate schools that were completed in FY14. All other building equipment purchases and permanent improvements must be paid by the general fund. This includes building, grounds, and educational equipment.  
In Fiscal Year 15, we purchased 3,000 Chromebooks to equip our middle and high school students with 1:1 devices. With instructional initiatives within the district, technology equipment costs may continue to be substantial.
- Line 3.060 Intergovernmental—n/a

#### DEBT SERVICE—Lines 4.010-4.500

Lines 4.05, 4.055 and 4.060 represent general fund debt. The District had an interest free Environmental Protection Agency loan from 1994 that was paid in full on November 30, 2011 in Fiscal Year 12. The District also has a House Bill 264 loan from October 2006. The annual payments total \$35,644. It will be paid in full August 2021.

Line 4.30 is Other Objects. The majority of these expenses are fees paid to the County Auditor for tax collection. Also included here are membership fees, liability insurance, and election expenses (not campaign money) charged by the county for Election Day expenses such as poll workers and location costs.

#### OTHER FINANCING USES—Lines 5.010-5.050

This section includes general fund transfers to other funds. We transfer dollars to accounts such as: Athletics, Community Fitness Center, and Capital Projects.

#### CASH BALANCES:

As you can see from the forecast, we anticipate ending this fiscal year with a \$5.7 million carryover. The district strives to carry a balance of at least \$5 million. Although we continue to receive state foundation payments in the summer, we do not receive local money. The carryover is needed to cover payroll costs throughout the summers. We are looking at all expenditures to save money. It is the hope of this district to increase this carryover balance. In looking at future years, we must make changes in our expenditures to keep the district in the black. Other than taking in additional open enrollment students, the district has little ability to increase revenues. We will work to find ways to decrease expenditures in future years. It is our goal to end FY18 with a positive balance. That will take a great deal of work and some sacrifice. It is our intention to do this with limited effect on student services.

## MISCELLANEOUS NOTES REGARDING THE DISTRICT

The last time the district passed a new operating levy was in 1996. Since that time we have made reductions as needed to keep the cash balance in the black. We will continue to monitor budget amounts to enable the district to operate in the black.

In May 2010, the District passed a 2.4 mill bond issue to participate in the Ohio School Facilities Program. The project involved replacing four elementary schools and one intermediate school with two new buildings--a kindergarten through grade 2 building and a grade 3 through 5 building. These buildings have been completed and are in operation. There are still some items to be completed, but our students are enjoying a new learning environment. This project has brought the entire district on to the Falcon Campus area which includes our transportation facility. The OSFC paid 47% of the total cost of \$50,343,583. The District paid the remaining 53%. (In addition to the 2.4 mill bond issue, a .5 permanent improvement levy was passed with those funds designated for the upkeep of the new buildings. Total voted millage was 2.9 mills.)

Our most recent levies were two 5-year renewal levies passed by voters in November 2015. We still have concerns regarding local economic conditions, loss of jobs, and loss of home values in the community. I don't believe we have experienced the full impact of the declining value of our property and the effect on the local property taxes. These two levies are due for renewal. They have been placed before the voters in this November election. These renewals account for approximately \$5,000,000 of our local funding. It is imperative that we continue to receive these dollars from our residents.

Austintown is the location of a Penn National Racino. The Racino opened and appears to be successful. The effect on the district is still unknown at this time. Nothing regarding the Racino has been included in this forecast. We welcome them to our community and anticipate additional businesses locating within our boundaries to support this new business. (There is a TIF in place with Mahoning County and the Racino.)

Five-year forecasts are required to be submitted each year to the Ohio Department of Education by October 31 and then updated by May 31. As you look at 2018 and beyond percentage increases/decreases have been used based on historical data and current predictions. The numbers for the current year are as close as can be estimated and everything is contingent on funding from the state. It is all subject to change.

Assumptions prepared by Mary Ann Herschel, Austintown Local Schools Treasurer.

Please visit the Ohio Department of Education website at  
<ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/>

Source: ODE

## **Client Response**

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The letter that follows is the 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 the District disagreed with information contained in the report, and provided supporting documentation, revisions were made to the audit report.



## AUSTINTOWN LOCAL SCHOOLS

700 S. Raccoon Rd.

Austintown, Ohio 44515



330-797-3900

[www.austintownschoools.org](http://www.austintownschoools.org)

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October 3, 2016

Mr. David Yost  
Auditor of the State  
88 East Broad Street, 5th Floor  
Columbus, OH 45215

Dear Auditor Yost,

On behalf of the Austintown Board of Education and Administration, we would like to thank you and the performance audit team for the time spent preparing the audit for our district. The following are responses to your recommendations.

The Austintown Local Schools has a staffing plan in place to maintain 16 classes per K-8 grade level; striving to not exceed 23/24 students in each class. We attempt to not exceed 25 students per class at the high school level. Furthermore, we believe that open enrollment is optimized by filling the empty seats at each grade level. At 15 residential students and 10 open enrollment students in a classroom, the \$60,000 in revenue received from the ten (10) open enrollment students pays for a full package first year teacher. The Austintown Local Schools has had no new operating money voted since 1996; and because of H.B. 920 that revenue is not allowed to generate any more than it did in 1996. Since the inception of open enrollment in Ohio through 2007 (before Austintown had open enrollment), the Austintown Local Schools lost over \$9,000,000 from students that chose to leave the district. Since the Austintown Local Schools enacted open enrollment during the 2008-2009 year, the district has been able to utilize the open enrollment revenue to sustain and increase resources and opportunities for our students.

Examples of increased resources and opportunities include, but are not limited to:

- 1:1 (Chromebook) technology for our middle and high school students
- Chromebooks for AIS classrooms
- I Pads for AES classrooms
- Initiative and maintenance of STEM programs
- Maintaining a fine arts programs (districts that have experienced financial hardship have eliminated these programs)
- Instructional technology classes K-12

- Maintaining high quality athletic and extracurricular programs via financial support necessary to administer these programs (ie. coaching stipends, transportation, equipment, supplies, etc.)

The Austintown Local Schools strongly values our athletic and extracurricular programs as a vital component to optimize one of our Core Values that focuses on educating the “whole child”. Our athletic and extracurricular programs build character in our young people and generates community pride.

We want to ensure accuracy of the financial forecast and long-term financial planning. The Treasurer of the Austintown Schools values the input from the administration when preparing the annual budget. The Treasurer gathers input from administrators for budget preparation through attendance and discussion at the following:

- DLT (District Leadership Team) member meetings
- Administrative Team member meetings
- Administrative Cabinet member meetings
- School Board work sessions and monthly meetings
- District meetings scheduled for specific purposes; ex transportation, special education
- Formal and informal discussions with department directors
- Attends County School Treasurer meetings which includes attendance by County Auditor and County Treasurer, and Educational Service Center personnel
- OASBO member, attending state meetings, along with Western Reserve OASBO member attending regional and local meetings and conferences
- From these meetings, information is gathered for current and future budgeting purposes.

The Treasurer follows the following steps to prepare the financial forecast.

- Examines historical data
- Examines local economic conditions
- Prepares rough draft assumptions
- Gathers district and state information
- Generates USAS Forecast Report
- Enter preliminary numbers in forecast
- Review and adjust forecast numbers with members of various groups listed above
- Finalize forecast numbers and assumptions
- The Treasurer of the Austintown Local Schools prepares the forecast based on current data and historical trends. Using current data, estimates are made for future years. This allows the district to see that given the same spending and potential increases in costs, the district will need to make adjustments. The treasurer does not make these adjustments in the forecast. This allows the district to look at what needs to be done on each subsequent school year to balance the budget.

Historically, this has been the method used for forecast preparation for this district. While the district does not have formal policies to be followed in creating the five year forecast, great care is given to this process. Of other area districts surveyed, no district had these referenced policies.

We have looked closely at the Food Service Department, and have made the following changes::

In 2015-2016, we had 3 full time employees dedicated to administrative duties in Food Service

- A. Food Service supervisor
- B. Food Service secretary
- C. AV tech person dedicated to Food Service

In 2016-2017 school year, we have eliminated:

- A. AV tech position (tech support now provided by tech department and each cafe manager)
- B. The secretary position has been reduced to a part-time ParaPro office assistant.

Throughout the district, we have also eliminated about 42 hours of food service employees' hours.

Again, we thank you for your time and hard work to prepare this performance audit. The district will continue to reflect upon the recommendations outlined in the audit. The Austintown Local School District is fully committed to achieving long-term fiscal stability, while providing an inspiring education that strengthens and prepares our students for unlimited future opportunities.

Sincerely,



Vincent S. Colaluca  
Superintendent



Mary Ann Herschel  
Treasurer

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# Dave Yost • Auditor of State

**AUSTINTOWN LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 18, 2016**