

OHIO AUDITOR OF STATE  
KEITH FABER



Northwestern  
Local School District

# Performance Audit

February 17, 2022

OHIO AUDITOR OF STATE  
**KEITH FABER**



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OHIO AUDITOR OF STATE  
KEITH FABER



**To the Northwestern Local School District community,**

The Auditor of State's Office recently completed a performance audit for the Northwestern Local School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided at no cost to the District through state funds set aside to provide analyses for districts that meet certain criteria, including conditions that would lead to fiscal distress.

This performance audit report contains recommendations, supported by detailed analysis, to enhance the District's overall economy, efficiency, and/or 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 recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

This data-driven analysis of operations provides the District valuable information which can be used to make important financial decisions. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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 cursive script that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

February 17, 2022

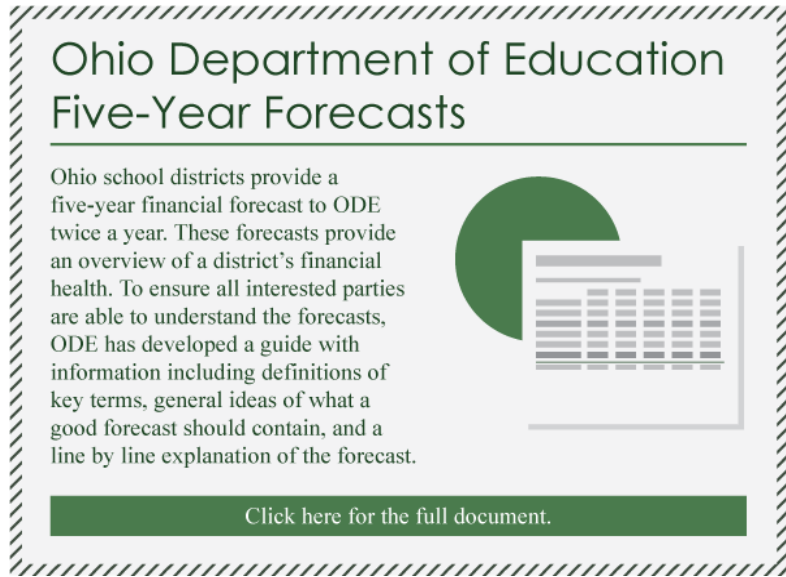
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# Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. School officials have a responsibility to maximize program outcomes and success while minimizing costs. Transparent management of taxpayer dollars promotes a good relationship with the constituents served by a school district. School districts in Ohio are required to submit budget forecasts to the Ohio Department of Education (ODE) annually in the fall, with updates to the forecast submitted in the spring.<sup>1</sup> These documents provide three years of historical financial data, as well as the projected revenues and expenses for a five-year period.



The Ohio Auditor of State's Ohio Performance Team

(OPT) routinely reviews the submitted forecasts in order to identify districts which may benefit from a performance audit. These audits are designed to assist school districts which are struggling financially by using data-driven analyses to produce and support recommendations that identify opportunities for improved operations, effectiveness, increased transparency and



## NOTE TO REPORT USERS

Throughout this report, data from FY 2020 and FY 2021 is generally used for analysis. However, due to the on-going COVID-19 pandemic and changes in operations, at times data from FY 2019 may be used for a baseline comparison. Further, there may be some instances where a hybrid approach was used, combining data from multiple years for analytical purposes. The data used for each analysis is explained throughout the report, along with the reasoning for its usage.

<sup>1</sup> Ohio Rev. Code § 5705.391 and Ohio Admin. Code 3301-92-04.

reductions in cost. While we have the authority to initiate a performance audit for school districts facing financial distress, any school district can request, and benefit from, an audit.<sup>2</sup>

## Northwestern Local School District

Northwestern Local School District (NLSD or the District) is located in West Salem, Ohio and as of October 2020 had 1,302 students enrolled. The District spans 92 square miles and has a median income of \$34,506. In FY 2020, the District had 1,317 student enrolled. Of the total enrolled students, 138, or approximately 10.5 percent, were students with disabilities. NLSD operates under an elected Board of Education, which consists of five members, and is responsible for providing public education to residents of the District.



Our audit focused on identifying opportunities where expenditures could be reduced, as the District administration has primary responsibility over decisions related to expenditures, with the aim of prolonging fiscal solvency. The recommendations, which we presented to NLSD, are based on a combination of industry standards and peer district analysis.

### Financial Condition

In November 2020, the District released its semi-annual five-year forecast which showed negative year-end fund balances in the forecast period beginning in FY 2021 as seen below. Due to the declining fiscal condition of the District, and in consultation with ODE, we chose to conduct a performance audit.

#### Financial Condition Overview (November 2020)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Revenue	\$14,589,942	\$14,760,000	\$14,882,000	\$15,027,000	\$15,172,000
Total Expenditures	\$15,546,936	\$15,766,000	\$16,073,700	\$16,353,412	\$16,651,388
<b>Results of Operations</b>	<b>(\$956,994)</b>	<b>(\$1,006,000)</b>	<b>(\$1,191,700)</b>	<b>(\$1,326,412)</b>	<b>(\$1,479,388)</b>
Beginning Cash Balance	\$798,702	(\$158,293)	(\$1,164,293)	(\$2,355,993)	(\$3,682,405)
<b>Ending Cash Balance</b>	<b>(\$158,293)</b>	<b>(\$1,164,293)</b>	<b>(\$2,355,993)</b>	<b>(\$3,682,405)</b>	<b>(\$5,161,793)</b>
Encumbrances	\$219,200	\$219,200	\$219,200	\$219,200	\$219,200
<b>Ending Fund Balance</b>	<b>(\$377,493)</b>	<b>(\$1,383,493)</b>	<b>(\$2,575,193)</b>	<b>(\$3,901,605)</b>	<b>(\$5,380,993)</b>

Source: ODE

<sup>2</sup> Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see **Appendix A** for more details.

The District’s May 2021 five-year forecast projected a significantly different fiscal outlook, with a positive fund balance beginning in FY 2021, ending with a total fund balance of approximately \$1.2 million in FY 2025, as seen in the table below. The shift in financial outlook is primarily due to the correction of errors discovered during negotiations with the school unions.

### Financial Condition Overview (May 2021)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Revenue	\$15,840,790	\$15,569,862	\$15,619,862	\$15,669,862	\$15,719,862
Total Expenditures	\$14,568,000	\$15,015,000	\$15,765,000	\$16,365,000	\$16,985,000
<b>Results of Operations</b>	<b>\$1,192,790</b>	<b>\$474,862</b>	<b>(\$230,138)</b>	<b>(\$780,138)</b>	<b>(\$1,355,138)</b>
Beginning Cash Balance	\$2,089,469	\$3,282,259	\$3,757,121	\$3,526,983	\$2,746,845
<b>Ending Cash Balance</b>	<b>\$3,282,259</b>	<b>\$3,757,121</b>	<b>\$3,526,983</b>	<b>\$2,746,845</b>	<b>\$1,391,707</b>
Encumbrances	\$320,000	\$150,000	\$150,000	\$150,000	\$150,000
<b>Ending Fund Balance</b>	<b>\$2,962,259</b>	<b>\$3,607,121</b>	<b>\$3,376,983</b>	<b>\$2,596,845</b>	<b>\$1,241,707</b>

Source: ODE

Based on the updated five-year forecast, the District is not in immediate fiscal distress and typically would not be chosen for a performance audit. The need for accurate financial forecasting is discussed in **Recommendation 1**. While NLS D does not need to undertake immediate changes to operations in order to address a negative fund balance, it is projecting to have deficit spending beginning in FY 2023. This means that the District’s expenditures are expected to be more than the revenues it generates. Deficit spending in a single year may not result in a negative fund balance, but over time it can lead to fiscal distress. As such, the recommendations in this audit provide District officials with valuable information to consider when making future operational decisions.

### School Funding

Historically, school funding in Ohio has been a partnership between the state and local districts. Local districts can raise funds through property and income taxes and the state provides funding primarily through a foundation formula, which is intended to ensure a basic level of education funding for all students. Districts may also receive some funding from other sources, such as federal

### Forecasting Errors

During routine contract Negotiations with District employees, errors in the totals presented in the November 2020 Five-Year Forecast were identified by the Ohio Education Association. The District hired an independent public accountant which confirmed the errors.

These errors resulted in both the total revenues and expenditures being misstated on the Five-Year forecast, which resulted in the projected deficit triggering this performance audit.

It was determined that the errors dated back to FY 2018 when the District switched to a new financial software and custom reports were not properly designed and pulled incomplete data.

The May 2021 Five-Year Forecast was created using the correct data and resulted in positive ending fund balances. Had the District presented correct information in previous forecasts, it would not have been chosen for a performance audit.



grants. In FY 2019, of the approximately \$23.5 billion in reported revenue for public education in Ohio, nearly 85 percent came from state and local sources.

## State Funding

On June 30, 2021 House Bill 110 of the 134<sup>th</sup> General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula, commonly referred to as the Fair School Funding Plan, which replaced the previous state funding allocation model. This new model establishes and implements a cost methodology using student-teacher ratios, minimum staffing levels, local property values, and district-level income data. Further, the legislation includes guarantees to ensure no school district receives less funding than it did in FY 2021.

The model is planned to be phased-in over several years, which will impact the amount of state funding received under the new formula over the period of the phase-in. During the phased-in period, the amount of state funding received in any given year will be less than what would have been received if the formula were fully funded. ODE is currently working to modify their systems in order to process payments according to the new funding model and districts began to see some changes to their payments in July of 2021. Payments reflecting all changes under the new funding model, as phased-in, are expected to begin in December of 2021.<sup>3</sup>

## Local Funding

Local revenue can be raised through a combination of property and income taxes. While property taxes are assessed on both residential and business properties within a district, income tax is assessed only on residents<sup>4</sup> – that is, individuals who work in a district but do not reside there would not be assessed an income tax on wages. Approximately one third of districts currently have an income tax.

### *Property Tax*

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution<sup>5</sup> and the Ohio Revised Code (ORC).<sup>6</sup> These restrictions limit the amount of tax that can be levied without voter approval to 10 mills<sup>7</sup> or 1 percent of property value. While the Constitutional limitation is based on fair market value, the ORC sets a more restrictive limit based on taxable value which is

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<sup>3</sup> According to ODE notification dated 9-30-21.

<sup>4</sup> See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

<sup>5</sup> Ohio Const. Art. XII, Section 2.

<sup>6</sup> Ohio Rev. Code § 5705.02.

<sup>7</sup> A mill is defined as one-tenth of one percent or \$1 for every \$1,000 of taxable value.

defined as 35 percent of fair market value. These taxes are split between the various taxing districts that operate where a property is located.

The 10 mills allowed by the Constitution are typically referred to as inside, or un-voted mills. School districts usually receive revenue from 4 to 6 inside mills and the remainder of property tax revenue would come from voted, or outside millage.

School districts can obtain additional property tax revenue through voter approved bonds and levies. These taxes can have a variety of purposes that are defined in the authorizing language which are generally divided into three broad categories: general operations, permanent improvement, and construction.

Levies may be defined as either a fixed-rate or a fixed-sum. A fixed-rate levy identifies an amount of mills that will be assessed in order to raise revenues. If new construction occurs within the district, the rate would apply and the district would realize additional revenues. Current expense levies, used for general operations, and permanent improvement levies are typically fixed-rate. A fixed-sum levy identifies an amount that will be generated from the levy. While there may be an estimated millage rate, the actual rate will vary based on assessed property values. If new construction occurs within the district, there would be no new revenues for a fixed-sum levy. Emergency levies<sup>8</sup> for general operations, and bond levies for the financing of new buildings, are typically fixed-sum levies.

Ohio has historically had laws which limit the impact rising property values can have on property taxes. The most recent version of these limitations was enacted in 1976, and requires that the amount collected on fixed-rate millage is frozen at the dollar value collected in its first year.<sup>9</sup> In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.<sup>10</sup> Instead, the outside mills are

## Inside Millage

In Ohio, millage is referred to as “inside” millage and “outside” millage. “Inside” millage is provided by the Constitution of the State of Ohio and is levied without a vote of the people. It is called “inside” millage because it is “inside” the law. Another term would be un-voted millage.

The Constitution allows for 10 mills of inside millage in each political subdivision. Public schools, counties, townships, and other local governments are allocated a portion of the 10 inside mills. Cities can collect additional inside millage if it is a part of the City’s charter.

## Outside Millage

Outside millage is any millage “outside” the 10 mills provided by the Constitution of the State of Ohio. This millage is voted in by the public. Another term for outside millage is voted millage. This millage can be used for general purposes or it may be restricted, depending on the language of the law which enables it.

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<sup>8</sup> Authorized by ORC § 5705.194.

<sup>9</sup> Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

<sup>10</sup> If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

subject to reduction factors<sup>11</sup> which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.<sup>12</sup>

However, under state law, in order to receive state foundation funding, a district must collect a minimum of 20 mills in property taxes for general purposes, or current expenses.<sup>13</sup> In order to prevent a district from failing to meet this minimum threshold, reduction factors stop being applied once a district reaches an effective rate of 20-mills, colloquially known as the 20-mill floor. Practically speaking, this means that if a district's effective tax rate is reduced to 20 mills for current expenses, the amount of revenue generated from levies will increase with property values unless a new operating levy is approved by voters. It is important to note, as discussed below, not all levies count toward the 20-mill floor.

Ultimately, the mixture of property taxes approved by voters can have a wide ranging impact on both the revenues collected by a district and the amount of tax that individual property owners are required to pay on an annual basis.

### *Income Tax*

A school district income tax is an alternative method of raising local revenue. Like property taxes, an income tax must be approved by voters and may be for either general use or specific purposes, such as bond repayment. Once approved, a tax becomes effective on January 1<sup>st</sup> of the following year. Unlike municipal income taxes which are generally levied on wages earned in the municipality by both residents and nonresidents, school district income taxes are levied on wages earned by residents of the district, regardless of where the resident may work. Businesses operating within the school district are also not required to pay the income tax.

A school board, when determining that an income tax is necessary for additional revenue, must submit a resolution to the Ohio Tax Commissioner identifying the amount of revenue to be raised and the tax base to be used for calculations. A school district income tax can be assessed on either a traditional tax base or an earned income tax base. The traditional tax base uses the same income base as Ohio's income tax and the earned income tax base is only earned income from an employer or self-employment. Under the earned income tax base, income such as capital gains or pension payments is not taxable, though this type of income may be taxed under the traditional tax base. Once this information is received, the Tax Commissioner identifies the income tax rate and equivalent property tax millage for the district.

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<sup>11</sup> ORC § 319.301

<sup>12</sup> We are providing this information for historical purposes only. The law which regulates collection of on outside millage has been amended since enacted in 1976. The District should consult with the most current version of the law for a clear understanding of how this process works today.

<sup>13</sup> The term 'current expense' refers to revenue generated from levies that are not restricted in their use. It does not include bonds or levies that generate revenues for restricted funds, such as Permanent Improvement levies.

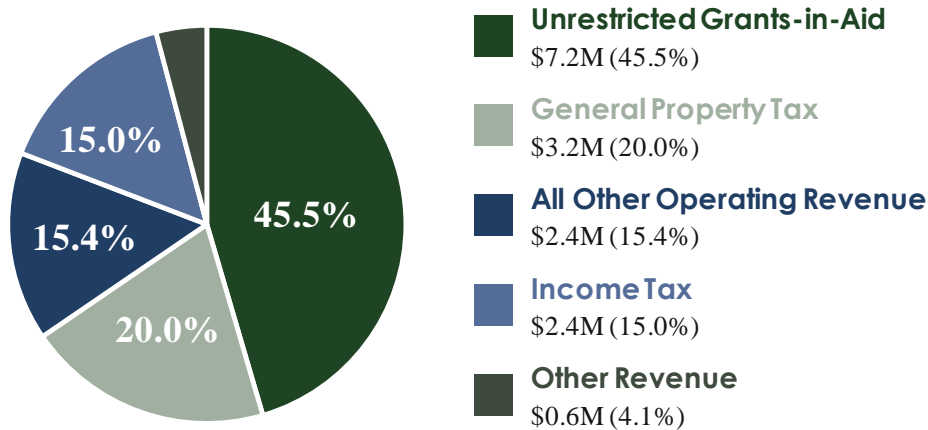
The Ohio Department of Taxation collects income tax through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state under the same rules and guidelines as are currently used for state income taxes. Districts receive quarterly payments from the Department of Taxation each year; each payment is for the amount collected during the prior quarter. A district receives the total amount of revenue collected less a 1.5 percent fee retained by the state for administration purposes. The amount of revenue collected via income tax each year will vary based on the earnings of the district’s residents.

## NLSD Revenues

A school district budget is comprised of revenues and expenditures. In FY 2020, the District’s total general fund revenue was approximately \$15.8 million. The District’s primary sources of revenue are local revenue from income and general property taxes and state foundation funding. The remaining revenue is comprised of a variety of sources as seen below.

### FY 2020 Total General Fund Revenue Composition

**Total: \$15.8M**



Source: ODE

Note: Other Operating Revenue includes tuition, fees, earnings on investments, rentals, and donations.

Note: Other Revenue includes Restricted Grants-in-Aid and Property Tax Allocation.

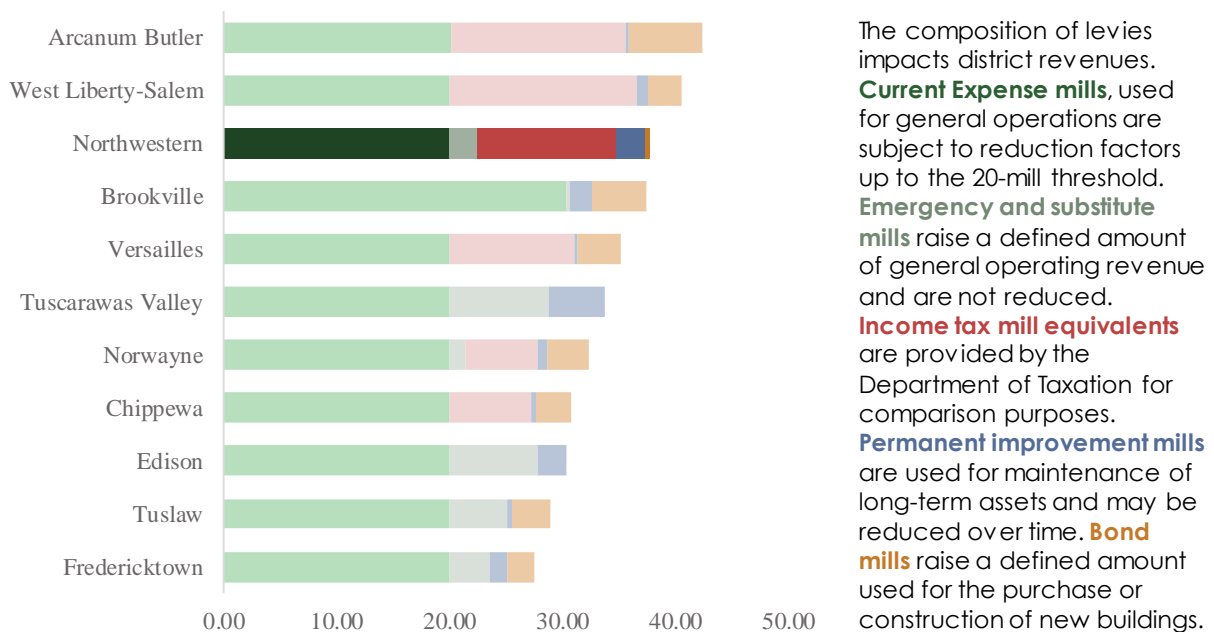
In 2020, NLSD collected revenues on 25.50 mills of property tax for residential properties.<sup>14</sup> This included 4.7 inside mills and 15.3 outside mills for current expenses. The District’s current expense millage rate is at the 20-mill floor and therefore not subject to reduction factors. In addition to the 20 mills for current expenses, the District collects additional property tax revenue

<sup>14</sup> According to the Ohio Department of Taxation, residential and agricultural property is considered Class 1 real estate. Commercial Property is considered Class 2 real estate and subject to a different set of reduction factors. The effective millage rate for Class 2 property in 2020 was 40.18.

that does not count towards the 20-mill floor. This includes millage designated for permanent improvements that is subject to reduction factors and collected revenues based on 2.6 mills in 2020, and a bond and emergency levy which collected 0.4 and 2.5 mills respectively and are not subject to reduction factors.

Because the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for NLSD to that of its peers. In the chart below, the green portion of the bar represents the current expense millage rate and several of the peers are also on the 20-mill floor. The grey portion represents emergency and substitute revenue which is not subject to reduction factors. The blue represents permanent improvement funds, and the orange represents bond funding. The District also has an income tax of 1.25 percent using a traditional income tax base, which is converted to millage equivalents in the chart below for comparison purposes. In FY 2020, this tax raised \$2.4 million that was used for general purposes. For this chart, we used the estimated millage equivalent for the District and peer income tax rates, which is represented in the bars in red and pink. The primary peer comparison is found in the chart below and represents all local revenues.

### 2020 Millage and Millage Equivalents | Primary Peers



Source: Ohio Department of Taxation

Overall, the District’s effective millage rate of 25.50 is less than its primary peers. However, when considering the existing income tax, the total estimated tax burden on residents is equivalent to 37.76 mills, which is among the higher totals within the peer group. It is important to understand that the revenue generated from bond and emergency levies will remain the same regardless of changes to property values as they are voted as a fixed-sum levy. The current

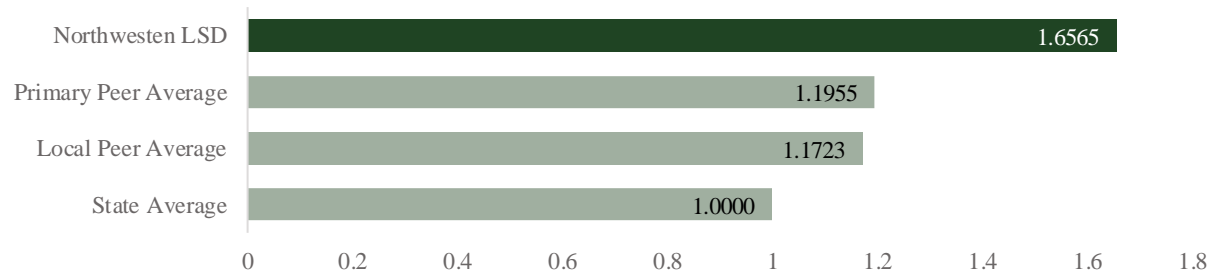
expense millage and permanent improvement millage also stay the same, until the 20-mill floor is hit for current expense taxes. At that point, a district on the floor would see additional revenues from increases in value to existing properties. The amount of revenue raised by the income tax will vary based on actual income earned by District residents in a given year.

## Local Tax Effort

ODE uses the Local Tax Effort Index as a measure of taxpayer support for the district in which they reside based on the capacity of the community. This index, one of a number of possible measures for evaluating local effort, was initially developed by the Division of Tax Analysis within the Ohio Department of Taxation and is calculated in the context of the residents' abilities to pay by determining the relative position of each school district in the state in terms of the portion of residents' income devoted to supporting public education. This index uses median income data and provides context to better understand a community's tax burden, not only compared to other districts, but also as a function of the residents' ability to pay.

On this sliding scale, a value of 1.0 indicates the state average, a baseline against which all districts in the state are weighed. If a district has a local tax effort below 1.0, residents provide a smaller portion of their available income to public education whereas a value above 1.0 indicates the community pays a larger portion of their available income to public education compared to the state average. The index is updated annually by ODE as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.

### FY 2020 Local Tax Effort Comparison



The District's local tax effort was compared to the state average and primary peers. The District has a local tax effort of 1.65. This is the 42<sup>nd</sup> highest local tax effort in the state, which is in the highest 10<sup>th</sup> percentile of all districts. By comparison, the primary peer average of 1.19 would rank approximately 200<sup>th</sup> out of all districts, or about the 33<sup>rd</sup> percentile. NLSD's local tax effort could change as a result of the passage of any additional levy initiatives.

## Revenue per Pupil

Revenue per pupil, broken down by type of funding, is another way to compare funding sources between Ohio school districts. The District receives approximately \$12,100 per pupil, with

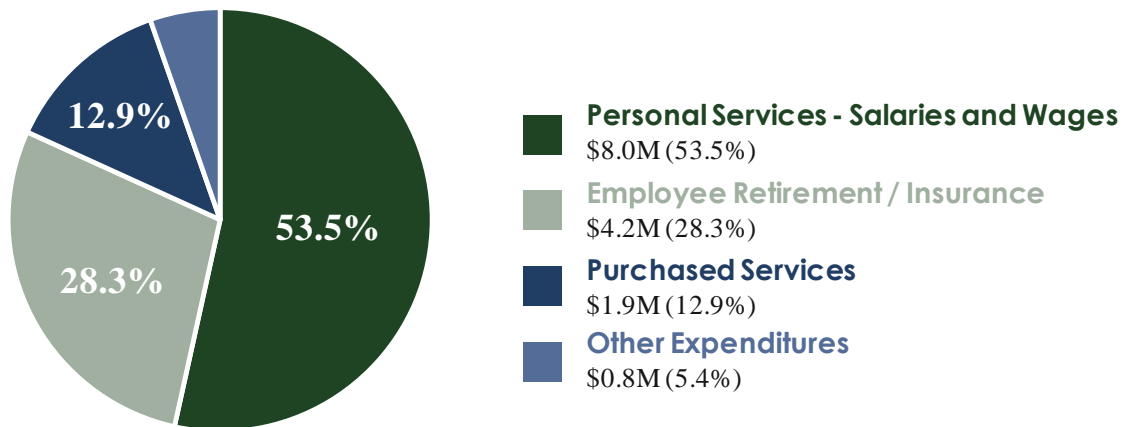
\$6,100 or 50.8 percent coming from local revenue sources. The primary peer average is approximately \$11,500 per pupil, with \$6,100 or 53 percent coming from local revenue sources. The District’s local revenue is higher than the primary peer average.

## Expenditures

Generally speaking, human resources is the most significant source of expenditures for an organization. As seen in the chart below, approximately \$12.2 million, or 81 percent, of District expenditures in FY 2020 were related to employee salaries and wages, retirement, and insurance benefits.

### FY 2020 Total General Fund Expenditure Composition

**Total: \$14.9M**



Source: ODE

Note: Other Expenditures includes Capital Outlay, Supplies and Materials, Other Objects, and Other Financing Uses.

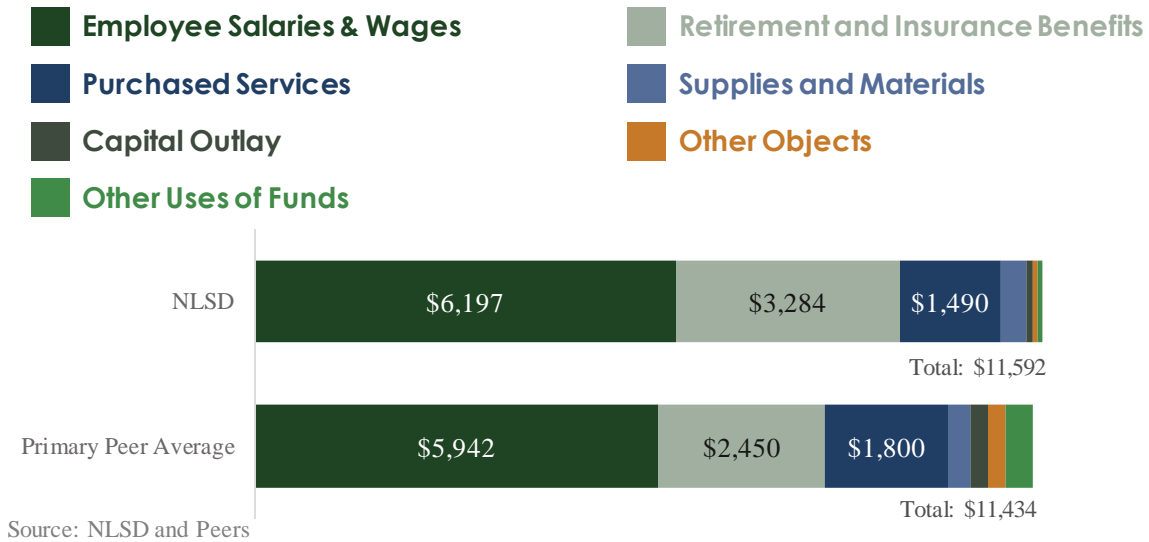
## Expenditure per Pupil

In FY20 NLSD spent approximately \$11,500 per pupil, which is slightly higher than the primary peer average spending of \$11,400 per pupil. While total spending is similar to the peer average, spending in various categories differs slightly. The District spent more than the primary peer average on employee salaries and wages, employee benefits, and supplies and materials and less than the primary peer average on purchased services, capital outlay, other objects, and other uses of funds.<sup>15</sup>

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<sup>15</sup> The category of “Other Objects” includes things such as interest on loans, memberships in professional organizations, County Board of Education contributions, and various types of non-healthcare insurance. “Other Uses of Funds” mainly consists of transfers, contingencies, and advances within the various accounting dimensions.

### FY 2020 Total Expenditures Per Pupil



## Results of the Audit

Based on an initial analysis of the District’s data as compared to its peer groups, the following scope areas were included for detailed review and further analyses: Financial Management, and the operational areas of Human Resources, Facilities, Food Service and Transportation. We identified three recommendations which would result in reduced expenses or improve the District’s operational management based on industry standards and peer averages.

### Summary of Recommendations

Recommendations	Savings
<b>R.1 Ensure Accurate Forecasting</b>	N/A
<b>R.2 Eliminate General Education Teacher Positions above the Peer Average</b>	<b>\$339,000</b>
<b>R.3 Align CBA Provisions</b>	<b>Not Calculated</b>
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$339,000</b>

Note: Numbers in table were rounded down for readability purposes.

The recommendations contained in this audit provide District officials with options that should be reviewed in identifying the best course of action for the community in relation to future staffing within NLSD. While the District may choose to only implement a portion of our recommendations, the results of the audit provide officials with a framework for reviewing personnel decisions going forward.

The financial impact of this audit’s recommendations on the May 2021 five-year forecast are

Efficient • Effective • Transparent



shown in the following table. The combination of correcting errors in the five-year forecasts and implementing the performance audit recommendations will assist NLSD in maintaining fiscal solvency.

### Results of the Audit Recommendations

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Original Ending Fund Balance</b>	\$3,607,121	\$3,376,983	\$2,596,845	\$1,241,707
Cumulative Balance of Recommendations	\$339,244	\$678,487	\$1,017,731	\$1,356,974
<b>Revised Ending Fund Balance with Recommendations</b>	<b>\$3,946,365</b>	<b>\$4,055,470</b>	<b>\$3,614,576</b>	<b>\$2,598,681</b>

Source: NLSD

# Financial Management

Any organization needs to consider both short-term needs and long-term goals when developing policies and procedures related to financial management. This requires strategic planning in order to identify the best use of available resources. School districts in particular must have sound planning processes in place so that they can effectively and transparently provide services to their residents. We reviewed NLSD's financial management policies in order to determine if there were areas for improvement.

## Recommendation 1: Ensure Accurate Forecasting

NLSD should implement appropriate oversight to the forecasting process to ensure forecasts are accurate.

### Impact

Accurate forecasts are essential to the District leadership having appropriate information to make operational decisions that have financial impacts. In addition, accurate forecasts ensure the District is transparent with public funds.

### Background

In November 2020, the District submitted a five-year forecast which projected that it would end FY 2021 with a negative fund balance. NLSD further projected that the deficit would continue to grow during the forecast period, ending with a negative fund balance of more than \$5.3 million by the end of FY 2025.

During the course of the audit, which was initiated due to the projections in the November 2020 five-year forecast, the District underwent contract negotiations which identified errors contained in the data used to compile the five-year forecast document. These errors caused information to be misstated in the forecast. After making appropriate corrections, the District's five-year forecast submitted in May 2021 projected positive fund balances throughout the entire forecast period.

### Methodology

In order to determine if the District's forecasting practices were consistent with leading practices, past and present five-year forecasts and forecast assumptions were reviewed. District officials were contacted to obtain information regarding forecasting practices. Criteria from the Government Finance Officers Association (GFOA) was used as a benchmark standard for forecasting.

## Analysis

According to District officials, NLSD transitioned to a new finance system in FY 2018. When completing the FY 2018 five-year forecasts, the wrong report was used to extract financial report data. The error occurred again in FYs 2019 and 2020. During negotiations for the District's most recent collective bargaining agreement (CBA), the Ohio Education Association's financial analysis identified the report data error. The District fixed the error and found the correct report needed to extract accurate data. The accurate data was then confirmed by Rea & Associates, a public accounting firm, who was hired by the Board to examine the forecast after the error was discovered.

The correction of the error resulted in a change in the forecast's net ending fund balance. The November 2020 forecast projected a deficit fund balance of \$5,380,993 at the end of the forecast period in FY 2025, and after correcting errors the May 2021 forecast projected a positive fund balance of \$1,241,700 during the same timeframe.

When comparing the two forecasts, overall revenue identified in FY 2020 increased by approximately \$430,000. This was spread over the following line items and represents actual revenues for FY 2020:

- General Property Tax (Real Estate) increased by \$23,000.
- Unrestricted Grants-in-Aid increased by \$176,000.
- Restricted Grants-in-Aid increased by \$235.
- Property Tax Allocation increased by \$11,000.
- All Other Operating Revenue increased by \$221,000.

Further, total expenditures reported in FY 2020 were lower in the May 2021 forecast compared to the November 2020 forecast by approximately \$725,000. This was spread over the following line items and represents actual expenditures for FY 2020:

- Personal Services - Employee Salaries & Wages decreased by (\$298,000.)
- Employees' Retirement and Insurance Benefits decreased by (\$245,000.)
- Purchased Services decreased by (\$181,000.)

The combined impact of changes to revenues and expenditures reported for FY 2020 resulted in an ending fund balance on the May 2021 forecast that was more than \$1.1 million higher than the balance reported on the November 2020 forecast. The corrections to revenue and expenditure reported throughout the May 2021 forecast resulted in the District projecting a positive fund balance through FY 2025. The District was unable to explain the reasons behind these changes to the forecast.

According to *Financial Forecasting in the Budget Preparation Process* (GFOA 2014), regarding best practices in forecasting and the budget preparation process, they recommend the following:

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Efficient • Effective • Transparent

Governments at all levels forecast major revenues and expenditures. The forecast should extend several years into the future. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to stakeholders in the budget process. It also should be concisely presented in the budget document. The forecast should be regularly monitored and periodically updated.

The District's forecasts were misstated in FYs 2018, 2019, and 2020, an error which made a significant impact to the District's net ending fund balance and precipitated this performance audit. The error was only discovered by a third party union negotiator, and later confirmed by Rea & Associates.

## **Conclusion**

Although the District regularly updates its forecast and publishes underlying assumptions in line with state requirements, the District did not have adequate oversight to ensure the five-year forecast was accurate in previous years. This is an internal control deficiency which should be addressed by District leadership. The District should work to ensure appropriate controls and oversight are in place to prevent future errors. In addition to stronger internal controls, one tool that could assist in this process may be a software program designed for five year forecasting, with features that could assist in detecting unusual changes in data elements (or incorrect data entry).

# Human Resources

Human resource (HR) expenditures are significant to both the operational and financial conditions within school districts. Specifically, personnel costs (i.e. salaries and benefits) accounted for approximately \$12.1 million or more than 81 percent of NLSD’s General Fund expenditures in FY 2020, which had a significant impact on the District’s budget and financial condition. OPT reviewed NLSD’s staffing levels, salaries, and CBA provisions and compared them to peer districts. We also reviewed Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) requirements<sup>16</sup> to determine areas where the District could save money through reductions.<sup>17</sup>

## Recommendation 2: Eliminate General Education Teacher Positions above the Peer Average

NLSD should eliminate general education teacher positions above the primary peer to reduce overall personnel costs.

### Impact

By reducing 4.39 general education teacher positions to be in line with the primary peer average, the District could save an average of approximately \$339,000 annually.<sup>18</sup>

### Methodology

Staffing levels for the District were identified and compared to primary peer averages for all analyses (See Appendix D).<sup>19</sup> In order to make data-driven decisions, the data was normalized on a per-1,000 student level and compared to the primary peer average.

### Analysis

In total, NLSD employs 60.4 FTE general education teachers. On a FTE per 1,000 student basis, the District employs 48.71 FTEs relative to the primary peer average of 45.04 FTEs. Based upon this metric, the District could reduce a total of 4.5<sup>20</sup> general education teacher FTEs to be in line

<sup>16</sup> Ohio Rev. Cod §§ 124.39, 3319.071, 3317.084, 3319.087, 3319.141, 3319.142, 3319.17, 3319.22 and Ohio Admin. Code § 3301-35-05.

<sup>17</sup> Title 1, Special Education, and auxiliary staffing is excluded from our analysis due to various requirements. Appendix C contains additional detail regarding our methodology for the staffing analysis.

<sup>18</sup> The value of the savings for all staffing recommendations were based on the lowest tenured employee salaries. Benefits include medical, dental, and life insurance, Medicare, and retirement.

<sup>19</sup> A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODE reporting guidelines.

<sup>20</sup> Rounded down from 4.55 FTE.

with the peer average. A reduction of 4.5 FTE general education teachers would result in annual cost savings of approximately \$339,000.<sup>21</sup> The following table shows NLSD's current general education teacher staffing levels on a per 1,000 student basis relative to the peer average.

## Conclusion

The District is overstaffed by 4.39 general education teacher FTEs as compared to the primary peer average. NLSD should align general education teacher staffing with the primary peer average in order to realize annual cost savings of approximately \$339,000.

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<sup>21</sup> Note: The least-tenured general education teacher was a .89 FTE, so the final reduction made was 4.39 FTEs. The District would likely not be able to reduce a teaching FTE by .11 FTEs in order to reach the 4.5 FTE total.

## Recommendation 3: Align CBA Provisions

NLSD should align its CBA provisions with the peers and/or Ohio Revised Code (ORC) requirements.

### Impact

While there is no identified financial implication of this recommendation, the District's CBAs contain certain provisions that may increase future liabilities. Aligning these provisions would reduce future expenditures, the extent to which is not calculated in this audit.

### Methodology/Analysis

NLSD's certified and classified CBAs<sup>22</sup> were compared to the peer averages and ORC requirements. NLSD's CBA provisions were more generous than that of the peers and/or ORC requirements for severance payouts, vacation leave, and sick leave accumulation.

**Severance Payout:** When an individual officially retires from the District, they are eligible to receive one-fourth of the accumulated and unused sick leave up to a maximum of 65 days. In order to be eligible for this payment, an individual must receive official notification and the first retirement paycheck from the appropriate retirement system. The retirement process must be completed within nine months of having the retirement accepted by the District Board to be eligible for severance payout.

The District also currently offers a retirement notification incentive to staff who alert the District of their intent to retire, but peer districts do not. The benefit for certificated employees equals an additional five days of compensation at the individual's per diem rate. In order to be eligible for this bonus, an individual must notify the Board of their intent to resign no later than January 31<sup>st</sup> prior to the end of the final school year. The benefit for classified employees is a bonus of \$250.

The District's severance payout of up to 65 days is less than the peers who provide an average of 69 days at retirement. However, the benefit is more generous than the requirement identified in ORC § 124.39, which requires the District to provide up to 30 days of accumulated leave payout at retirement. A specific financial impact of this provision cannot be calculated as there are no guarantees that retiring employees will have sick leave balances greater than the ORC requirement. However, it does put the District in a position to potentially have increased liabilities over time, should employees retire with large sick leave balances.

**Vacation Leave:** Similarly, NLSD offers less vacation leave for classified employees than peer districts but more than required by ORC § 3319.084. NLSD offers a total of 500 hours of vacation leave over a 30-year career, while the peers offer an average of 503 hours. ORC §

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<sup>22</sup> For districts whose CBAs had expired, it was verified that the Districts were still operating under the expired contracts until a new agreement had been reached with the corresponding bargaining unit.

3319.084 indicates that an employee earns 460 total hours of vacation leave over a 30-year career. The District's CBA does not mention a cap on unused accrued vacation leave.

**Sick Leave:** The District's sick leave accumulation policy is more generous relative to both peer districts and ORC § 3319.141 requirements for both certified and classified employees.<sup>23</sup> NLSD offers a total of 15 days a year and can accrue up to 305 days of sick leave. The average amount of sick leave that can be accumulated by certified and classified employees at peer districts is 290 days and 296 days, respectively. While the District does have policies in place limiting the amount of sick leave an employee is able to be paid out, allowing employees to accumulate large quantities of sick leave could place the District in a position to be at risk for increased future liabilities.

## Conclusion

Relative to ORC requirements, NLSD is at risk of being responsible for higher levels of severance payouts, and employee usage of vacation time and sick leave. The District is also at risk of employees using higher amounts of sick leave relative to the local peers. As such, the District should work to align its CBAs with the peers and ORC requirements.

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<sup>23</sup> The peer average for classified employees excludes Mapleton LSD as this district allows for unlimited sick leave accumulation.



## Client Response Letter

Audit standards and AOS policy allow clients to provide a written response to an audit. The letter on the following page is the Northwestern Local School District's official statement in regards to this 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.

# Northwestern Local School District

7571 North Elyria Road  
West Salem, Ohio 44287-9707

Superintendent - (419) 846-3151 x.1  
Treasurer - (419) 846-3400 x.3

**Jeffrey N. Layton, Ed.D.**  
*Superintendent*

**Julie H. McCumber**  
*Associate Superintendent*

**Cathie L. Franks**  
*Executive Secretary*  
*EMIS Coordinator*



Pride & Tradition

**Lesa L Forbes**  
*Treasurer*

**Sherri L. Hamilton**  
*Assistant to the Treasurer*

**Jamie L. Imhoff**  
*Transportation Administrative*  
*Secretary*

January 25, 2021

Mr. Keith Faber, Auditor  
Office of the Auditor of State  
88 E Board Street, 5<sup>th</sup> Floor  
Columbus, OH 43215

Auditor Faber,

The Northwestern Local Schools Board of Education would like to thank you and the auditing team for their dedicated efforts in providing the district with a State Performance Audit. The Northwestern Local Schools Administration is committed to identifying efficiencies in the district's operations, thereby reducing overall operational costs.

The performance audit is anticipated to be released in February 2022, and the Board anxiously awaits the January 31<sup>st</sup> executive session meeting regarding the final draft of the report and would be in favor of the Performance team presenting the final report during open session of an upcoming Board of Education Meeting.

Northwestern has taken our obligations of balancing educational effectiveness with financial prudence and efficiencies. Our efforts to provide opportunities for our students, fair compensation for our employees, and maintain a fair tax burden (overall effective millage and income tax) of our taxpayers are evident in this report. Northwestern is committed to improving district performance, cost reductions, and the on-going financial analysis to provide a platform for data driven decisions. This, in addition to financial hardships the district has faced led to our requests over the past few years for a State Performance Audit to be conducted. The process is providing the Board with an unbiased, detailed, third-party perspective of overall finances and the obstacles faced by the district; including that if state revenue.

**DISTRICT COMMENTS REGARDING THE PERFORMANCE AUDIT:**

- Ensure Accurate Financial Forecasting:
  - ✓ The district is pursuing **Forecast Five** software to support and consult regarding the treasurer forecasting.
  - ✓ Each year the district now directs the auditors performing our district audit to analyze the five year forecast and the assumptions used in formulating the forecast.
  
- Eliminating General Education Teacher Positions above the peer average (Human Resources):
  - ✓ Most position reductions implemented in recent years and for 2021-2022 school year were positions absorbed through attrition. We were also forced to enact a reduction in force for some positions. Personnel is an area that is heavily monitored by the district due to the significant percentage of the budget which personnel comprise. Many of these personnel reductions had occurred following this FY 2021 audit.
  - ✓ The district concluded a lengthy and very difficult negotiations in August, 2020, in which a negotiated agreement was ratified including decreases of the district's former 92% of premium insurance co-pays to 85% in addition to medical insurance plan changes phased-in throughout the 2020-2021 school year. These changes were only partially realized through this FY 2021 audit.
  
- Align CBA Provisions:
  - ✓ The district and unions currently have a ratified 3-year negotiated agreement in place through June 30, 2024. We will continue to analyze and address the alignment of our CBA (Collective Bargaining Agreements) with that of peer school districts.

The Northwestern Local School District Board of Education would like to acknowledge the professionalism of the Performance Audit Team and the ease with which the Team worked with representatives of the District at all levels. The insight gained through this process will perpetuate upcoming operational decisions and staffing development by the district administrative staff.

Sincerely,

Jeffrey N. Layton, Ed.D., Superintendent

Lesa Forbes, Treasurer

# Appendix A: Purpose, Methodology, Scope, and Objectives of the Audit

## Performance Audit Purpose and 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.

Generally accepted government auditing standards (GAGAS) 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.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Scope and Objectives

In order to provide the District with appropriate, data driven, recommendations, the following questions were assessed within each of the agreed upon scope areas:

### Audit Scope, Objectives, and Recommendations

Objective	Recommendation
<b>Financial Management</b>	
Are the District’s forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	<b>R.1</b>
Are the District’s strategic planning practices consistent with leading practices?	<b>No Recommendation:</b> We reviewed the District’s planning practices and found them to be in line with industry standards.
Is the District’s General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District’s financial condition?	<b>No Recommendation:</b> We reviewed the District’s extracurricular activities expenditures. The expenditures were subsidized less per pupil than the local peer average.

Are the District's purchasing practices consistent with leading practices and appropriate based on the District's financial condition?	<b>Verbal Recommendation:</b> Due to the minor nature of the variance from expected performance.
<b>Human Resources</b>	
Is the District's EMIS data process sufficiently reliable and consistent with leading practices?	<b>No Recommendation:</b> The District's EMIS data is sufficient reliable.
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	<b>R.2</b>
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	<b>Verbal Recommendation:</b> Due to the minor nature of the variance from expected performance.
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	<b>R.3</b>
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	<b>No Recommendation:</b> The District's Health and Dental insurance expenditures are lower than the County average.
Are the District's expenditures dedicated to professional and technical services consistent with peers and appropriate based on the District's financial condition?	<b>No Recommendation:</b> The District's Professional & Technical Services (Object 410) expenditures per pupil are lower than the primary peer average.
<b>Facilities</b>	
Are the District's facility staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	<b>No Recommendation:</b> The District's facilities staffing is lower than the industry standard.
Is the District's building utilization appropriate in comparison to leading practices, industry standards, and the District's financial condition?	<b>No Recommendation:</b> The District's buildings are slightly lower than industry standards. However, the District's enrollment trend is increasing.
Are the District's non-regular labor expenditures appropriate in comparison to peers, leading practices, industry standards, and the District's financial condition?	<b>No Recommendation:</b> The District's non-labor costs are higher than the peer average only due to a one-time cleaning expense.
Are the District's facilities preventive maintenance practices consistent with leading practices and industry standards?	<b>No Recommendation:</b> We reviewed the District's preventative maintenance practices and found them to be in line with industry standards.
<b>Transportation</b>	
Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?	<b>No Recommendation:</b> The District's fleet is sized according to best practices.
Are the District's bus replacement practices consistent with leading practices?	<b>Verbal Recommendation:</b> Due to the minor nature of the variance from expected

	performance.
Is the District’s fuel purchasing practice resulting in efficient pricing?	<b>Verbal Recommendation:</b> Due to the minor nature of the variance from expected performance.
Is the District’s fleet maintained efficiently?	<b>Verbal Recommendation:</b> Due to the minor nature of the variance from expected performance.
<b>Food Service</b>	
Is the District’s food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District’s financial condition?	<b>No Recommendation:</b> District’s food service operation is consistent with leading practices.

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. The following internal control components and underlying principles were relevant to our audit objectives<sup>24</sup>:

- Control environment:
  - We assessed the District’s exercise of oversight responsibilities in regards to detecting improper payroll reporting and benefits administration, and
  - We assessed the District’s activities associated with its purchasing practices.
- Risk Assessment:
  - We considered the District’s activities to assess fraud risks.
- Information and Communication:
  - We considered the District’s use of quality information in relation to its financial and data reporting to ODE, specifically its five-year forecast, transportation, facility, and staffing data.
- Control Activities:
  - We considered the District’s compliance with applicable laws and contracts, including with outside stakeholders and employees
- Monitoring:
  - We considered the District’s monitoring activities concerning its building usage and enrollment.

As discussed in **R.1**, an internal control deficiency related to the District’s forecasting methodology was identified. This deficiency resulted in inaccurate five-year forecasts being submitted to ODE, which further led to the initiation of this audit. Additionally, in the course of

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<sup>24</sup> We relied upon standards for internal controls obtained from *Standards for Internal Control in the Federal Government* (2014), the U.S. Government Accountability Office, report GAO-14-704G

the audit, coding errors relating to expenditures were discovered. These errors did not impact the audit and were relayed to the District.

## 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 similar 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. The Table below shows the Ohio school districts included in these peer groups.

### Peer Group Districts

#### Primary Peers

- Arcanum Butler Local SD, Darke
- Brookville Local SD, Montgomery
- Chippewa Local SD, Wayne
- Edison Local SD, Erie
- Fredericktown Local SD, Knox
- Norwayne Local SD, Wayne
- Tuscarawas Valley Local SD, Tuscarawas
- Tuslaw Local SD, Stark
- Versailles Ex Vill SD, Darke
- West Liberty-Salem Local SD, Champaign

#### Local Peers (Compensation, Benefits, and Bargaining Agreements)

- Black River Local SD, Medina

- Hillsdale Local SD, Ashland
- Mapleton Local SD, Ashland
- Norwayne Local SD, Wayne
- Triway Local SD, Wayne
- Wooster City SD, Wayne

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. 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. Each recommendation in this report describes the specific methodology and criteria used to reach our conclusions.



## Appendix B: Financial Systems

The following charts provide the local tax effort for both primary and local peers, as well as the General Fund millage for local peers.

### 2020 Local Tax Effort Comparison | Primary Peers

	<b>LTE</b>	<b>Rank</b>	<b>Percentile</b>
Northwestern	1.6565	42	6.92%
Arcanum Butler	1.5740	62	10.21%
West Liberty-Salem	1.4929	83	13.67%
Brookville	1.2169	170	28.01%
Versailles	1.2119	173	28.50%
Norwayne	1.1822	184	30.31%
Chippewa	1.0878	235	38.71%
Edison	1.0651	253	41.68%
Tuscarawas Valley	0.9559	322	53.05%
Fredericktown	0.9551	323	53.21%
Tuslaw	0.7527	466	76.77%
<b>Peer Average</b>	<b>1.1495</b>	<b>201</b>	<b>33.11%</b>

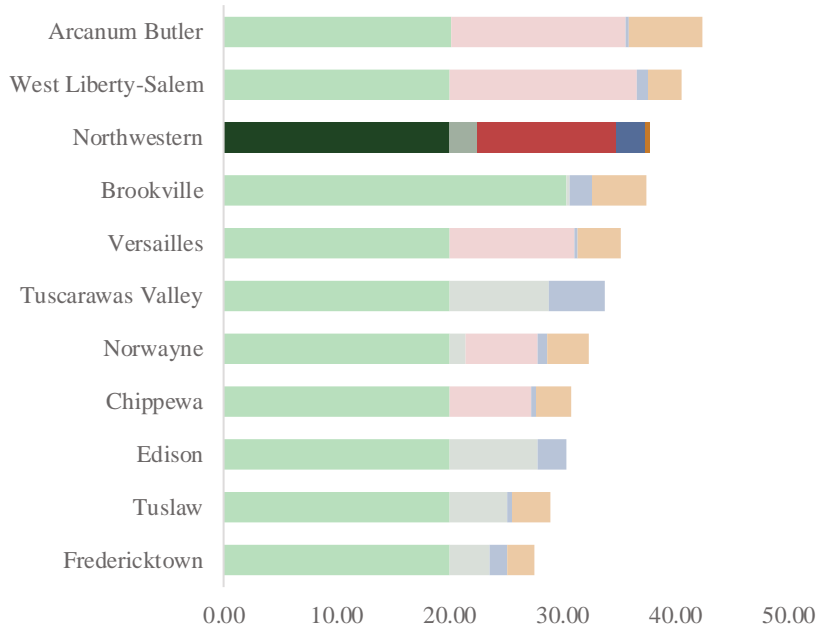
Source: ODE

### 2020 Local Tax Effort Comparison | Local Peers

	<b>LTE</b>	<b>Rank</b>	<b>Percentile</b>
Northwestern	1.6565	42	6.92%
Hillsdale	1.5974	57	9.39%
Triway	1.2585	150	24.71%
Norwayne	1.1822	184	30.31%
Black River	1.0913	232	38.22%
Wooster	1.0394	270	44.48%
Mapleton	0.8651	378	62.27%
<b>Peer Average</b>	<b>1.2415</b>	<b>157</b>	<b>25.86%</b>

Source: ODE

## 2020 Millage and Millage Equivalents | Primary Peers



The composition of levies impacts district revenues. **Current Expense mills**, used for general operations are subject to reduction factors up to the 20-mill threshold. **Emergency and substitute mills** raise a defined amount of general operating revenue and are not reduced. **Income tax mill equivalents** are provided by the Department of Taxation for comparison purposes. **Permanent improvement mills** are used for maintenance of long-term assets and may be reduced over time. **Bond mills** raise a defined amount used for the purchase or construction of new buildings.

Source: Ohio Department of Taxation

Some districts, like NLSD, collect revenue from an income tax on district residents. The Ohio Department of Taxation calculates the estimated amount of millage that would need to be raised in a given year to replicate the revenue generated by an income tax. The table below shows the income tax rate, revenue, and estimated millage equivalents for NLSD and peer districts based on 2020 tax revenue.

## 2020 Income Tax Revenue and Millage Equivalents

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
West Liberty-Salem	1.75%	\$2,639,721	16.5827
Arcanum Butler	1.50%	\$2,237,467	15.3982
Northwestern	1.25%	\$2,402,893	12.2565
Versailles	1.00%	\$2,185,825	11.0282
Chippewa	1.00%	\$2,109,339	7.2284
Norwayne	0.75%	\$1,318,452	6.4100
Edison	-	-	-
Fredericktown	-	-	-
Tuscarawas Valley	-	-	-
Tuslaw	-	-	-
Brookville	-	-	-

Source: Ohio Department of Taxation

## Appendix C: Financial Management

We analyzed the types of revenues and expenditures associated with extracurricular activities. The analysis included identifying costs by type and determining the amount of expenditures from the General Fund. The District subsidized its extracurricular activities 16.4 percent less than the local peer average.

### FY 2020 Student Extracurricular Activity Net Cost Comparison

Students Activity Type	NLSD			Local Peer Avg.
	Rev.	Exp.	1,284 Net Cost	1,444 Net Cost
Academic Oriented	\$0	\$30,160	(\$30,160)	(\$109,959)
Occupation Oriented	\$0	\$57,302	(\$57,302)	(\$29,387)
Sport Oriented	\$0	\$369,506	(\$369,506)	(\$353,069)
School & Public Service Co-Curricular	\$0	\$311,488	(\$311,488)	(\$56,232)
Bookstore Sales	\$0	N/A	\$0	\$23
Other Extracurricular	\$329,041	N/A	\$329,041	\$118,168
Non-specified <sup>1</sup>	\$66,433	N/A	\$66,433	\$56,462
<b>Total</b>	<b>\$395,474</b>	<b>\$768,456</b>	<b>(\$372,982)</b>	<b>(\$373,994)</b>
Total General Fund Direct Revenue			\$144.00	\$14,233.89
Total General Fund Direct Expenditures			\$281,415.22	\$339,707.23
Total General Fund Transfers			\$0.00	\$53,028.66
<b>Total General Fund Subsidy of Extracurricular Activities</b>			<b>\$281,271.22</b>	<b>\$378,502.00</b>
<b>Total General Fund Subsidy of Extracurricular Activities per Pupil</b>			<b>\$219.06</b>	<b>\$262.12</b>
<b>Total Difference in General Fund Subsidy to Local Peer Average</b>			<b>(\$55,289.04)</b>	
<b>Remaining General Fund Subsidy</b>			<b>\$281,271.22</b>	

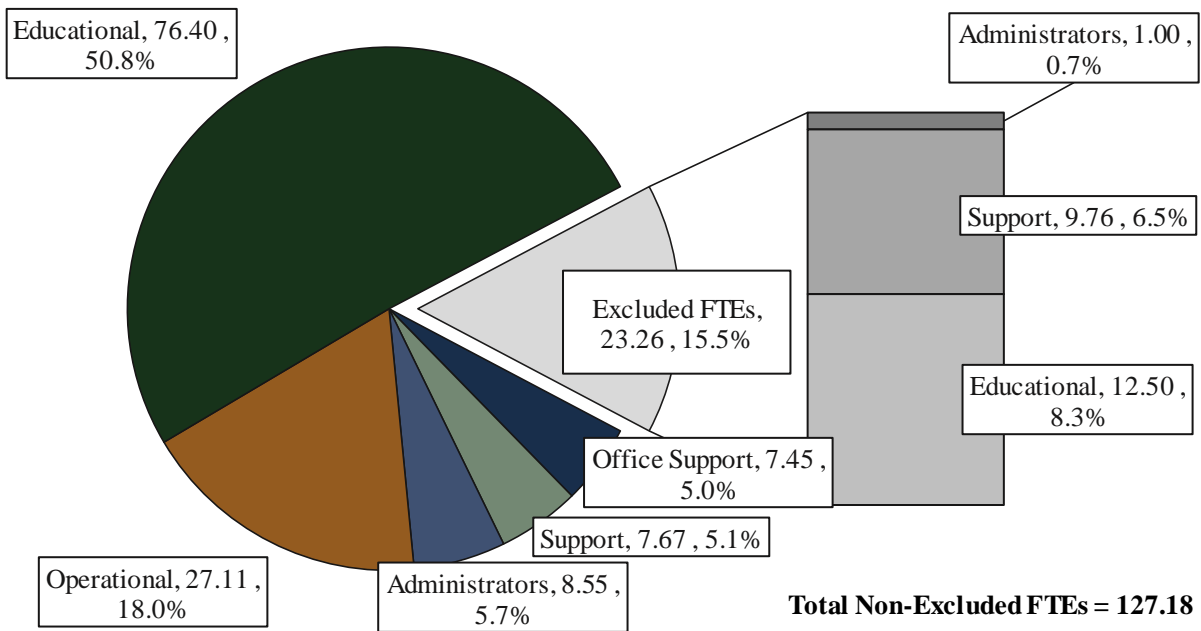
Source: NLSD, local peers, and ODE

<sup>1</sup> Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

# Appendix D: Human Resources

Personnel costs represent 81.8 percent of the District’s spending. Due to this, we conducted several analyses relating to the expenses associated with maintaining existing staffing levels. During the course of our analysis, we routinely excluded staff that are designated as Title 1 or Special Education as a result of specific rules relating to the funding of these individuals.<sup>25</sup> The following chart shows the breakdown of FTEs by category at NLSD.

FTEs by Category with Excluded FTEs Breakout



Source: NLSD

We excluded 23.26 FTE District employees from our analysis as they are considered Special Education or Title 1 employees and are paid using federal funds, such as occupational therapists, speech and language therapists, and educational interpreters. This represents 15.5 percent of all NLSD staff.

## Staffing Comparison Tables

The following tables illustrate the District’s employee FTEs compared to the primary peer average. In order to allow for more precise comparison, employees were compared on an FTE

<sup>25</sup> Also excluded from the analysis were employees designated as “auxiliary” staff. These staff are excluded from analysis because they do not provide services directly to the school district and are paid from a separate fund.

per 1,000 student basis. This calculation (shown below) allows for a more accurate comparison between districts when student counts differ.

### Adjusted Difference in FTEs Equation

$$\left[ \frac{\text{Client FTE}}{\left( \frac{\text{Client Enrollment}}{1,000} \right)} \right] - \left[ \frac{\text{Peer Avg FTE}}{\left( \frac{\text{Peer Avg Enrollment}}{1,000} \right)} \right] * \left( \frac{\text{Client Enrollment}}{1,000} \right)$$

### Central Office Administrator Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Assistant, Deputy/Associate Superintendent	1.00	0.77	0.00	0.77	1.00
Supervisor/Manager	0.00	0.00	0.92	(0.92)	(1.20)
Coordinator	1.55	1.19	0.62	0.57	0.74
Education Administrative Specialist	0.00	0.00	0.04	(0.04)	(0.05)
Director	0.00	0.00	0.46	(0.46)	(0.60)
Other Official/Administrative	0.00	0.00	0.14	(0.14)	(0.18)
<b>Total</b>	<b>2.55</b>	<b>1.96</b>	<b>2.18</b>	<b>(0.22)</b>	<b>(0.29)</b>

Source: NLS and ODE

### Building Administrator Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
Buildings	3.0	3.1	(0.1)		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Assistant Principal	1.00	0.77	0.75	0.02	0.03
Principal	3.00	2.30	2.44	(0.14)	(0.18)
Dean of Students	0.00	0.00	0.06	(0.06)	(0.08)
<b>Total</b>	<b>4.00</b>	<b>3.07</b>	<b>3.25</b>	<b>(0.18)</b>	<b>(0.23)</b>

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<b>Position</b>	<b>FTEs</b>	<b>FTEs per Building</b>	<b>FTEs per Building</b>	<b>Difference per Building</b>	<b>Adjusted Difference in FTEs</b>
Assistant Principal	1.00	0.33	0.31	0.02	0.06
Principal	3.00	1.00	1.00	0.00	0.00
Dean of Students	0.00	0.00	0.03	(0.03)	(0.09)
<b>Total</b>	<b>4.00</b>	<b>1.33</b>	<b>1.34</b>	<b>(0.01)</b>	<b>(0.03)</b>

Source: NLS and ODE

### Teaching Staff Comparison – Career Tech

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	61.9	17.8	44.1		
Students Educated (Thousands)	0.0619	0.0178	0.0441		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Career-Technical Programs/Career Pathways	4.00	64.62	66.75	(2.13)	(0.13)

Source: NLS and ODE

### K-8 Teaching Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	917	887	30		
Students Educated (Thousands)	0.917	0.887	0.030		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Art Education K-8	2.00	2.18	1.87	0.31	0.29
Music Education K-8	2.50	2.73	2.24	0.49	0.45
Physical Education K-8	1.00	1.09	1.93	(0.84)	(0.77)

Source: NLS and ODE

### Non-Teaching Educational Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,240	1,248	(8)		
Students Educated (Thousands)	1.240	1.248	(0.008)		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Curriculum Specialist	0.00	0.00	0.40	(0.40)	(0.50)
Counseling	2.00	1.61	1.86	(0.25)	(0.31)
Remedial Specialist	0.00	0.00	0.56	(0.56)	(0.69)
Tutor/Small Group Instructor	0.50	0.40	1.20	(0.80)	(0.99)
Full-time (Permanent) Substitute Teacher	0.00	0.00	0.12	(0.12)	(0.15)
Other Educational	0.00	0.00	0.24	(0.24)	(0.30)

Source: NLS and ODE

### Professional Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Dietitian/Nutritionist	1.00	0.77	0.47	0.30	0.39
Psychologist	1.00	0.77	0.46	0.31	0.40
Social Work	0.00	0.00	0.08	(0.08)	(0.10)

Source: NLS and ODE

### Technical Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Computer Operating	1.00	0.77	0.52	0.25	0.33
Other Technical	0.00	0.00	0.15	(0.15)	(0.20)

Source: NLS and ODE

### Central Office Support Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Administrative Assistant	0.00	0.00	0.51	(0.51)	(0.66)
Accounting	0.00	0.00	0.08	(0.08)	(0.10)
Bookkeeping	1.00	0.77	1.33	(0.56)	(0.73)
Central Office Clerical	1.45	1.11	1.29	(0.18)	(0.23)
Records Managing	0.00	0.00	0.14	(0.14)	(0.18)
Other Office/Clerical	0.00	0.00	0.04	(0.04)	(0.05)
<b>Total</b>	<b>2.45</b>	<b>1.88</b>	<b>3.39</b>	<b>(1.51)</b>	<b>(1.97)</b>

Source: NLS and ODE

### Building Office Support Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
Buildings	3.0	3.1	(0.1)		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
School Building Clerical	5.00	3.84	3.87	(0.03)	(0.04)
Other Office/Clerical	0.00	0.00	0.14	(0.14)	(0.18)
<b>Total</b>	<b>5.00</b>	<b>3.84</b>	<b>4.01</b>	<b>(0.17)</b>	<b>(0.22)</b>
<b>Position</b>	<b>FTEs</b>	<b>FTEs per Building</b>	<b>FTEs per Building</b>	<b>Difference per Building</b>	<b>Adjusted Difference in FTEs</b>
School Building Clerical	5.00	1.67	1.58	0.09	0.27
Other Office/Clerical	0.00	0.00	0.06	(0.06)	(0.18)
<b>Total</b>	<b>5.00</b>	<b>1.67</b>	<b>1.64</b>	<b>0.03</b>	<b>0.09</b>

Source: NLS and ODE



## Library Staff Comparison

Students	Northwestern Local SD		Primary Peer Avg.	Difference	
Students Educated	1,302		1,266	36	
Students Educated (Thousands)	1,302		1,266	0.036	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Librarian/Media	1.00	0.77	0.16	0.61	0.79
Library Aide	1.00	0.77	1.35	(0.58)	(0.76)
<b>Total</b>	<b>2.00</b>	<b>1.54</b>	<b>1.51</b>	<b>0.03</b>	<b>0.04</b>

Source: NLS and ODE

## Nursing Staff Comparison

Students	Northwestern Local SD		Primary Peer Avg.	Difference	
Students Educated	1,302		1,266	36	
Students Educated (Thousands)	1,302		1,266	0.036	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Registered Nursing	0.00	0.00	0.48	(0.48)	(0.62)
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.48</b>	<b>(0.48)</b>	<b>(0.62)</b>

Source: NLS and ODE

## Classroom Support Staff Comparison

Students	Northwestern Local SD		Primary Peer Avg.	Difference	
Students Educated	1,302		1,266	36	
Students Educated (Thousands)	1,302		1,266	0.036	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Instructional Paraprofessional	3.67	2.82	2.06	0.76	0.99
Teaching Aide	1.00	0.77	3.39	(2.62)	(3.41)
<b>Total</b>	<b>4.67</b>	<b>3.59</b>	<b>5.45</b>	<b>(1.86)</b>	<b>(2.42)</b>

Source: NLS and ODE

## Other Support Staff Comparison

<b>Students</b>	<b>Northwestern Local SD</b>	<b>Primary Peer Avg.</b>	<b>Difference</b>		
Students Educated	1,302	1,266	36		
Students Educated (Thousands)	1,302	1,266	0.036		
<b>Position</b>	<b>FTEs</b>	<b>FTEs per 1,000 Students</b>	<b>FTEs per 1,000 Students</b>	<b>Difference per 1,000 Students</b>	<b>Adjusted Difference in FTEs</b>
Monitoring	0.00	0.00	0.94	(0.94)	(1.22)
School Resource Officer	0.00	0.00	0.23	(0.23)	(0.30)

Source: NLS and ODE

## Salaries

In addition to comparing staffing levels, we also reviewed actual salary data and compared the District's compensation schedules to those of local peers. We reviewed both the average annual salary for employees and the expected total compensation for a 30-year career. These comparisons are divided into two sections based on collective bargaining agreements, and salary schedules. The following tables show the salary comparisons for both classified and certificated employees.

### Certificated Career Compensation Comparison

	<b>Northwestern Local SD</b>	<b>Local Peer Average</b>	<b>Difference</b>	<b>% Difference</b>
BA	\$1,587,416	\$1,620,244	(\$32,828)	(2.0%)
BA +20	\$1,705,081	\$1,727,255	(\$22,174)	(1.3%)
MA-MS	\$1,822,734	\$1,847,742	(\$25,008)	(1.4%)
MA +20	\$1,877,454	\$1,907,818	(\$30,364)	(1.6%)

Source: NLS and ODE

### Classified Career Compensation Comparison

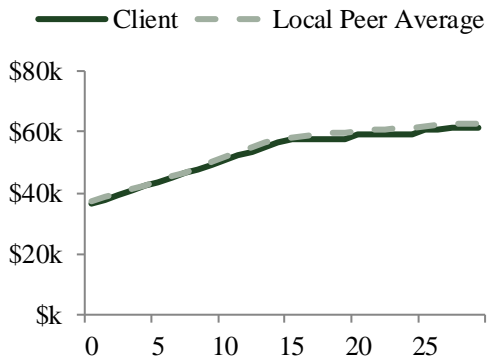
	<b>Northwestern Local SD</b>	<b>Local Peer Average</b>	<b>Difference</b>	<b>% Difference</b>
Head Cook	\$578,871	\$542,926	\$35,945	6.6%
Teacher Aide	\$642,635	\$585,173	\$57,462	9.8%
Building Secretary	\$1,119,768	\$1,069,158	\$50,610	4.7%
Maintenance	\$1,245,525	\$1,136,725	\$108,800	9.6%
Custodian	\$983,653	\$1,072,407	(\$88,754)	(8.3%)
Bus Driver	\$697,783	\$610,366	\$87,417	14.3%

Source: NLS and ODE

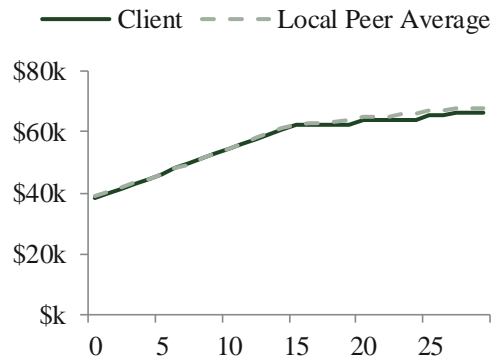
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee position types over the course of a career. The following charts show how the annual salaries according to the respective salary and wage schedules compare to peer districts.

### Certified Annual Salary Comparisons

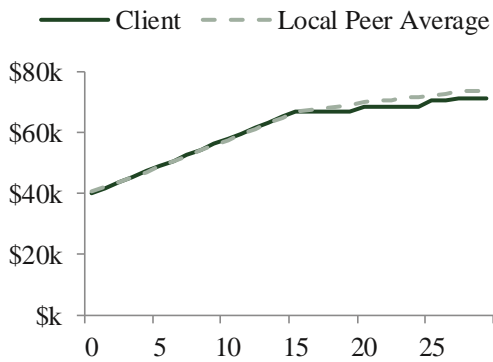
Bachelor's



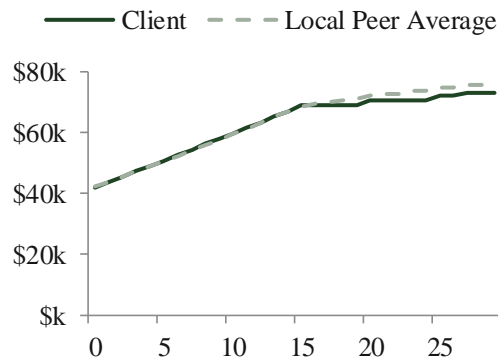
BA+20



Master's



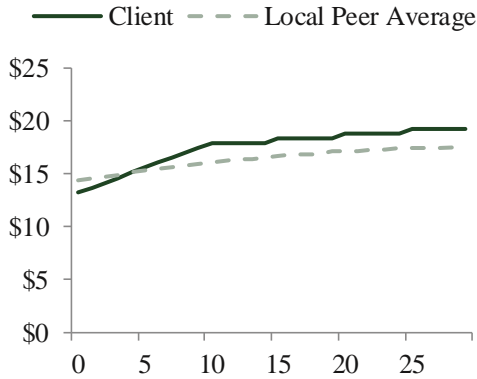
MA+20



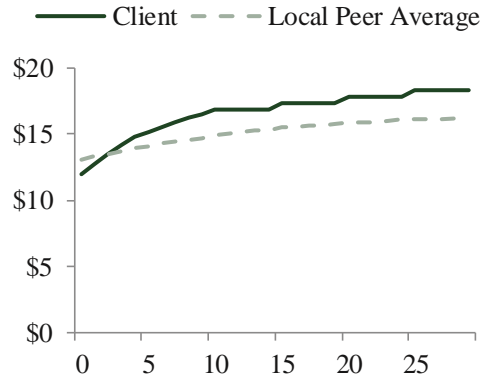
Source: NLSD & Peer CBAs

## Classified Annual Salary Comparisons

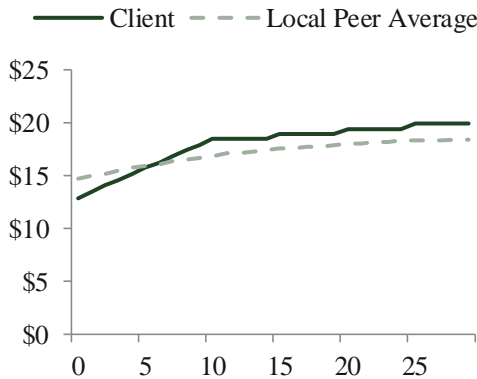
Head Cook



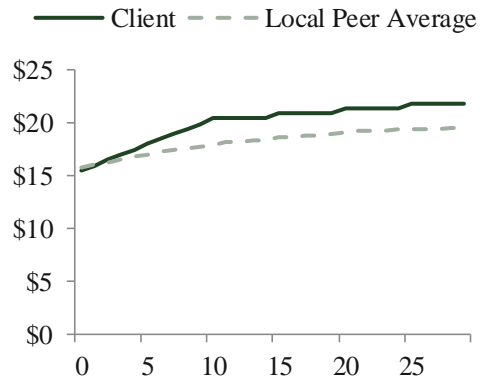
Teacher Aide



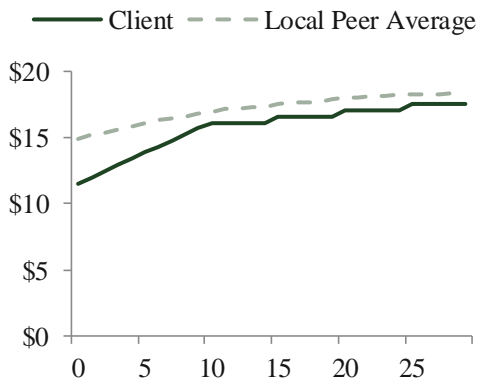
Building Secretary



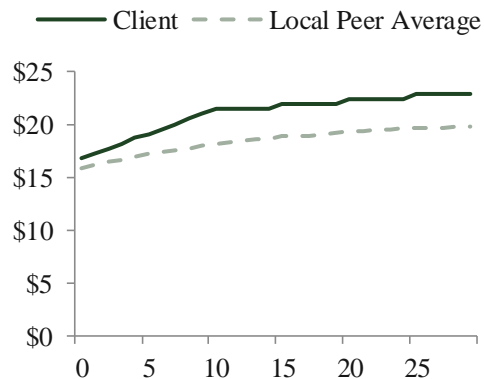
Maintenance



Custodian



Bus Driver



Source: Client & Peer CBAs

The results of the salary analysis revealed that NLSD’s head cooks, teacher aides, building secretaries, maintenance employees, and bus drivers are compensated at a higher rate over the course of a 30-year career relative to the local peer average. The District should look to align the salary schedules to the local peer average. Doing so may be challenging at the moment though, as custodians, who are also covered under the CBA, are currently compensated less relative to the local peer average. Certified salaries were determined to be aligned with the local peer average.

## Benefits

NLSD health insurance was reviewed based on county information from the State Employee Relations Board (SERB). NLSD is located in Wayne County. The District offers a PPO medical insurance plan to employees. The District’s cost for its PPO plans was lower than the SERB Wayne County average.

### Medical Insurance Comparisons to County Average

#### Medical – Classified & Certificated Plans

	NLSD	SERB Avg.	Difference	Number of Participants	Annual Significance
<b>Single</b>					
Employer Share	\$7,604.76	\$8,710.24	(\$1,105.48)	17.00	(\$18,793.23)
<b>Family</b>					
Employer Share	\$19,690.44	\$21,274.94	(\$1,584.50)	99.00	(\$156,865.99)
<b>Total Employer Share (Single &amp; Family)</b>					<b>(\$175,659.22)</b>

Source: NLSD and SERB

### Dental Insurance Comparisons to County Averages

Dental insurance was also reviewed based on county information from SERB. The District offers one dental plan to its employees. The District’s cost for its dental plan was lower than the SERB Wayne County average.

#### Dental – Certified & Classified Plan

	NLSD	SERB Avg.	Difference	Number of Participants	Annual Significance
<b>Single</b>					
Employer Share	\$423.24	\$750.12	(\$326.88)	15.00	(\$4,903.20)
<b>Family</b>					
Employer Share	\$1,063.80	\$1,838.04	(\$774.24)	101.00	(\$78,198.24)
<b>Total Employer Share (Single &amp; Family)</b>					<b>(\$83,101.44)</b>

Source: NLSD and SERB

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## Purchased Services

The District's expenditures dedicated to professional and technical services were examined and compared with peers. The District's Professional & Technical Services (Object 410) expenditures per pupil are lower than the primary peer average by approximately 65 percent or \$640,000.

# Appendix E: Facilities

We reviewed the District’s facility staffing and compared it to industry standards. Depending on the type of work that is done, a different standard is used; however, each uses a metric to define the time or personnel needed to maintain a specified amount of space.

## Buildings & Grounds Staffing Comparison

### Grounds Staffing

Grounds FTEs	1.4
Acreage Maintained	66.0
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	1.6
<hr/>	
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(0.3)</b>

### Custodial Staffing

Custodial FTEs	4.5
Square Footage Cleaned	245,340
NCES Level 3 Cleaning Benchmark <sup>1</sup> - Median Square Footage per FTE	29,500
Initial Benchmarked Staffing Need	8.3
Custodial FTEs Above/(Below) Benchmark	(3.8)
Adjusted NCES Level 3 Benchmark	29,500
Adjusted Benchmarked Staffing Need	8.3
<hr/>	
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>(3.8)</b>

### Maintenance Staffing

Maintenance FTEs	1.2
Square Footage Maintained	245,340
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.6
<hr/>	
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(1.4)</b>

### Total Buildings & Grounds Staffing

Total FTEs Employed	7.0
Total Benchmarked Staffing Need	12.5
<hr/>	
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(5.5)</b>

Source: NLSD, AS&U, and NCES

<sup>1</sup> According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

Using level three cleaning standards, NLSD’s total building and grounds staffing level is 5.5 FTEs below the benchmark, which is driven by the custodial and maintenance staffing levels relative to the respective industry benchmarks.

We also analyzed the District's Building Utilization. The District is slightly below industry standards. However, with the enrollment of the District projected to increase, it was determined that no recommendation is warranted.

### FY 2020-21 Building Capacity & Utilization

<b>Building</b>	<b>Classrooms</b>	<b>Head Count</b>	<b>Capacity</b>	<b>Utilization</b>
Northwestern High School	37	370	786	47.1%
Northwestern Middle School	22	295	468	63.0%
Northwestern Elementary School	38	665	950	70.0%
<b>Total</b>		<b>1,330</b>	<b>2,204</b>	<b>60.3%</b>

Source: NLSD and ODE



# Appendix F: Transportation

## Fleet Size

The District bus capacity was analyzed and compared to best practices. The District’s fleet size was determined to be in line with best practices.

### Baseline Utilization by Tier

<b>Tier</b>	<b>Total Routes</b>	<b>Average Capacity</b>	<b>Total Capacity</b>	<b>Peak Riders</b>	<b>Baseline Utilization</b>
Tier I	10	48.0	480	326	67.9%
Tier II	11	48.0	528	472	89.4%

Source: NLSD and ODE

## Appendix G: Food Service

The number of meal equivalents served in relation to the number of food preparation hours was used to measure workload, and to determine proper staffing levels to maintain efficiency. The District is below the industry benchmark indicating that staffing level is efficient and no recommendation is warranted.

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWESTERN LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/17/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

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