



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Hubbard Exempted Village 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 25, 2016

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Executive Summary

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 Hubbard Exempted Village School District (HEVSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve HEVSD'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.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, Transportation, Food Service, and Community Pool. 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. 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, and collective bargaining agreements, 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 a similar size in square miles 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

Primary Peers
<ul style="list-style-type: none"> • Amanda-Clearlake Local School District (Fairfield County) • Bellevue City School District (Huron County) • Bethel-Tate Local School District (Clermont County) • Blanchester Local School District (Clinton County) • Clark-Shawnee Local School District (Clark County) • Indian Valley Local School District (Tuscarawas County) • Ontario Local School District (Richland County) • River Valley Local School District (Marion County) • Warren Local School District (Washington County) • West Branch Local School District (Mahoning County)
Local Peers (Compensation, Benefits, and Collective Bargaining Agreements)
<ul style="list-style-type: none"> • Champion Local School District (Trumbull County) • Girard City School District (Trumbull County) • Lakeview Local School District (Trumbull County) • Niles City School District (Trumbull County) • Newton Falls Exempted Village School District (Trumbull County)
Transportation Peers
<ul style="list-style-type: none"> • Batavia Local School District (Clermont County) • Lakeview Local School District (Trumbull County) • Perry Local School District (Lake County) • Rossford Exempted Village School District (Wood County) • South Point Local School District (Lawrence County) • Three Rivers Local School District (Hamilton County)

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: American Association of School Administrators (AASA), American Public Works Association (APWA), American School and University Magazine (AS&U), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics (NCES), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), and

the 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 Hubbard Exempted Village School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishment

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes a noteworthy accomplishment identified during the course of this audit.

- **Inter-District Open Enrollment:** The District has created administrative guidelines to define its inter-district open enrollment policy, which establishes formal capacity limits. The policy states, “The number of openings in a particular program for students from other Ohio districts will be determined by optimum size for a particular program, classroom/school building, or grade level which is the number of students that can be accommodated without increasing the District expenditures for staff or equipment.” Further, the policy requires each building principal to “notify the Superintendent by March 1st, the programs and classrooms which have space available for students from another Ohio district and for tuition students.”

In fiscal year (FY) 2015-16, there were 236 open enrollment students attending HEVSD. Analysis revealed there were no more than 25 open-enrolled students per grade. Additionally, the average number of open-enrolled students per grade (18 students) was below the District’s student-to-teacher ratio of 20:1. Historically, the District has maintained an average number of open-enrolled students per grade to a level below its overall student-to-teacher ratio, indicating it is not adding additional classrooms or incurring additional staff expenditures as a result of its open enrollment policies and practices. Therefore, the District’s open-enrolled students were accommodated without adding additional classrooms or incurring additional staff expenditures. As such, the District’s FY 2014-15 open enrollment expenditures totaled approximately \$238,000, while open enrollment revenue totaled approximately \$1.2 million, resulting in a net inflow of nearly \$1.0 million (see **Appendix B** for more detailed information).

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Table 2: Summary of Recommendations

Recommendations		Savings
R.1	Consider eliminating General Fund subsidy of extracurricular activities	\$518,000
R.2	Engage in long-term strategic, capital, and financial planning	N/A
R.3	Eliminate 0.5 FTE office/clerical positions	\$15,900
R.4	Revise certificated salary schedules ¹	\$194,900
R.5	Bring employer medical insurance costs in line with benchmarks	\$185,900
R.6	Bring employer vision insurance costs in line with benchmarks	\$2,700
R.7	Renegotiate collective bargaining agreement provisions	N/A
R.8	Eliminate 6.0 FTE facilities positions	\$197,700
R.9	Use routing software to increase elementary school bus utilization	N/A
R.10	Implement a formal preventive maintenance and bus replacement program	N/A
Cost Savings Adjustments ²		(\$11,500)
Total Cost Savings from Performance Audit Recommendations		\$1,103,600

¹ Includes first-year savings of \$132,400 and second-year saving \$62,500 for cumulative savings of \$194,900.

² Eliminating positions outlined in **R.3** and **R.8** would reduce savings achievable from **R.5** and **R.6**.

Table 3 shows the District's ending fund balances as projected in the May 2016 five-year forecast. 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 Performance Audit Recommendations

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Original Ending Fund Balance	\$1,341,786	\$387,722	(\$937,499)	(\$3,063,972)
Cumulative Balance of Performance Audit Recommendations ¹	\$101,000	\$1,142,100	\$2,245,700	\$3,349,300
Revised Ending Fund Balance	\$1,442,786	\$1,529,822	\$1,308,201	\$285,328

Source: ODE and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. Cost savings have been applied to FY 2016-17 through FY 2019-20 for **R.3** and **R.8**, and for those recommendations subject to negotiations, savings have been applied to FY 2017-18 through FY 2019-20.

¹ The salary freeze recommended in **R.4** would result in savings to the District for FY 2017-18 and FY 2018-19. When step and base increases resume in FY 2019-20, they will do so at FY 2017-18 levels. As a result, an adjustment is included to FY 2019-20 to reflect these lower bases and step levels.

As shown in **Table 3**, implementing the performance audit recommendations contained in this report could enable the District to eliminate projected deficits throughout the forecasted period.

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 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 census/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.¹ 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.

¹ IDEA Part B does not have a MOE waiver option.

Background

On February 29, 2016, HEVSD received notification that AOS, in consultation with ODE, would conduct a performance audit to assess the efficiency and effectiveness of the District's operations. HEVSD'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, possibly leading to formal fiscal caution, watch, or emergency designation. Selection of this District for a performance audit was based on the October 2015 five-year forecast which projected a year-end deficit representing 51.7 percent of revenues by FY 2019-20.

Table 4 shows HEVSD'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: HEVSD Financial Condition Overview (October 2015)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$17,717,522	\$ 17,357,241	\$16,955,883	\$17,305,506	\$17,121,811
Total Expenditure	\$18,488,699	\$18,872,453	\$19,453,324	\$20,020,838	\$20,608,851
Results of Operations	(\$771,177)	(\$1,505,212)	(\$2,497,441)	(\$2,715,332)	(\$3,487,040)
Beginning Cash Balance	\$2,139,249	\$1,368,072	(\$147,140)	(\$2,244,581)	(\$5,359,913)
Ending Cash Balance	\$1,368,072	(\$147,140)	(\$2,244,581)	(\$5,359,913)	(\$8,846,954)
Encumbrances	\$5,000	\$5,000	\$5,000	\$0	\$0
Ending Fund Balance	\$1,363,072	(\$152,140)	(\$2,649,581)	(\$5,359,913)	(\$8,846,954)

Source: HEVSD and ODE

As shown in **Table 4**, the District's October 2015 five-year forecast projected an overall decline in revenues during the forecast period. This, coupled with steady annual growth in expenditures resulted in an expected cumulative deficit of over \$8.8 million in 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 HEVSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's May 2016 five-year forecast. Analyzing this forecast, in relation to the October 2015 forecast, provides an indication of any expected changes to District's financial condition as a result of FY 2015-16 operations.

Table 5: HEVSD Financial Condition Overview (May 2016)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$17,859,723	\$18,078,668	\$18,212,472	\$18,488,423	\$18,375,728
Total Expenditure	\$18,174,593	\$18,556,260	\$19,166,537	\$19,818,644	\$20,502,203
Results of Operations	(\$314,870)	(\$477,592)	(\$954,065)	(\$1,330,221)	(\$2,126,475)
Beginning Cash Balance	\$2,139,249	\$1,824,379	\$1,346,787	\$392,722	(\$937,499)
Ending Cash Balance	\$1,824,379	\$1,346,787	\$392,722	(\$937,499)	(\$3,063,974)
Encumbrances	\$5,000	\$5,000	\$5,000	\$0	\$0
Ending Fund Balance	\$1,819,379	\$1,341,787	\$387,722	(\$937,499)	(\$3,063,974)

Source: HEVSD and ODE

As shown in **Table 5**, the District's is forecasting a greatly improved financial condition compared to October 2015 projections. Specifically, HEVSD is projecting a cumulative FY 2019-20 deficit approximately \$5.8 million lower than forecast in October 2015. This improved financial condition is primarily due to the following:

- Revenues for FY 2016-17 to FY 2019-20 totaled approximately \$68.7 million in the October forecast compared to \$73.2 million in the May forecast. This \$4.5 million increase is a result of increases of \$3.5 million in estimated property tax related revenue of, \$0.6 million from unrestricted grants, and \$0.4 million from other revenue.
- Expenditures for FY 2016-17 to FY 2019-20 totaled approximately \$78.9 million in the October forecast and \$78.0 million in the May forecast.

Recommendations

R.1 Consider eliminating General Fund subsidy of extracurricular activities

In FY 2014-15, the District expended more than \$750,000 on academic and sports-oriented extracurricular activities, which included the salaries and benefits of directors, coaches, and advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures.

Table 6 shows a comparison of the District's student extracurricular activity net cost per pupil to the primary peer and local peer averages. It is important to analyze this comparison as it shows the amount of the subsidy from the General Fund to all extracurricular activities compared to the peer groups.

Table 6: Student Extracurricular Activities Net Cost Comparison

	HEVSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Revenues	\$262,829	\$202,097	\$60,732	30.1%	\$364,772	(\$101,943)	(27.9%)
Expenditures	\$781,219	\$564,578	\$216,641	38.4%	\$687,541	\$93,678	13.6%
Student Activities Net Revenue/(Cost)	(\$518,390)	(\$362,481)	(\$155,909)	43.0%	(\$322,769)	(\$195,621)	60.6%
Number of Pupils	1,947.9	1,670.3	277.6	16.6%	1,855.6	92.3	5.0%
Net Revenue/(Cost) per Pupil	(\$266.12)	(\$217.02)	(\$49.10)	22.6%	(\$173.94)	(\$92.18)	53.0%

Source: HEVSD, primary peers, and local peers

As shown in **Table 6**, the District's student extracurricular activities net cost per pupil was \$49.10, or 22.6 percent, greater than the local peer average and \$92.18, or 53.0 percent, greater than the primary peer average. Variance to the local peer average is caused primarily by significantly higher total expenditures while the variance to the primary peer average was caused by a combination of lower revenue generation coupled with higher total expenditure levels.

A more detailed analysis of net cost by activity could not be performed as the District does not record financial data by academic oriented or sports oriented activity. However, human resource costs, which represent a majority of the extracurricular costs (approximately 54 percent), are recorded by activity. **Table 7** shows a comparison of the District's student extracurricular activities human resource expenditures by activity type. This analysis aides in determining any cost variances in the largest extracurricular expenditure category.

Table 7: Student Extracurricular Activities Human Resource Cost Comparison

	HEVSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Number of Pupils	1,947.9	1,670.3	277.6	16.6%	1,855.6	92.3	5.0%
Academic-Oriented HR Costs	\$76,733	\$45,893	\$30,840	67.2%	\$39,957	\$36,776	92.0%
Cost per Pupil	\$39.39	\$27.48	\$11.91	43.4%	\$21.53	\$17.86	82.9%
Sports-Oriented HR Costs	\$344,040	\$274,849	\$69,191	25.2%	\$289,557	\$54,483	18.8%
Cost per Pupil	\$176.62	\$164.55	\$12.07	7.3%	\$156.04	\$20.58	13.2%

Source: HEVSD, primary peers, and local peers

As shown in **Table 7**, the District's academic-oriented human resource costs per pupil were 43.4 percent higher than the local peer average and 82.9 percent higher than the primary peer average. The District's sports-oriented human resource costs per pupil were 7.3 percent and 13.2 percent higher than the local peer and primary peer averages, respectively. If the District were to reduce their total human resource cost to the average of the primary peers, it could save approximately \$38.44 per student or \$74,800 annually.

Table 8 shows a comparison of the District's student extracurricular revenue per pupil for FY 2014-15. This type of comparison can aid in identifying areas to increase its student extracurricular activity revenue.

Table 8: Student Extracurricular Activity Revenue per Pupil

	HEVSD	Local Peer Average	Difference	% Difference	Primary Peer Average	Difference	% Difference
Number of Pupils	1,947.9	1,670.3	277.6	16.6%	1,855.6	92.3	5.0%
Admissions	\$127,410	\$85,217	\$42,193	49.5%	\$114,920	\$12,490	10.9%
Revenue per Pupil	\$65.41	\$51.02	\$14.39	28.2%	\$61.93	\$3.48	5.6%
Sales¹	\$106,409	\$62,885	\$43,524	69.2%	\$130,461	(\$24,052)	(18.4%)
Revenue per Pupil	\$54.63	\$37.65	\$16.98	45.1%	\$70.31	(\$15.68)	(22.3%)
Dues and Fees	\$2,222	\$27,806	(\$25,584)	(92.0%)	\$69,577	(\$67,355)	(96.8%)
Revenue per Pupil	\$1.14	\$16.65	(\$15.51)	(93.1%)	\$37.50	(\$36.36)	(97.0%)
Bookstore Sales	\$3,231	\$10,251	(\$7,020)	(68.5%)	\$17	\$3,214	18,997.3%
Revenue per Pupil	\$1.66	\$6.14	(\$4.48)	(73.0%)	\$0.01	\$1.65	18,092.1%
Other Extracurricular Activity²	\$23,557	\$15,938	\$7,619	47.8%	\$49,797	(\$26,240)	(52.7%)
Revenue per Pupil	\$12.09	\$9.54	\$2.55	26.7%	\$26.84	(\$14.75)	(54.9%)
Total Revenue	\$262,829	\$202,097	\$60,732	30.1%	\$364,772	(\$101,943)	(27.9%)
Revenue per Pupil	\$134.93	\$121.00	\$13.93	11.5%	\$196.59	(\$61.65)	(31.4%)

Source: HEVSD, primary peers, and local peers

¹ Sales includes such revenues as fundraisers and yearbook sales.

² Other extracurricular activity revenue includes sources such as donations and Alumni Fund revenue.

As shown in **Table 8**, the District's revenue per pupil was \$61.65 lower than the primary peer average. . Specifically, per pupil revenues for dues and fees were 93.1 percent and 97.0 percent lower than the local peer average and primary peer average, respectively.

Overall, higher student extracurricular activities costs and lower per pupil dues and fees contributed to the student extracurricular activities operating at a deficit and requiring General Fund subsidization. Reducing the human resource cost for extracurricular activities and increasing dues and fees are two available methods to eliminate the need for General Fund subsidization of student activities. The District should further evaluate all activities and their net cost, by assigning revenues to appropriate activities, and determining the efficiency of each activity. The District would then be in a more optimal position to decide which activities could increase revenue, reduce costs, or be eliminated if necessary.

Financial Implication: Reducing student activities expenditures and/or increasing revenue to enable the student extracurricular activities to become self-sufficient would save the District approximately **\$518,000** annually.

R.2 Engage in long-term strategic, capital, and financial planning

The District does not have a formal long-term strategic, capital improvement, or financial plan to link its annual budget to District-wide goals, objectives, and performance measures. While the Superintendent indicated the District's administration has an ongoing vision for the District, there is no formal document to translate this vision into tangible directions that can be easily understood by the public.

Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) defines strategic planning as "a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission." Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and
- Implementing, monitoring, and reassessing the plan.

In addition to strategic planning, financial planning and capital planning are also essential. *Long-Term Financial Planning* (GFOA, 2008) specifies that long-term financial planning should encompass the following elements: plan at least five-to-ten years into the future, consider all appropriated funds, update long-term planning activities as needed in order to provide direction to the budget process, 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, and the public and elected officials should be able to easily learn about the long-term financial prospects of the government and strategies for financial balance. Furthermore, *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should: identify and prioritize expected needs based on the entity's strategic plan, establish project scopes and costs, detail estimated amounts of funding from various sources; and project future operating and maintenance costs.

The District should concurrently develop a strategic plan and long-term financial plan. As part of its strategic plan, the District should create a capital improvement plan for all of its capital assets. In the absence of long-term strategic, capital, and financial planning to guide program and funding decisions, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs.

R.3 Eliminate 0.5 FTE office/clerical positions

Office/clerical personnel are responsible for general office activities and building, department, and/or administrative secretarial duties. **Table 9** shows the District's FY 2015-16 office/clerical staffing compared to the primary peer average on a per 1,000 student basis. This analysis serves as a proxy workload measure for each FTE.

Table 9: District-Wide Office/Clerical Staffing Comparison

	HEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,947.9		1,865.3	82.6	
Students Educated (thousands)	1.9479		1.8653	0.0826	
	FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Office/Clerical	12.33	6.33	5.97	0.36	0.70

Source: HEVSD, ODE, and primary peers

¹ Reflects students receiving educational services from HEVSD and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table 9**, HEVSD's district-wide office/clerical staffing was above the primary peer average. In total, the District would need to reduce 0.5 FTEs to be comparable to this benchmark.

Financial Implication: Eliminating 0.5 office/clerical FTEs would save approximately **\$15,900** in salaries and benefits. This was calculated using the lowest office/clerical staff salaries and an average benefits ratio of 45.0 percent.² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

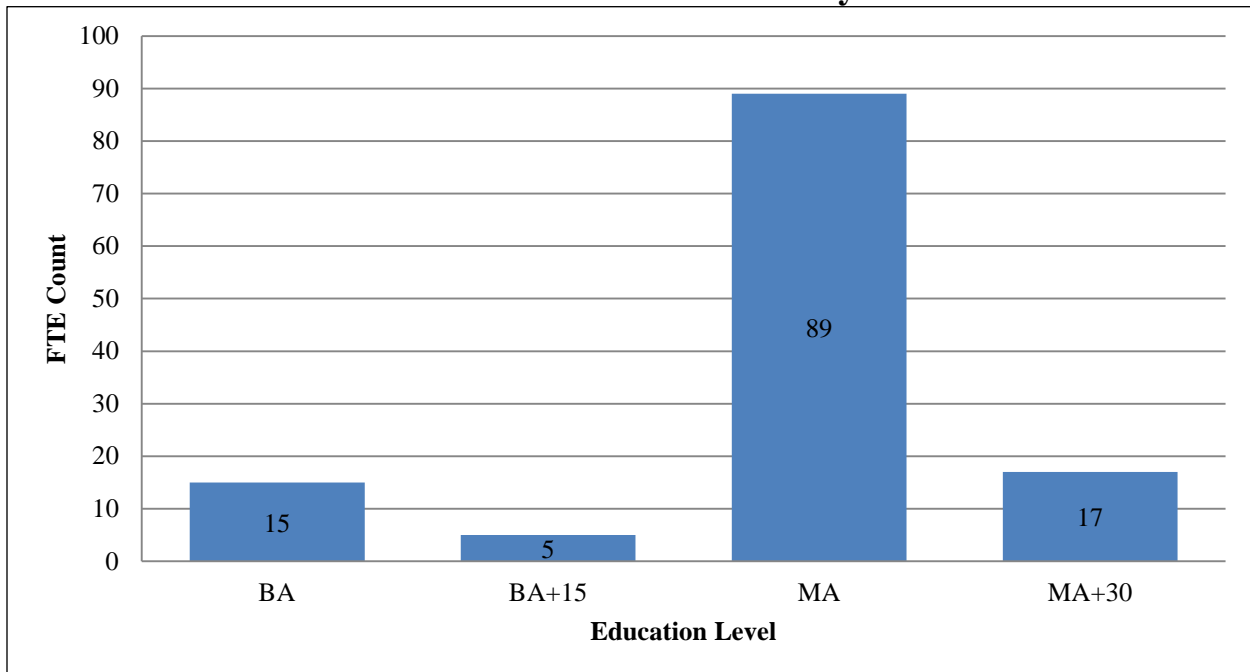
² The average benefit percentage is calculated by dividing the District's total employee retirement and insurance benefits by total personnel service expenditures in FY 2015-16.

R.4 Revise certificated salary schedules

Teachers are paid according to salary schedules included in the certificated collective bargaining agreement (certificated CBA), and based on factors such as education level and years of service. Specific compensation levels include bachelor's degree (BA), BA plus 15 post-secondary credit hours (BA+15), master's degree (MA), and MA plus 30 post-secondary credit hours (MA+30).³

Chart 1 shows the headcount distribution of HEVSD's teaching staff by education level for FY 2015-16. **Chart 1** is important to examine as it demonstrates the staffing group which have the largest impact through a change in salary schedules.

Chart 1: HEVSD Distribution of Teachers by Education Level



Source: HEVSD

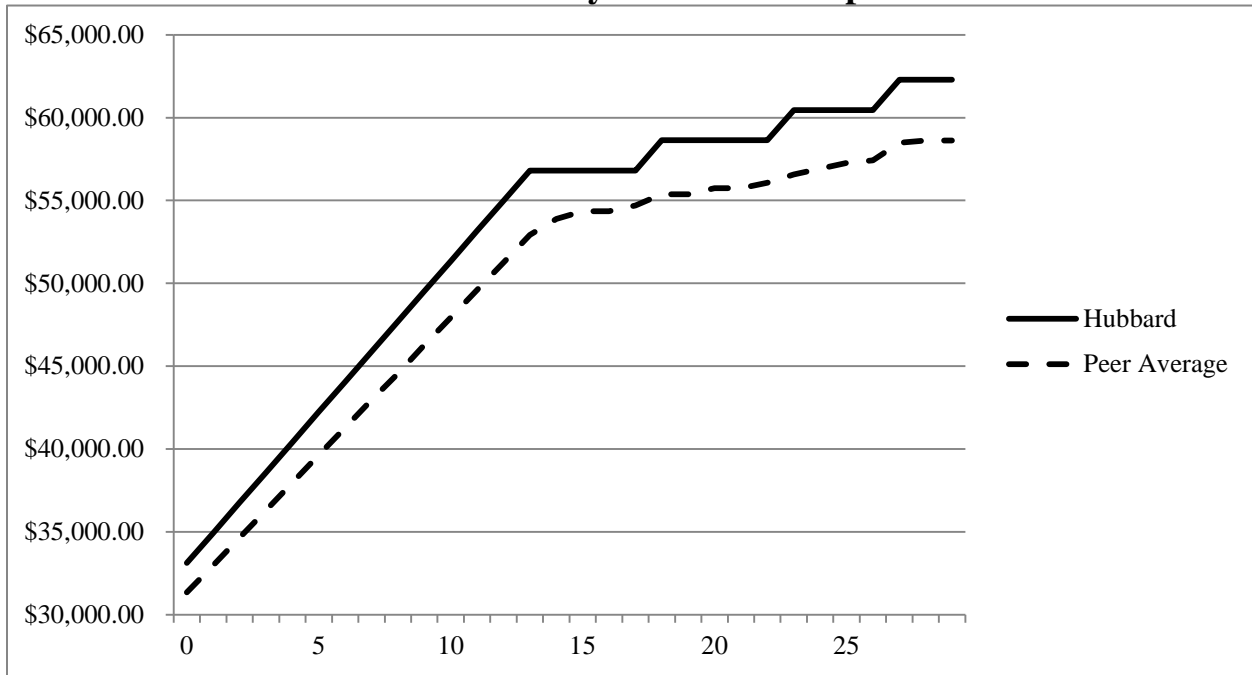
As shown in **Chart 1**, 89 of HEVSD's 126 total teachers, or 70.6 percent, are at the MA level signifying that changes to this salary schedule could have the largest impact on District expenditure levels.

Charts 2, 3, 4, and 5 show a comparison of HEVSD's BA, BA+15, MA and MA+30 salary schedules to the local peer average for FY 2016-17. It is important to examine all steps in the schedule to identify the cause of any variation to the local peer average.

³ Agreement between the Hubbard Education Association and the Hubbard Exempted Village School Board of Education effective July 1, 2014 through June 30, 2017.

Chart 2 shows a comparison of the BA salary schedule.

Chart 2: BA Salary Schedule Comparison

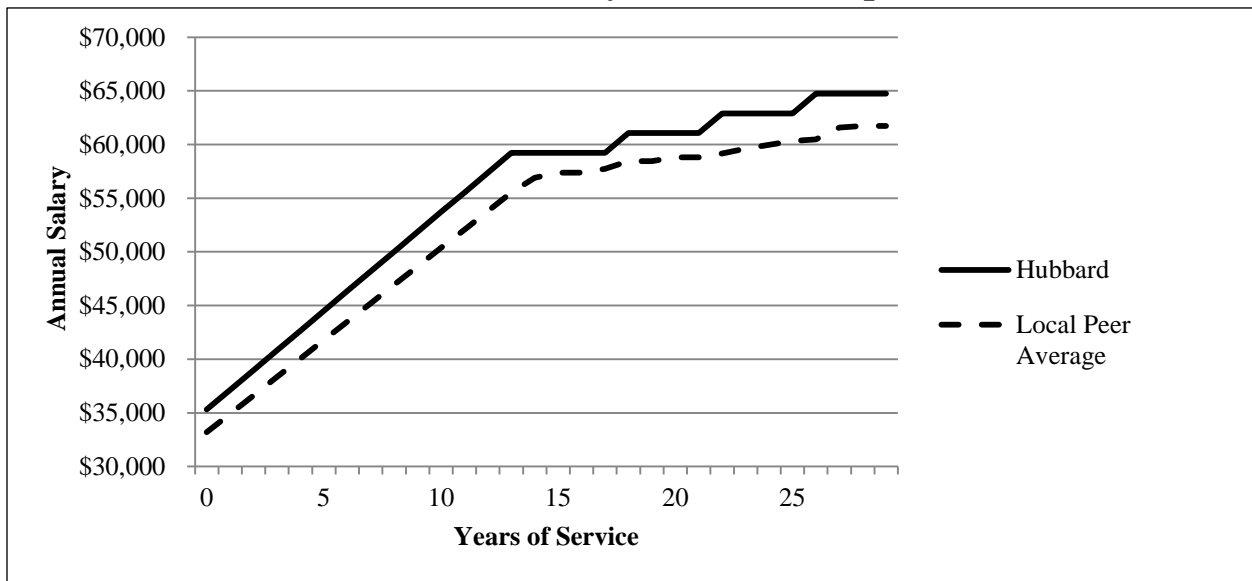


Source: HEVSD and local peers

As shown in **Chart 2**, the compensation for HEVSD teachers higher throughout the schedule. In total, the District’s BA salary schedule exceeds the local peer average by \$3,087, or 6.2 percent, per year for a total additional compensation of \$92,063 over a 30-year career.

Chart 3 shows a comparison of the BA+15 salary schedule.

Chart 3: BA+15 Salary Schedule Comparison ¹



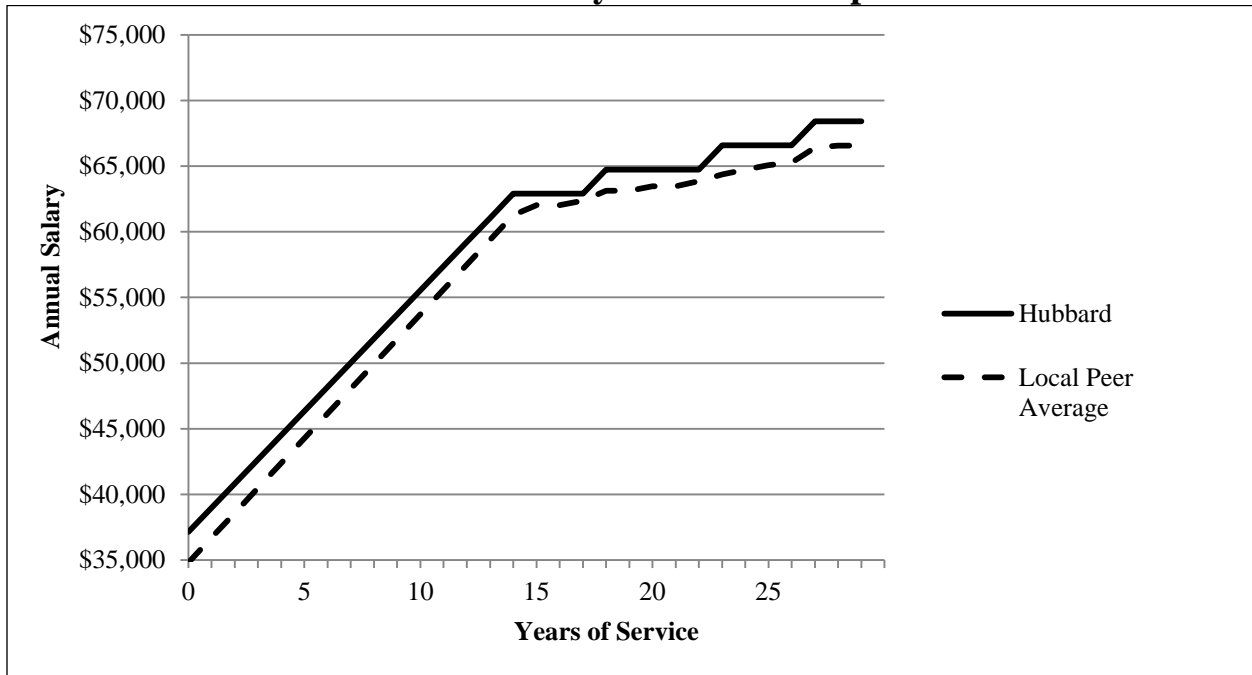
Source: HEVSD and local peers

¹ HEVSD's BA+15 was compared to local peer schedules of BA+18, BA+15, and BA+150.

As shown in **Chart 3**, compensation for HEVSD teachers is higher throughout the schedule. In total, the District's BA+15 salary schedule exceeds the local peer average by \$2,795, or 5.3 percent, per year for a total additional compensation of \$80,159 over a 30-year career.

Chart 4 shows a comparison of the MA salary schedule.

Chart 4: MA Salary Schedule Comparison



Source: HEVSD and local peers

As shown in **Chart 4**, compensation is higher for HEVSD teachers throughout the schedule. The District’s MA salary schedule exceeds the local peer average by \$1,708, or 3.0 percent, per year for a total additional compensation of \$51,242 over a 30-year career.

Chart 5 shows a comparison of the MA+30 salary schedule.

Chart 5: MA+30 Step Schedule Comparison¹

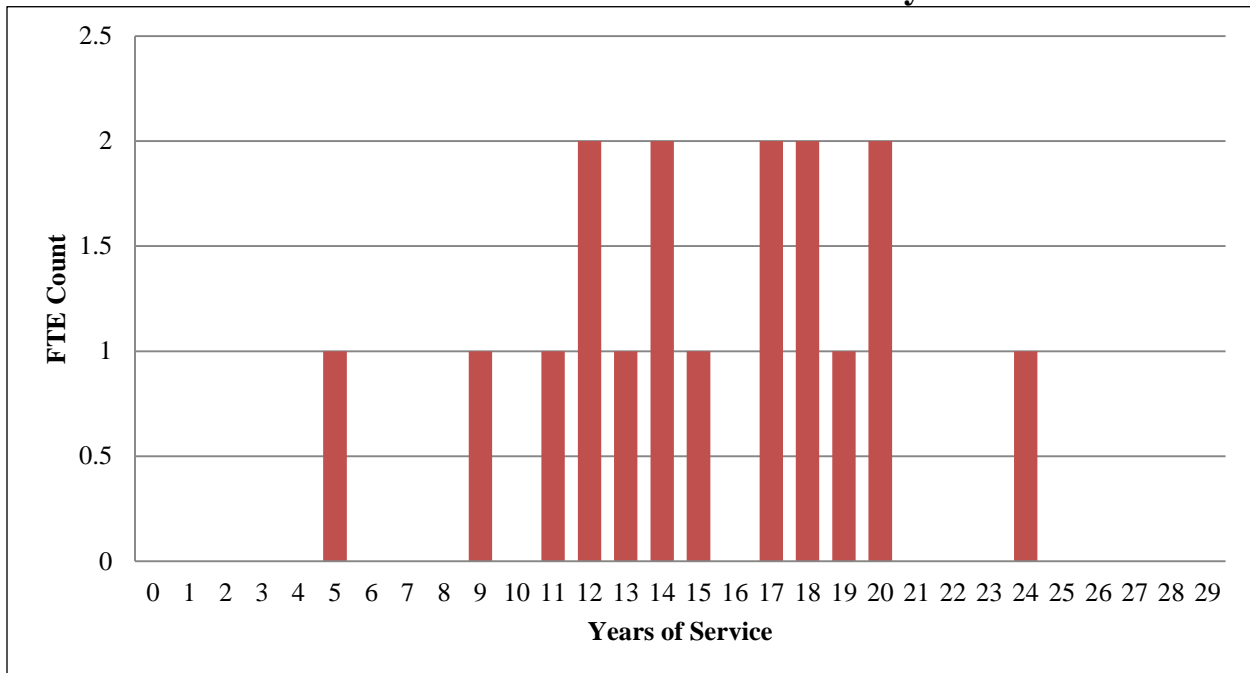


Source: HEVSD and local peers

¹ HEVSD's MA+30 was compared to local peer schedules of MA+15, MA+20 and MA+30.

As shown in **Chart 5**, the largest variance can be seen in the first five years of the salary schedule. In total, the District's salary schedule exceeds the local district average by \$851, or 1.4 percent, per year for a total additional compensation of \$25,541 over a 30-year career.

It is important to note that the MA+30 salary schedule was the only one to not exceed the local peer average in every salary step. As a result, it is important to examine the experience level of teachers in this category, as changes to the salary designed to get this teacher classification in line with the local peer average would concentrate on the first 14 years of the schedule. **Chart 6** shows this analysis, providing a detailed distribution of HEVSD's MA+30 teachers' year of service for FY 2016-17.

Chart 6: HEVSD Distribution of MA+30 Teachers by Years of Service

Source: HEVSD

As shown in **Chart 6**, the distribution of MA+30 teachers is weighted towards an experience level of 12 years and higher. As previously shown in **Chart 5**, the salary schedules above 13 years of service are comparable to the local peer averages. Therefore, changes to the step schedule would not be necessary above MA+13 because most of the teachers in this classification have reached the point on the schedule where step levels are comparable.

Revising the certificated salary schedule to more closely match the peer average would require the District to negotiate with the affected bargaining unit. Potential approaches include:

- **Freezing salaries** – The District could negotiate to freeze the salary schedule for several years. As local peer average compensation increases, HEVSD’s compensation will align.
- **Reducing salaries for new hires** – The District could negotiate to implement a reduced salary schedule for new employees. While this option would avoid a salary reduction for current employees, it would not fully address the comparative overcompensation. However, it would still reduce future expenditures in the District.
- **Modify salaries** – The District could negotiate to modify the existing salary schedule to be in line with the local district average. HEVSD could save approximately \$196,000 per year for FY 2017-18 through FY 2019-20 from a reduction in certificated salaries. (see **Appendix B Salaries**)

Table 10 shows the effect of a two-year salary freeze on the District's total salary expenditures. This analysis uses FY 2016-17 step schedules and year-end FY2015-16 staffing as the base for the salary freeze and assumes all teaching positions currently staffed will remain staffed except as noted.

Table 10: Financial Impact of Salary Freeze

	Forecasted FY 2016-17	Forecasted FY 2017-18 ¹	Difference (Savings)	Forecasted FY 2018-19	Difference (Savings)
BA Salaries	\$610,456	\$638,062	\$27,606	\$730,745	\$92,683
BA+15 Salaries	\$290,591	\$294,273	\$3,682	\$299,793	\$5,520
MA Salaries	\$5,165,900	\$5,252,387	\$86,487	\$5,207,553	(\$44,834)
MA+30 Salaries	\$1,073,028	\$1,087,749	\$14,721	\$1,096,949	\$9,200
		Total Savings	\$132,496		\$62,569

Source: HEVSD

¹ Reflects the retirement of two teachers on MA Salary schedule and the hiring of two replacement teachers on BA salary schedule.

As shown in **Table 10**, if HEVSD freezes the FY 2016-17 salary schedules not allowing step increases the District will save approximately \$132,400 in step increases in FY 2017-18.

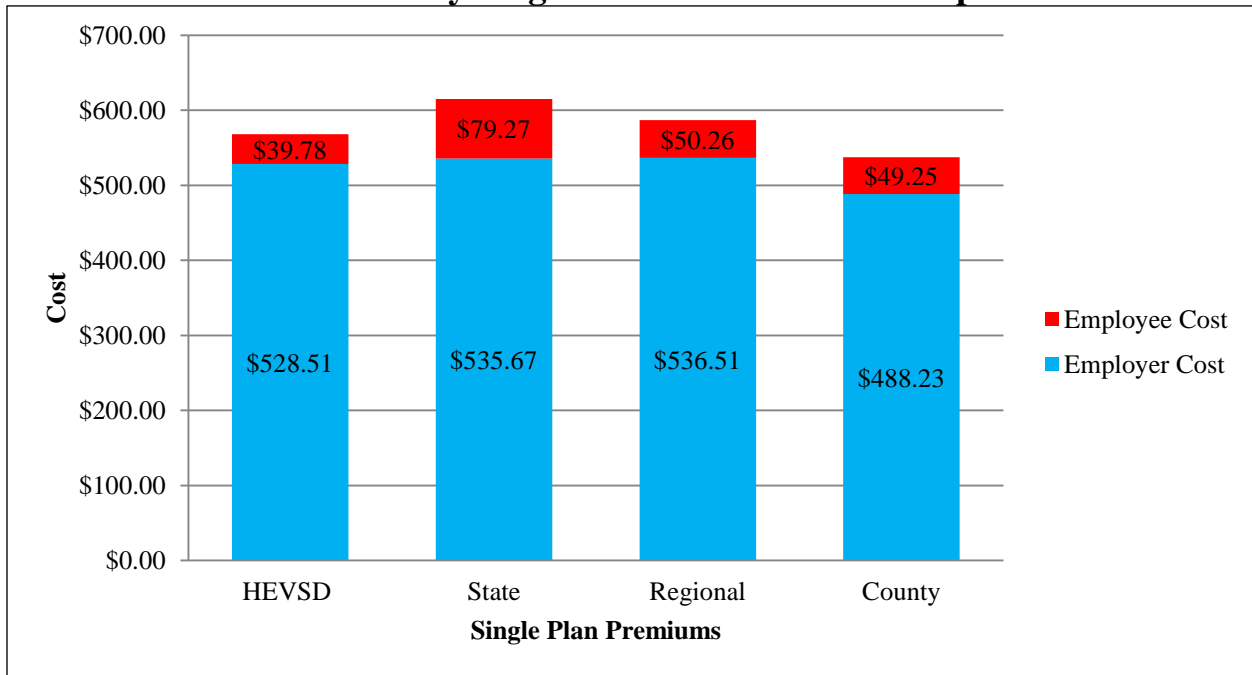
Financial Implication: Implementing a salary step freeze in the certificated salary schedules would result in a savings of \$132,400 in FY 2017-18 and \$62,500 in FY 2018-19 for cumulative savings of **\$194,900**.

R.5 Bring employer medical insurance costs in line with benchmarks

The District offers single, employee/spouse, employee/children, and family insurance plans. In FY 2015-16, there were a total of 190 employees enrolled in these plans: 44 in single, 42 in employee/spouse, 17 in employee/children, and 87 in family plans. The District's insurance committee is responsible for reviewing the District's current insurance coverage in addition to obtaining available information regarding alternative insurance concepts, products, plans, and carriers. The committee includes representative from each bargaining unit.

Insurance cost is recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness. **Chart 7** and **Chart 8** show HEVSD's monthly single and family medical insurance total premium cost as compared to the State-wide, regional, and county averages as reported to the Ohio State Employment Relations Board (SERB) for FY 2014-15. It is important to view the local, regional and State-wide averages in order to provide a full picture of the cost of insurance.

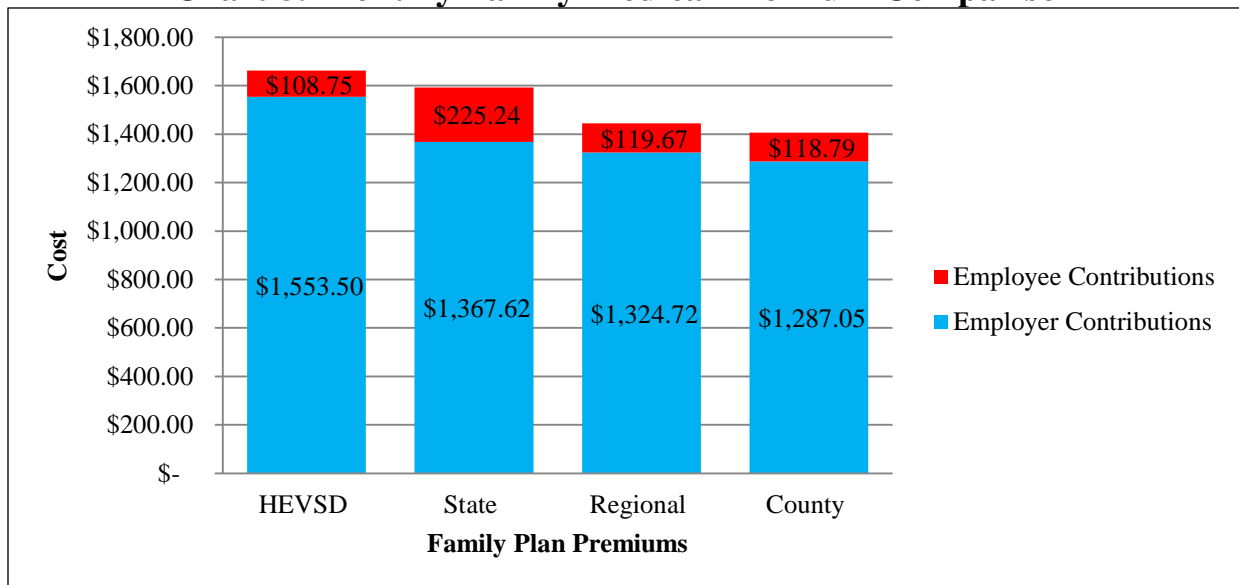
Chart 7: Monthly Single Medical Premium Comparison



Source: HEVSD and SERB

Note: All medical plans include prescription plans.

Chart 8: Monthly Family Medical Premium Comparison



Source: HEVSD and SERB

Note: All medical plans include prescription plans.

As shown in **Chart 7** and **Chart 8**, insurance premiums at HEVSD, are higher than the county average for both single and family plans. In addition, HEVSD employee contributions are lower in comparison to the State, regional, and county averages. There are a number of factors that can significantly impact health insurance costs, with some of the most common being plan design

(e.g., payouts, and/or experience ratings, out-of-pocket maximums, types, and extent of coverage, etc.) and cost sharing (i.e., employee and employer cost). HEVSD pays more for insurance premiums in comparison to other school districts in Trumbull County. The large difference between HEVSD and other Districts in Trumbull County and the SERB region suggest that it may have an opportunity to reduce costs by adopting leading cost control practices. For example, strategies used to control insurance costs include:

- **Implementing Higher Deductibles** – HEVSD deductibles are \$300.00 for a single plan and \$600.00 for a family plan. High deductible health plans are another way to lower insurance premiums.
- **Increase Employee Contribution Rates** – Increasing employee contribution rates from 7.0 percent to 10.0 percent in August 2017 will help the District alleviate some of the cost associated with the District’s insurance premiums.
- **Creating and Implementing a Wellness Plan** – HEVSD can create an employee wellness plan that encourages employee participation and can help employees prevent and manage chronic health conditions.

Table 11 shows the financial impact associated with HEVSD requiring employee contributions similar to the Trumbull County average of 10.0 percent and implementing additional cost-control strategies to bring the overall monthly employer premium cost in line with the Trumbull County average of \$488.23 for single plans and \$1,287.05 for family plans.

Table 11: Financial Impact of Cost Reduction Strategies

Part 1: Increase Employee Contributions to 10.0 Percent		
Plan Participation Overview		
	Single Plan	Family Plan
HEVSD Number of Plans	44	87
Current Employer Cost Overview		
	Single Plan	Family Plan
FY 2015-16 - HEVSD Monthly Average Employer Cost per Plan	\$528.51	\$1,444.75
Savings With 10% Employee Contribution		
	Single Plan	Family Plan
Revised - HEVSD Monthly Employer Cost per Plan	\$511.46	\$1,398.15
Monthly Savings through Increased Contributions per Plan	\$17.05	\$46.60
Total Annual Cost Savings by Plan Type	\$9,002	\$48,650
Total Annual Savings through Increased Employee Contributions		\$57,652
Part 2: Decrease Employer Cost to Equal Trumbull County Average		
Plan Participation Overview		
	Single Plan	Family Plan
HEVSD Number of Plans	44	87
Revised Employer Cost Overview		
	Single Plan	Family Plan
Revised - HEVSD Monthly Employer Cost per Plan	\$511.46	\$1,398.15
Trumbull County Average Monthly Employer Cost per Plan	\$488.23	\$1,287.05
Remaining Difference in Monthly Employer Cost per Plan	\$23.23	\$111.10
Total Annual Cost Savings by Plan Type	\$12,265	\$115,988
Total Annual Savings through Additional Cost-Control Practices		\$128,254
Total Annual Cost Savings		\$185,907

Source: HEVSD and SERB

As shown in **Table 11**, increasing employee contributions to 10.0 percent and applying additional cost-control practices to address the remaining gap in employer premium cost would provide significant cost reduction potential.

Financial Implication: Reducing insurance premiums and increasing the employee contributions to 10.0 percent could save the District an average of **\$185,900** annually.

R.6 Bring employer vision insurance costs in line with benchmarks

The District pays 100 percent of the employee vision insurance premium. In contrast, 2015 data reported to SERB showed a regional average employee contribution of 9.5 percent. This contribution rate is similar to the health care contribution recommended in **R.5**.

Table 12 shows the comparison between HEVSD employees' vision insurance contributions of zero and the SERB regional average.

Table 12: Vision Insurance Employee Contribution Comparison

Number of Single Plans	39
Monthly Premium	\$7.62
Total Annual Premium	\$3,566.16
SERB Regional Avg. Employee Contribution Percentage	9.5%
Total Single Plan Employee Contribution	\$338.79
Number of Family Plans	
Number of Family Plans	92
Monthly Premium	\$22.54
Total Annual Premium	\$24,884.16
SERB Regional Avg. Employee Contribution Percentage	9.5%
Total Family Plan Employee Contribution	\$2,363.99
Savings From Increased Employee Contribution	
	\$2,702.78

Source: HEVSD and SERB

As illustrated in **Table 12**, establishing an employee vision insurance contribution at the SERB regional average of 9.5 percent would require enrolled employees to contribute \$0.72 per month for a single plan and \$2.14 per month for a family plan.

Financial Implication: Requiring a 9.5 percent employee premium contribution for all employee vision plans would save the District approximately **\$2,700** annually.

R.7 Renegotiate collective bargaining agreement provisions

The District has collective bargaining agreements with the Hubbard Education Association (certificated CBA) and the Ohio Association of Public School Employees Local 4/AFSCME/AFL-CIO Chapter 209 (classified CBA). An analysis of these CBAs identified the following provisions that exceeded State minimum standards and/or typical provisions in local peer districts:

- Holidays:** The District's classified CBA offers 12-month employees 12 paid holidays and employees who work less than 12 months nine paid holidays. These levels are in line with the local peer average of 12 paid holidays for 11-month and 12-month employees and nine paid holidays for employees who work less than nine months. However, ORC § 3319.087 states 11-month and 12-month employees are entitled to a minimum of seven paid holidays, and 9-month and 10-month employees six paid holidays. Direct savings from reducing the number of holidays could not be quantified, however, a reduction would increase the number of available work hours at no additional cost to the District.

- **Vacation:** The District's classified CBA provides employees with annual vacation accrual whereby they earn 507 vacation days over the course of a 30-year career. This is in line with the local peer average of 507 days, but exceeds the ORC § 3319.084 minimum of 460 days. Providing employees with more vacation days could increase substitute and overtime costs. Although direct savings from reducing the vacation schedule could not be quantified, a reduction would increase the number of available work hours at no additional cost to the District.
- **Leave Accrual and Severance Payout:** Both of the District's CBAs allow employees to accrue unlimited days of sick leave. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative up to 120 days. Providing an accrual in excess of State minimum levels represents potential for increased financial liability when sick leave is paid out to retiring employees. Additionally, the District's CBAs allow certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, both the certificated and classified CBA allows for a payment of 33 percent of unused sick leave for a maximum of 100 days. In comparison, the local peer maximum sick leave payout average is 66 days for certificated employees and 73 days for classified employees. The District's sick leave payout is also higher than the minimum established by ORC § 124.39, which allows school employees to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement. Allowing employees to receive payout in excess of State minimums becomes costly at employee retirement.

Table 13 uses actual severance payout data for FY 2013-14 through FY 2015-16 to calculate what HEVSD would have paid certificated and classified employees had it been aligned with ORC.

Table 13: Severance Payout Comparison

	FY 2013-14	FY2014-15	FY2015-16	Total
HEVSD Severance Payout	\$34,420	\$210,068	\$43,781	\$288,269
Payout Based on ORC Minimum	\$10,326	\$77,460	\$22,877	\$110,663
Difference	\$24,094	\$132,608	\$20,904	\$177,606
Average Severance Payout Savings				\$59,202

Source: HEVSD and ORC

As shown in **Table 13**, the District could have saved an average of approximately \$59,200 annually if severance payouts were aligned with the ORC minimum of 30 days.

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. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights would be beneficial to the District's financial position.

R.8 Eliminate 6.0 FTE facilities positions

HEVSD currently operates and maintains more than 337,000 square feet within the central campus and outlying buildings. Additionally, the District maintains 87.6 acres of grounds. Two classifications of building and grounds employees, cleaners, and custodians, perform the cleaning, maintenance, and groundskeeping. Cleaners are responsible for cleaning while custodians clean and perform maintenance and are also responsible for securing the buildings. For example, afternoon custodians will clean hallways, cafeterias, gyms, stairwells, and locker rooms in addition to completing maintenance work. Custodians are also the grounds staff. In total, there are 11.46 FTE cleaners and 10.00 FTE custodians.

Table 14 shows the District's buildings and grounds staffing for FY 2014-15 compared to industry benchmarks from American School and University Magazine (AS&U) and *The Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 14: Buildings & Grounds Staffing Comparison ¹

Grounds Staffing	
Grounds FTEs	3.25
Acreage Maintained	87.6
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	2.18
Grounds FTEs Above/(Below) Benchmark	1.1
Custodial Staffing	
Custodial FTEs	14.50
Square Footage Cleaned	298,563
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	10.12
Custodial FTEs Above/(Below) Benchmark	4.3
Maintenance Staffing	
Maintenance FTEs	3.75
Square Footage Maintained	298,563
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	3.15
Maintenance FTEs Above/(Below) Benchmark	0.6
Total Buildings & Grounds Staffing	
Total FTEs Employed	21.46
Total Benchmarked Staffing Need	15.45
Total FTEs Above/(Below) Benchmark	6.0

Source: HEVSD, AS&U, and NCES

¹ Precise allocation of time was not available, however, the District's Maintenance Supervisor did provide the typical daily functional time for individual employees. FTE allocations to specific functions have been rounded to reflect these estimates.

As shown in **Table 14**, HEVSD staffing exceeded the respective benchmarks in all areas of facilities staffing. Specifically, HEVSD maintains an average of approximately 27.4 acres per

grounds FTE, a level 33.0 percent lower than the benchmark; cleans an average of approximately 20,734 square feet per custodial FTE, a level 30.2 percent lower than the benchmark; and maintains an average of approximately 80,693 square feet per maintenance FTE, a level 16.1 percent below the benchmark. In order to achieve staffing comparable to the benchmarks, the District should eliminate 6.0 FTEs.

Financial Implication: Eliminating 6.0 FTE facilities positions would save approximately \$197,700 in salaries and benefits. This savings was calculated using the lowest full and part-time building and grounds salaries and includes an average benefit ratio of 45.0 percent.⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.9 Use routing software to increase elementary school bus utilization

During the course of the audit, the District identified one bus route that would be eliminated in FY 2016-17.

In FY 2015-16, HEVSD transported a total of 1,156 regular students on 16 active buses. The District operates on a multi-tier routing system that transports middle school and high school students during the first tier and elementary school students on the second tier.

The District maintains a 66.2 percent average utilization rate per route. The low utilization rate is largely the result of the elementary school bus tier. The high school and middle school tier has a utilization rate of 86.0 percent, whereas the elementary utilization rate is only 46.7 percent. Several routes on the high school and middle school tier are at capacity or over capacity.

Table 15 shows the elementary school bus capacity for FY 2015-16 in comparison to benchmark data published in *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), 2006).

⁴ The average benefit percentage is calculated by dividing the District's total employee retirement and insurance benefits by total personnel service actual expenditures in FY 2015-16.

Table 15: Regular Needs Ridership Comparisons

Elementary Regular Needs Fleet Utilization	
Total Buses	13
Regular Riders	495
Regular Riders per Bus	38
Manufactures Rated Capacity per Bus	71
Number of Buses Needed Based on Benchmark ¹	9
Buses Over/(Under) Benchmark	4
High School and Middle School Regular Needs Fleet Utilization	
Total Buses	16
Regular Riders	648
Regular Riders per Bus	40.5
AASA Benchmark Capacity per Bus ²	47
Bus Utilization	86.0%

Source: HEVSD, NASDPTS, and AASA

¹ This number is based on the manufacturer rated capacities of all buses multiplied by the total of all elementary school routes multiplied by 80 percent.

² Capacity is based on middle and high school students and assumes 2 students per seat

As shown in **Table 15**, the District's elementary school tier operated with four more buses than necessary in comparison to the AASA benchmark. As such, the District may have an opportunity to eliminate up to four elementary school routes. However, given that the District already has fewer elementary tier buses than middle/high school buses, 13 versus 16, a reduction of elementary routes may not result in fewer buses and/or driver hours due to the need to continue to meet middle/high school tier demands. Realizing the full potential of routing efficiency may require a balancing of buses and riders to achieve optimal capacity across all routes. Achieving optimal capacity may require additional operational changes such as adding tiers and/or adjusting bell schedules.

HEVSD recently purchased routing software; however, it is not exclusively used to determine routes. The District should seek to consolidate its elementary school routes by reviewing its bus utilization, monitoring its ridership levels, using its routing software, and altering its routes in a manner that coincides with changes in ridership on a regular basis.

R.10 Implement a formal preventive maintenance and bus replacement program

HEVSD does not have a formally developed preventive maintenance or bus replacement plan. In their absence, the District has been purchasing busses if extra capital monies were available and maintaining the busses on an as needed basis.

Table 16 shows a comparison of the District's transportation maintenance and repair expenditure ratios to the transportation peer average for FY 2014-15. This assessment helps to gauge the cost-effectiveness of the District's transportation maintenance and repairs process relative to similar operations.

Table 16: Maintenance and Repairs Expenditures Comparison¹

	HEVSD	Transportation Peer Average	Difference	% Difference
Per Yellow Bus Rider	\$149.13	\$140.90	\$8.23	5.8%
Per Active Bus	\$9,378.87	\$8,765.25	\$613.61	7.0%
Per Routine Mile	\$1.01	\$0.82	\$0.19	23.2%

Source: HEVSD and transportation peers

¹ Costs include mechanic and mechanic helper salaries.

As shown in **Table 16**, maintenance and repair costs per active bus were significantly higher than the transportation peer average.

A partial driver of the higher expenditures is the age of the District's fleet. Specifically, 13 of the District's 23 buses, or 56.5 percent, were at least 12 years old. The average age of the active fleet (16 buses) was 10.7 years. According to the *Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002), school buses operating under normal conditions have an expected lifespan of 12 to 15 years. Buses older than 12 years begin to require more costly maintenance expenses and repairs. Operating an older fleet leads to higher spending, as the buses will require additional maintenance. The NASDPTS further emphasizes that replacement of school buses should be a planned process, as "it directly impacts the timeliness of introducing the latest safety, efficiency and emissions improvements into the fleet." While finances may be an obstacle for replacing buses on a schedule set by the District, a bus replacement plan would allow the District to communicate to its leadership and 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.

Another contributing factor to the higher operating costs is the lack of a formal preventive maintenance plan for the District's buses. According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

The implementation of a formal preventive maintenance program would allow the District to manage its fleet in a more efficient manner, potentially reduce maintenance and repair costs per active bus, and improve transportation recordkeeping.

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, Food Service, and Community Pool. 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. Nine of the 21 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
Financial Management	
Are open enrollment policies financially beneficial?	Noteworthy and Appendix B
Are the extracurricular activities appropriate to the peers and/or financial condition?	R.1
Is the strategic plan consistent with leading practices?	R.2
Are internal controls appropriate for accurate reporting?	N/A
Human Resources	
Is the EMIS data process sufficiently reliable and consistent with leading practices?	N/A
Are staffing levels efficient compared to peers and State minimum requirements and appropriate based on the financial condition?	R.3
Are salaries comparable to peers and appropriate based on the financial condition?	R.4
Are insurance benefits comparable to industry standards?	R.5 and R.6
Are collective bargaining agreement (CBA) provisions comparable to the peers and ORC minimum and appropriate based on financial conditions?	R.7
Facilities	
Is custodial and maintenance staffing efficient compared to benchmarks and appropriate based on financial condition?	R.8
Has the District implemented a preventive maintenance plan comparable to industry benchmarks?	N/A
Are capital planning efforts consistent with leading practices?	R.2
Transportation	
Are T-Report procedures accurate and consistent with leading practices?	N/A
Does the District route and operate busses efficiently and appropriate based on financial condition?	R.9
Is the fleet size efficient compared to leading practices and appropriate based on financial condition?	N/A
Is the fleet maintained efficiently?	R.10
Is fuel purchasing practice resulting in efficient pricing?	N/A
Are bus replacement practices consistent with leading practices?	R.10
Food Service	
Is the Food Service Fund self-sufficient?	N/A
Are food service staffing levels efficient compared to peers and/or leading practices?	N/A
Community Pool	
What is the current state of the District's pool?	N/A

Appendix B: Additional Comparisons

Open Enrollment

Table B-1 compares the HEVSD's FY 2014-15 open enrollment expenditures and revenue. This table is important in determining if the District is receiving additional net revenue from its open enrollment policy.

Table B-1: Costs and Revenue Attributed to Open Enrollment

Total Students		1947
Open Enrollment Students		219
Percentage of Open Enrollment Students		11.2%
Expenditure Type	Total Cost	Open Enrollment Cost
Support Services- Pupils ¹	\$992,757	\$106,266
Fiscal Services	\$351,510	\$39,538
Support Services- Business/Central	\$30,661	\$3,448
Water and Sewer	\$18,967	\$2,133
Instruction Supplies and Materials	\$248,252	\$27,924
Special Education Supplies and Materials ¹	\$5,261	\$268
Extracurricular Activities (Net Cost) ²	\$518,390	\$58,309
Total Expenditures	\$2,165,798	\$237,886
Open Enrollment Revenue		\$1,240,649
Net Revenue/(Loss)		\$1,002,763

Source: HEVSD and ODE

¹ Open enrollment special education students account for approximately 5.1 percent of total special education students. This percentage was applied to special education-related expenditures in the areas of Support Services and Supplies and Materials.

² Open enrollment cost is based on the District's net cost of \$518,390 for extracurricular activities multiplied by the percentage of open enrollment students.

As shown in **Table B-1**, the District's FY 2014-15 open enrollment net revenue was approximately \$1.0 million.

Table B-2 shows the District's historical open enrollment trends compared to total enrollment. This table is important in determining if the District is increasing the student-to-teacher ratio due to open enrollment.

Table B-2: HEVSD Historical Open Enrollment Trends

FY	Total OE Students	Total Enrollment	Avg. FTE Teachers	Student:Teacher Ratio	Avg. Number OE Students per Grade	% of OE Students to Total Enrollment
2014-15	219	1,947	105	18.5:1	16.8	11.2%
2013-14	191	1,917	109	17.6:1	14.7	10.0%
2012-13	199	2,054	112	18.3:1	15.3	9.7%
2011-12	196	2,092	113	18.5:1	15.1	9.4%

Source: HEVSD and ODE

As shown in **Table B-2**, the District has maintained an average number of open-enrolled students per grade below that of its overall student-to-teacher ratio, which indicates the District is not hiring additional teachers for open enrolled students, and a relatively low percentage of open-enrolled students to total students. **Table B-2** also shows total open enrollment students increasing from 196 to 219 while the average FTE teacher count decreased from 113.0 to 105.0. This indicates the actual processes are working to support the Districts open enrollment policies.

Staffing

Table B-3 shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average using 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. This analysis is important as it determines if the District is overstaffed compared to the peers.

Table B-3: HEVSD Staffing Comparison

	HEVSD		Primary Peer Average	Difference	
Students Educated¹	1,947.9		1,865.2	82.7	
Students Educated(thousands)	1.9479		1.8652	0.0827	
	FTEs	FTEs Per 1,000 Students	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Total FTEs Above/(Below) ²
Administrators	12.50	6.42	6.68	(0.26)	(0.51)
Office/Clerical	12.33	6.33	5.97	0.36	0.70
General Education K-12	86.50	44.41	43.80	0.61	1.19
Educational Service Personnel (ESP) Teacher	6.00	3.08	3.76	(0.68)	(1.32)
All Other Teachers	9.00	4.62	10.43	(5.81)	(11.32)
Other Educational Positions	12.00	6.16	2.42	3.74	7.29
Professional Positions	10.00	5.14	5.32	(0.18)	(0.36)
Non-Certificated Support Positions	14.50	7.44	8.51	(1.07)	(2.09)
Technical Staff	2.00	1.02	0.80	0.22	0.44
Total	164.83	84.62	87.69	3.07	(5.98)

Source: HEVSD, ODE, and primary peers

Note: The District's operational staffing, including custodians, maintenance workers, bus drivers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² 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-3 shows that the District has approximately 6.0 FTEs fewer total staff than the primary peer average.

Salaries

Tables B-4, B-5, B-6, and B-7 show the financial implications for reducing the salary for all BA, BA+15, MA and MA+30 teachers to be closer to that of the local peer average. These tables are important to determine the savings that could be generated by negotiating a reduction in salaries. This option shows projected step increases for FY 2017-18 for the District's FY 2015-16 teaching staff.

Table B-4: Financial Implication of Reducing Salary for all BA Teachers

FY 2017-18 Projection ¹					
Years	HEVSD	Peer Average	\$ Above/(Below)	Employee Count	Savings
0	\$33,459.00	\$31,612.60	\$1,846.40	0	\$0.00
1	\$35,299.00	\$33,286.00	\$2,013.00	0	\$0.00
2	\$37,139.00	\$34,959.40	\$2,179.60	1	\$2,179.60
3	\$38,980.00	\$36,632.80	\$2,347.20	6	\$14,083.20
4	\$40,820.00	\$38,306.00	\$2,514.00	2	\$5,028.00
5	\$42,660.00	\$39,979.60	\$2,680.40	0	\$0.00
6	\$44,500.00	\$41,652.60	\$2,847.40	4	\$11,389.60
7	\$46,341.00	\$43,326.00	\$3,015.00	0	\$0.00
8	\$48,181.00	\$44,944.00	\$3,237.00	1	\$3,237.00
9	\$50,021.00	\$46,672.80	\$3,348.20	0	\$0.00
10	\$51,861.00	\$48,346.00	\$3,515.00	0	\$0.00
11	\$53,702.00	\$50,019.40	\$3,682.60	0	\$0.00
12	\$55,542.00	\$51,692.60	\$3,849.40	0	\$0.00
13	\$57,382.00	\$53,366.40	\$4,015.60	0	\$0.00
14	\$57,382.00	\$54,343.60	\$3,038.40	0	\$0.00
15	\$57,382.00	\$54,805.40	\$2,576.60	0	\$0.00
16	\$57,382.00	\$54,805.40	\$2,576.60	0	\$0.00
17	\$57,382.00	\$55,160.60	\$2,221.40	0	\$0.00
18	\$59,222.00	\$55,851.40	\$3,370.60	1	\$3,370.60
19	\$59,222.00	\$55,851.40	\$3,370.60	0	\$0.00
20	\$59,222.00	\$56,206.40	\$3,015.60	0	\$0.00
21	\$59,222.00	\$56,206.40	\$3,015.60	0	\$0.00
22	\$59,222.00	\$56,540.00	\$2,682.00	0	\$0.00
23	\$61,063.00	\$57,041.20	\$4,021.80	0	\$0.00
24	\$61,063.00	\$57,396.40	\$3,666.60	0	\$0.00
25	\$61,063.00	\$57,753.60	\$3,309.40	0	\$0.00
26	\$61,063.00	\$57,900.80	\$3,162.20	0	\$0.00
27	\$62,903.00	\$58,974.60	\$3,928.40	0	\$0.00
28	\$62,903.00	\$59,114.60	\$3,788.40	0	\$0.00
29	\$62,903.00	\$59,114.60	\$3,788.40	0	\$0.00
Total Savings					\$39,288.00

Source: HEVSD and local peers

¹ Based on a projection of how many teachers will be at each step in FY 2017-18.

Table B-5: Financial Implication of Reducing Salary for all BA+15 Teachers

2017-18 Projection ¹					
Years	HEVSD	Peer Average	\$ Above/(Below)	Employee Count	Savings
0	\$35,299.00	\$33,193.00	\$2,106.00	0	\$0.00
1	\$37,139.00	\$34,910.40	\$2,228.60	0	\$0.00
2	\$38,980.00	\$36,627.80	\$2,352.20	0	\$0.00
3	\$40,820.00	\$38,345.00	\$2,475.00	0	\$0.00
4	\$42,660.00	\$40,062.60	\$2,597.40	0	\$0.00
5	\$44,500.00	\$41,780.00	\$2,720.00	0	\$0.00
6	\$46,341.00	\$43,497.60	\$2,843.40	0	\$0.00
7	\$48,181.00	\$45,214.80	\$2,966.20	0	\$0.00
8	\$50,021.00	\$46,932.40	\$3,088.60	0	\$0.00
9	\$51,861.00	\$48,649.80	\$3,211.20	0	\$0.00
10	\$53,702.00	\$50,367.20	\$3,334.80	2	\$6,669.60
11	\$55,542.00	\$52,084.40	\$3,457.60	0	\$0.00
12	\$57,382.00	\$53,802.00	\$3,580.00	0	\$0.00
13	\$59,222.00	\$55,519.20	\$3,702.80	0	\$0.00
14	\$59,222.00	\$56,898.00	\$2,324.00	0	\$0.00
15	\$59,222.00	\$57,385.40	\$1,836.60	0	\$0.00
16	\$59,222.00	\$57,385.40	\$1,836.60	0	\$0.00
17	\$59,222.00	\$57,740.40	\$1,481.60	0	\$0.00
18	\$61,063.00	\$58,457.00	\$2,606.00	0	\$0.00
19	\$61,063.00	\$58,457.00	\$2,606.00	1	\$2,606.00
20	\$61,063.00	\$58,812.20	\$2,250.80	0	\$0.00
21	\$61,063.00	\$58,812.20	\$2,250.80	0	\$0.00
22	\$62,903.00	\$59,171.60	\$3,731.40	0	\$0.00
23	\$62,903.00	\$59,611.60	\$3,291.40	1	\$3,291.40
24	\$62,903.00	\$59,966.60	\$2,936.40	0	\$0.00
25	\$62,903.00	\$60,323.80	\$2,579.20	1	\$2,579.20
26	\$64,743.00	\$60,477.20	\$4,265.80	0	\$0.00
27	\$64,743.00	\$61,590.20	\$3,152.80	0	\$0.00
28	\$64,743.00	\$61,730.20	\$3,012.80	0	\$0.00
29	\$64,743.00	\$61,730.20	\$3,012.80	0	\$0.00
Total Savings					\$15,146.20

Source: HEVSD and local peers

¹ Based on a projection of how many teachers will be at each step in FY 2017-18.

Table B-6: Financial Implication of Reducing Salary for all MA Teachers

2017-18 Projection ¹					
Years	HEVSD	Peer Average	\$ Above/(Below)	Employee Count	Savings
0	\$37,139.00	\$34,818.20	\$2,320.80	0	\$0.00
1	\$38,980.00	\$36,708.20	\$2,271.80	0	\$0.00
2	\$40,820.00	\$38,597.80	\$2,222.20	4	\$8,888.80
3	\$42,660.00	\$40,487.80	\$2,172.20	1	\$2,172.20
4	\$44,500.00	\$42,377.80	\$2,122.20	1	\$2,122.20
5	\$46,341.00	\$44,267.40	\$2,073.60	0	\$0.00
6	\$48,181.00	\$46,157.40	\$2,023.60	3	\$6,070.80
7	\$50,021.00	\$48,047.20	\$1,973.80	3	\$5,921.40
8	\$51,861.00	\$49,937.20	\$1,923.80	8	\$15,390.40
9	\$53,702.00	\$51,826.80	\$1,875.20	3	\$5,625.60
10	\$55,542.00	\$53,716.60	\$1,825.40	6	\$10,952.40
11	\$57,382.00	\$55,606.60	\$1,775.40	4	\$7,101.60
12	\$59,222.00	\$57,496.40	\$1,725.60	4	\$6,902.40
13	\$61,063.00	\$59,386.20	\$1,676.80	3	\$5,030.40
14	\$62,903.00	\$61,276.20	\$1,626.80	1	\$1,626.80
15	\$62,903.00	\$62,018.20	\$884.80	10	\$8,848.00
16	\$62,903.00	\$62,018.20	\$884.80	4	\$3,539.20
17	\$62,903.00	\$62,373.40	\$529.60	9	\$4,766.40
18	\$64,743.00	\$63,115.60	\$1,627.40	3	\$4,882.20
19	\$64,743.00	\$63,115.60	\$1,627.40	7	\$11,391.80
20	\$64,743.00	\$63,470.60	\$1,272.40	3	\$3,817.20
21	\$64,743.00	\$63,470.60	\$1,272.40	4	\$5,089.60
22	\$64,743.00	\$63,855.40	\$887.60	0	\$0.00
23	\$66,583.00	\$64,368.80	\$2,214.20	2	\$4,428.40
24	\$66,583.00	\$64,724.00	\$1,859.00	1	\$1,859.00
25	\$66,583.00	\$65,081.40	\$1,501.60	1	\$1,501.60
26	\$66,583.00	\$65,271.80	\$1,311.20	1	\$1,311.20
27	\$68,424.00	\$66,410.40	\$2,013.60	1	\$2,013.60
28	\$68,424.00	\$66,550.40	\$1,873.60	0	\$0.00
29	\$68,424.00	\$66,550.40	\$1,873.60	2	\$3,747.20
Total Savings					\$135,000.40

Source: HEVSD and local peers

¹ Based on a projection of how many teachers will be at each step in FY 2017-18.

Table B-7: Financial Implication of Reducing Salary for all MA+30 Teachers

2017-18 Projection ¹					
Years	HEVSD	Peer Average	\$ Above/(Below)	Employee Count	Savings
0	\$38,980.00	\$36,698.00	\$2,282.00	0	\$0.00
1	\$40,820.00	\$38,626.80	\$2,193.20	0	\$0.00
2	\$42,660.00	\$40,555.60	\$2,104.40	0	\$0.00
3	\$44,500.00	\$42,484.20	\$2,015.80	0	\$0.00
4	\$46,341.00	\$44,413.20	\$1,927.80	0	\$0.00
5	\$48,181.00	\$46,341.80	\$1,839.20	0	\$0.00
6	\$50,021.00	\$48,271.00	\$1,750.00	1	\$1,750.00
7	\$51,861.00	\$50,199.40	\$1,661.60	0	\$0.00
8	\$53,702.00	\$52,128.00	\$1,574.00	0	\$0.00
9	\$55,542.00	\$54,056.80	\$1,485.20	0	\$0.00
10	\$57,382.00	\$55,985.80	\$1,396.20	1	\$1,396.20
11	\$59,222.00	\$57,914.60	\$1,307.40	0	\$0.00
12	\$61,063.00	\$59,843.40	\$1,219.60	1	\$1,219.60
13	\$62,903.00	\$61,772.00	\$1,131.00	2	\$2,262.00
14	\$64,743.00	\$63,701.00	\$1,042.00	1	\$1,042.00
15	\$64,743.00	\$65,194.00	(\$451.00)	2	(\$902.00)
16	\$64,743.00	\$65,194.00	(\$451.00)	1	(\$451.00)
17	\$64,743.00	\$65,549.00	(\$806.00)	0	\$0.00
18	\$66,583.00	\$66,317.00	\$266.00	2	\$532.00
19	\$66,583.00	\$66,383.40	\$199.60	2	\$399.20
20	\$66,583.00	\$66,738.60	(\$155.60)	1	(\$155.60)
21	\$66,583.00	\$66,738.60	(\$155.60)	2	(\$311.20)
22	\$66,583.00	\$67,149.20	(\$566.20)	0	\$0.00
23	\$68,424.00	\$67,596.20	\$827.80	0	\$0.00
24	\$68,424.00	\$67,951.20	\$472.80	0	\$0.00
25	\$68,424.00	\$68,308.40	\$115.60	1	\$115.60
26	\$68,424.00	\$68,498.80	(\$74.80)	0	\$0.00
27	\$70,264.00	\$69,663.20	\$600.80	0	\$0.00
28	\$70,264.00	\$69,803.20	\$460.80	0	\$0.00
29	\$70,264.00	\$69,936.00	\$328.00	0	\$0.00
Total Savings					\$6,896.80

Source: HEVSD and local peers

¹ Based on a projection of how many teachers will be at each step in FY 2017-18.

As shown in **Tables B-4, B-6, B-6** and **B-7**, the District could reduce salary expenses in FY 2017-18 by approximately \$196,000 by bringing teacher salaries in line with the local districts.

Table B-8 compares HEVSD's classified staff compensation (e.g., wages, step increases, and other payments for services) to the local peer district average. Comparing career compensation to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis.

Table B-8: Classified Career Compensation Comparison

	HEVSD	Local Peer Average	Difference	% Difference
Custodial Staff ¹	\$1,961,108	\$2,091,379	(\$130,271)	(6.2%)
Food Service Staff ²	\$1,196,919	\$1,199,837	(\$2,918)	(0.2%)
Secretarial Staff	\$953,108	\$999,713	(\$46,605)	(4.7%)
Transportation Staff	\$416,840	\$393,021	\$23,819	6.1%

Source: HEVSD and local peers

Note: Longevity pay is included.

¹ Includes custodian and cleaner classifications.

² Includes head cook and cook classifications.

As shown in **Table B-8**, career compensation for HEVSD classified staff was found to be comparable to the surrounding peer average.

Facilities Expenditures

Table B-9 shows the District's FY 2014-15 facilities expenditures per square foot compared to the primary peer average. Analyzing expenditures per square foot allows for a standardized comparison of the District to the primary peer average.

Table B-9: Facilities Expenditures per Square Foot Comparison

	HEVSD	Primary Peer Average	Difference	% Difference
Salaries and Wages	\$2.52	\$1.80	\$0.72	40.3%
Employee Benefits	\$1.48	\$0.89	\$0.59	66.3%
Purchased Services (Excluding Utilities)	\$0.19	\$0.93	(\$0.74)	(79.6%)
Utilities	\$1.32	\$1.33	(\$0.01)	(0.8%)
Water & Sewage	\$0.05	\$0.12	(\$0.07)	(58.3%)
Sub-Total Energy	\$1.26	\$1.21	\$0.05	4.1%
Electric	\$1.23	\$0.88	\$0.35	39.8%
Gas	\$0.03	\$0.33	(\$0.30)	(90.9%)
Other Energy Sources	\$0.00	\$0.00	\$0.00	0.0%
Supplies & Materials	\$0.25	\$0.42	(\$0.17)	(40.5%)
Capital Outlay	\$0.02	\$0.09	(\$0.07)	(77.8%)
Other Objects	\$0.00	\$0.00	(\$0.00)	0.0%
Total Expenditures per Square Foot	\$5.78	\$5.46	\$0.32	5.9%

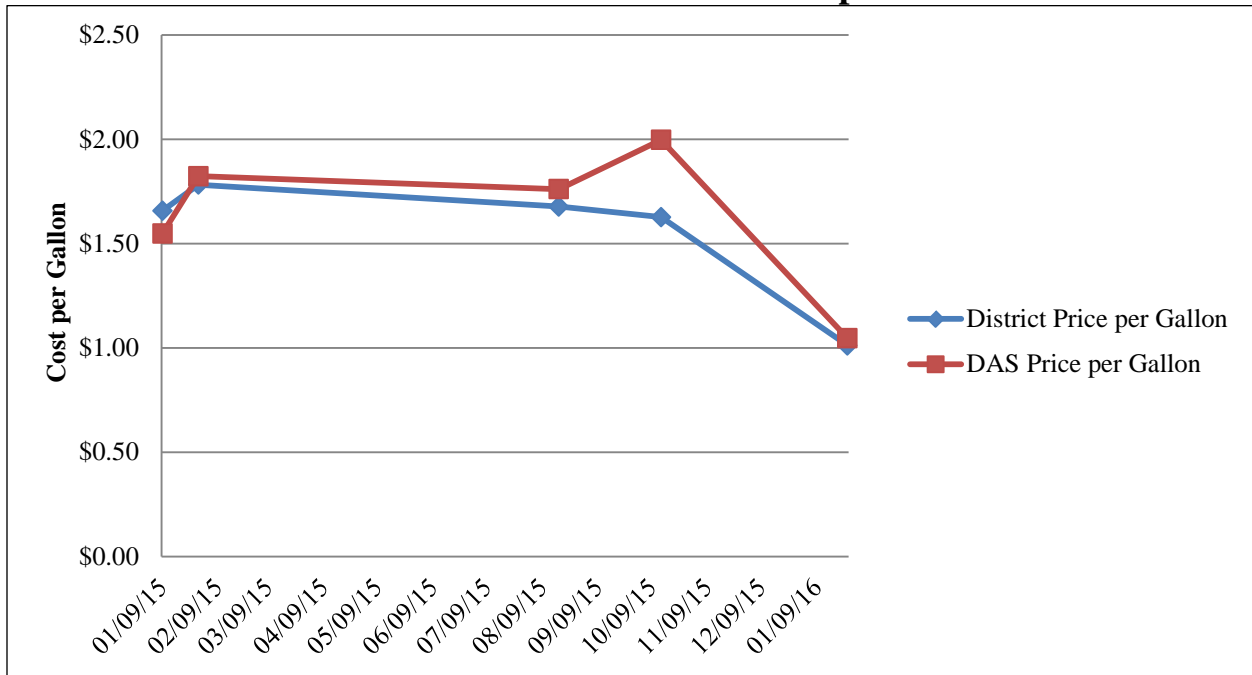
Source: HEVSD, primary peers, and ODE

As shown in **Table B-9**, the District's overall expenditures per square foot were higher than the primary peer average. Specifically, the District was higher in salaries and wages, employee benefits, and electric. (See **R.8** for reduction in number of employees while employee salaries and wages were analyzed in **Table B-8**.) The District's energy costs which includes electric and gas was marginally higher than the peers.

Fuel

HEVSD does not use the Ohio Department of Administrative Service’s (DAS) Cooperative Purchasing Program (CPP) to buy diesel fuel, but solicits bids from local vendors. **Chart B-1** shows a comparison between the price per gallon of diesel fuel paid by the District and the prices offered through the CPP on the same dates during FY 2014-2015.

Chart B-1: Diesel Fuel Price Comparison



Source: HEVSD and DAS

As shown in **Chart B-1** the District paid less per gallon of diesel fuel from February 9, 2015 to January 9, 2016 than purchasing the fuel by using the DAS program.

It is important to compare local vendor prices to DAS to ensure compliance with ORC § 125.04(C). "A [school district] may purchase supplies or services from another party, including a political subdivision, instead of through participation in contracts...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." As shown above, the District did obtain lower pricing than was offered through the CPP.

Appendix C: Five-Year Forecast

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

Chart C-1: HEVSD October 2015 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	5,275,284	5,442,362	5,592,345	5,383,913	5,039,683	4,667,664	4,684,493	4,233,527
1.020 Tangible Personal Property Tax	457,166	327,261	378,171	342,521	338,722	325,102	328,037	309,801
1.035 Unrestricted Grants-in-Aid	8,386,411	8,509,868	8,537,604	8,666,373	8,734,721	8,793,236	9,100,462	9,467,589
1.040 Restricted Grants-in-Aid	171,925	28,764	176,693	168,270	165,439	163,846	164,200	163,315
1.050 Property Tax Allocation	1,177,640	1,182,683	1,175,573	1,116,015	1,017,791	917,803	912,187	803,000
1.060 All Other Operating Revenue	1,732,793	1,811,351	1,935,095	1,959,074	1,985,885	2,013,232	2,041,127	2,069,579
1.070 Total Revenue	17,201,219	17,302,289	17,795,481	17,636,166	17,282,241	16,880,883	17,230,506	17,046,811
2.010 Proceeds from Sale of Notes		1,500,000						
2.040 Operating Transfers-In		4,699	31,868					
2.050 Advances-In	11,223	31,995	26	6,356				
2.060 All Other Financial Sources	73,932	218,295	74,554	75,000	75,000	75,000	75,000	75,000
2.070 Total Other Financing Sources	85,155	1,754,989	106,448	81,356	75,000	75,000	75,000	75,000
2.080 Total Revenues and Other Financing Sources	17,286,374	19,057,278	17,901,929	17,717,522	17,357,241	16,955,883	17,305,506	17,121,811
3.010 Personnel Services	10,220,227	9,696,410	10,103,028	10,116,943	10,132,016	10,269,121	10,419,393	10,571,864
3.020 Employees' Retirement/Insurance Benefits	4,544,571	4,559,004	4,553,165	4,495,989	4,773,021	5,110,324	5,417,307	5,738,165
3.030 Purchased Services	2,696,355	4,102,011	2,669,468	2,604,748	2,672,469	2,754,133	2,838,912	2,926,913
3.040 Supplies and Materials	627,484	611,166	567,335	612,698	631,255	650,792	671,370	693,053
3.050 Capital Outlay	364,763	114,473	121,756	126,011	127,211	128,423	129,647	130,883
4.010 Debt Service: All Principal (Historical)			125,000					
4.020 Debt Service: Principal-Notes				178,144	178,675	179,044	179,000	179,000
4.060 Debt Service: Interest and Fiscal Charges		31,973	47,369					
4.300 Other Objects	213,808	294,732	329,845	334,166	337,806	341,487	345,209	348,973
4.500 Total Expenditures	18,667,208	19,409,769	18,516,966	18,468,699	18,852,453	19,433,324	20,000,838	20,588,851
5.010 Operational Transfers - Out	12,705	11,000	41,122	20,000	20,000	20,000	20,000	20,000
5.020 Advances - Out	31,995	26	6,356					
5.030 All Other Financing Uses		1,990						
5.040 Total Other Financing Uses	44,700	13,016	47,478	20,000	20,000	20,000	20,000	20,000
5.050 Total Expenditure and Other Financing Uses	18,711,908	19,422,785	18,564,444	18,488,699	18,872,453	19,453,324	20,020,838	20,608,851
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-1,425,534	-365,507	-662,515	-771,177	-1,515,212	-2,497,441	-2,715,332	-3,487,040
7.010 Beginning Cash Balance	4,592,805	3,167,271	2,801,764	2,139,249	1,368,072	-147,140	-2,644,581	-5,359,913
7.020 Ending Cash Balance	3,167,271	2,801,764	2,139,249	1,368,072	-147,140	-2,644,581	-5,359,913	-8,846,953
8.010 Outstanding Encumbrances	15,000	5,000	5,000	5,000	5,000	5,000		
10.010 Fund Balance June 30 for Certification of Appropriations	3,152,271	2,796,764	2,134,249	1,363,072	-152,140	-2,649,581	-5,359,913	-8,846,953
11.020 Property Tax - Renewal or Replacement					507,319	1,014,457	1,014,457	1,609,477
11.300 Cumulative Balance of Replacement/Renewal Levies					507,319	1,521,776	2,535,867	4,145,344
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,152,271	2,796,764	2,134,249	1,819,379	355,179	-1,127,805	-2,824,046	-4,701,609
15.010 Unreserved Fund Balance June 30	3,152,271	2,796,764	2,134,249	1,819,379	355,179	-1,127,805	-2,824,046	-4,701,609

Source: HEVSD and ODE

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

Chart C-2: HEVSD May 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	5,275,284	5,442,362	5,592,345	5,380,638	5,465,418	5,454,404	5,478,221	5,034,407
1.020 Tangible Personal Property Tax	457,166	327,261	378,171	354,389	351,723	355,057	358,492	339,730
1.035 Unrestricted Grants-in-Aid	8,386,411	8,509,868	8,537,604	8,715,518	8,842,994	8,975,301	9,219,430	9,660,212
1.040 Restricted Grants-in-Aid	171,925	28,764	176,693	150,745	149,744	148,351	148,661	147,887
1.050 Property Tax Allocation	1,177,640	1,182,683	1,175,573	1,120,705	1,120,119	1,112,847	1,093,707	974,613
1.060 All Other Operating Revenue	1,732,793	1,811,351	1,935,095	2,056,372	2,073,669	2,091,512	2,114,912	2,143,880
1.070 Total Revenue	17,201,219	17,302,289	17,795,481	17,778,367	18,003,668	18,137,472	18,413,422	18,300,728
2.010 Proceeds from Sale of Notes		1,500,000						
2.040 Operating Transfers-In		4,699	31,868					
2.050 Advances-In	11,223	31,995	26	6,356				
2.060 All Other Financial Sources	73,932	218,295	74,554	75,000	75,000	75,000	75,000	75,000
2.070 Total Other Financing Sources	85,155	1,754,989	106,448	81,356	75,000	75,000	75,000	75,000
2.080 Total Revenues and Other Financing Sources	17,286,374	19,057,278	17,901,929	17,859,723	18,078,668	18,212,472	18,488,422	18,375,728
3.010 Personnel Services	10,220,227	9,696,410	10,103,028	10,043,122	10,057,477	10,285,420	10,529,942	10,780,277
3.020 Employees' Retirement/Insurance Benefits	4,544,571	4,559,004	4,553,165	4,484,180	4,670,984	4,949,244	5,249,305	5,570,964
3.030 Purchased Services	2,696,355	4,102,011	2,669,468	2,521,207	2,603,477	2,688,936	2,777,747	2,870,028
3.040 Supplies and Materials	627,484	611,166	567,335	522,698	561,205	574,548	588,347	602,619
3.050 Capital Outlay	364,763	114,473	121,756	138,011	192,061	193,921	195,800	197,698
4.010 Debt Service: All Principal (Historical)			125,000					
4.020 Debt Service: Principal-Notes				178,144	178,675	179,044	179,000	179,000
4.060 Debt Service: Interest and Fiscal Charges		31,973	47,369					
4.300 Other Objects	213,808	294,732	329,845	267,232	272,381	275,424	278,503	281,616
4.500 Total Expenditures	18,667,208	19,409,769	18,516,966	18,154,593	18,536,260	19,146,537	19,798,643	20,482,203
5.010 Operational Transfers - Out	12,705	11,000	41,122	20,000	20,000	20,000	20,000	20,000
5.020 Advances - Out	31,995	26	6,356					
5.030 All Other Financing Uses		1,990						
5.040 Total Other Financing Uses	44,700	13,016	47,478	20,000	20,000	20,000	20,000	20,000
5.050 Total Expenditure and Other Financing Uses	18,711,908	19,422,785	18,564,444	18,174,593	18,556,260	19,166,537	19,818,643	20,502,203
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-1,425,534	-365,507	-662,515	-314,870	-477,592	-954,065	-1,330,221	-2,126,475
7.010 Beginning Cash Balance	4,592,805	3,167,271	2,801,764	2,139,249	1,824,379	1,346,787	392,722	-937,499
7.020 Ending Cash Balance	3,167,271	2,801,764	2,139,249	1,824,379	1,346,787	392,722	-937,499	-3,063,974
8.010 Outstanding Encumbrances	15,000	5,000	5,000	5,000	5,000	5,000		
10.010 Fund Balance June 30 for Certification of Appropriations	3,152,271	2,796,764	2,134,249	1,819,379	1,341,787	387,722	-937,499	-3,063,974
11.020 Property Tax - Renewal or Replacement								595,743
11.300 Cumulative Balance of Replacement/Renewal Levies								595,743
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,152,271	2,796,764	2,134,249	1,819,379	1,341,787	387,722	-937,499	-2,468,231
15.010 Unreserved Fund Balance June 30	3,152,271	2,796,764	2,134,249	1,819,379	1,341,787	387,722	-937,499	-2,468,231

Source: HEVSD and ODE

Client Response

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.

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT



Raymond Soloman,
Superintendent of Schools
Amber R. Babik, Treasurer

Phone: (330) 534-1921
FAX: (330) 534-0522

BOARD OF EDUCATION
Donald Newell, President
Marty Franko, Vice President
James Adams
Anthony Pantone
Linda Silvidi

October 17, 2016

Office of the Auditor of State
88 East Broad St., 5th Floor
Columbus, Ohio 43215

Dear Auditor Yost,

On behalf of the Hubbard Exempted Village School District (EVSD) Board of Education administration, we would like to thank the entire Performance Audit team for their time and effort in preparing the audit report for our district. Your team was professional and thorough during all phases of the audit.

Our district voluntarily engaged in this audit process to give the Board of Education and district leadership an additional tool to further streamline district operations and continue to improve district efficiencies. Following is our formal response to your findings:

Noteworthy Accomplishment:

We are proud that Hubbard EVSD was identified through the audit as a statewide exemplar for inter-district open enrollment and recognized as a noteworthy accomplishment. We've worked diligently to establish a policy and guidelines for open enrollment that do not create additional expenditures for staff or equipment and provide an additional source of revenue for the district.

Recommendations:

Our district will further investigate the audit team's recommendations to improve our long-term financial stability. Please find our comments below:

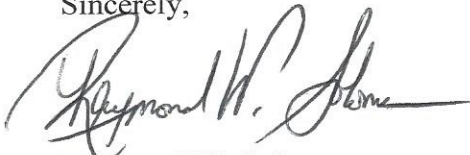
1. **Extracurricular activities** — Our district is committed to providing a well-rounded education to students that includes academics and extracurricular options, and we believe that eliminating all extracurricular activities would not benefit our students. We are, however, committed to reviewing all expenditures for extracurricular activities to ensure that funds are being spent efficiently. Should reductions need to be made, our district will work with all affected constituents to make those reductions.

2. **Strategic, capital and financial planning** — The district has already begun this process.
3. **Elimination of 0.5 FTE office/clerical positions** — This audit began during the 2015-2016 school year. We achieved reduction of 1.0 clerical positions through attrition for the 2016-2017 school year.
4. **Revision of certificated salary schedules** — This item is subject to collective bargaining.
5. **Medical Insurance Costs** — We understand the need to control healthcare costs and formed an Insurance Study Committee in 2015 that is exploring strategies for containing and controlling healthcare costs.
6. **Vision Insurance Costs** — See #5 above.
7. **Renegotiation of Collective Bargaining Agreement Provisions** — This item is subject to collective bargaining.
8. **Elimination of Facilities Positions** — We will continue to investigate cost savings in this area. Positions may be reduced through attrition.
9. **Routing Software** — We purchased routing software to increase bus utilization and streamline bus routes.
10. **Implementation of a Bus Maintenance and Replacement Program** — We have allocated funds for bus replacement in our five-year forecast projections.

The Hubbard Board of Education and our administrators remain committed to operating the district efficiently and effectively without sacrificing the integrity of the educational process. To that end, the audit has provided valuable guidance to inform future fiscal decisions in the district.

Again, thank you for your time and effort on behalf of the students and taxpayers of the Hubbard Exempted Village School District.

Sincerely,



Raymond W. Soloman
Superintendent



Amber R. Babik
Treasurer



Donald Newell
President
Board of Education

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Dave Yost • Auditor of State

HUBBARD EXEMPTED VILLAGE SCHOOL DISTRICT

TRUMBULL 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 25, 2016