

OHIO AUDITOR OF STATE
KEITH FABER



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Bellbrook-Sugarcreek
Local School District

Performance Audit

January 21, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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OHIO AUDITOR OF STATE
KEITH FABER



To the Bellbrook-Sugarcreek Local School District community,

The Auditor of State's Office recently completed a performance audit for the Bellbrook-Sugarcreek 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 will assist in providing the District a path to fiscal sustainability. 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 black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
January 21, 2020

Audit Summary

Recommendation 1 The District should reassess its strategic plan and delay future technology purchases until the fiscal condition has improved, saving \$250,000 annually beginning in FYE 2022.

Recommendation 2 To better plan for large capital purchases the District should develop and implement a formal, multi-year capital plan.

Recommendation 3 To save an estimated \$703,000 annually, the District should eliminate the General Fund subsidy of extra-curricular activities beginning in FYE 2021.

Recommendation 4 By bringing technical support and central office support positions in line with peers, the District could save an average of \$63,600 annually beginning in FYE 2021.

Recommendation 5 By bringing career-technical educator, counseling, nursing, and library staffing in line with peers, the District could save an average of \$325,600 annually beginning in FYE 2021.

Recommendation 6 Renegotiating collective bargaining agreement provisions could save the District an average of \$196,800 annually beginning in FYE 2022.

Recommendation 7 The District could save \$12,600 annually if it reduced the employer cost of vision insurance to be in line with the Greene County average for public school districts beginning in FYE 2022.

Recommendation 8 To better plan for the future replacement of school buses, the District should develop and implement a fleet replacement strategy.

Recommendation 9 The District loses money by maintaining the Sugarcreek Elementary building. This building should be sold, or rents should be increased to cover the full cost of ownership, saving \$27,200 annually beginning in FYE 2021.

Recommendation 10 To avoid costly repairs or replacements, the District should develop and implement a formal facilities preventative maintenance plan.

Recommendation 11 To avoid overpaying for facility maintenance services, the District should develop a formal purchasing process.

Recommendation 12 In order to fully address the projected deficits, the District will need to review additional options including a continued pay freeze or further staffing reductions, totaling an additional \$1,451,400 in annual savings.

Table of Contents

Introduction.....	1
Noteworthy Accomplishment	5
Impact of Recommendations	5
Financial Management.....	7
Recommendation 1: Reassess the Strategic Plan due to Fiscal Condition	7
Recommendation 2: Develop a Formal, Multi-Year Capital Plan.....	8
Recommendation 3: Eliminate the General Fund Subsidy of Extracurricular Activities	9
Human Resources	10
Recommendation 4: Eliminate Administrative and Administrative Support Positions above the Peer Average.....	10
Recommendation 5: Eliminate Direct Student Education and Support Positions above the Peer Average	12
Recommendation 6: Renegotiate Collective Bargaining Agreement Provisions	14
Recommendation 7: Reduce Employer Cost of Vision Insurance.....	16
Transportation	17
Recommendation 8: Develop a Strategic Fleet Replacement Strategy	17
Facilities	18
Recommendation 9: Increase Rental Revenue or Sell/Donate the Sugarcreek Elementary Building.....	18
Recommendation 10: Develop a Formal Facilities Preventative Maintenance Plan.....	20
Recommendation 11: Develop a Purchasing Process for Maintenance and Repair Services...	21
Additional Recommendations.....	23
Recommendation 12: Make Additional Reductions to Address the Deficit.....	23
Appendix A: Purpose, Methodology, Scope, and Objectives of the Audit	26
Performance Audit Purpose and Overview.....	26
Audit Scope and Objectives.....	26
Audit Methodology.....	28
Client Response Letter	32

Introduction

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. These forecasts provide projected revenues and expenses for a five year period. The Ohio Auditor of State's Ohio Performance Team 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 and offer recommendations which can reduce costs and increase operational effectiveness and transparency.

In order to provide data-driven recommendations OPT uses industry benchmarks, best practices, and peer analysis. Three peer groups are selected for specific comparisons in the report:

- **Primary Peers:** Districts with relatively lower per pupil spending, similar academic performance, and similar disadvantaged student populations;
- **Local Peers:** Districts which share a local labor market; and
- **Transportation Peers:** Districts of a similar size in square miles and population density.

Appendix A, Table A-2 identifies the Ohio school districts included in these peer groups and provides additional information regarding how peer districts were chosen and used in audit analysis.

We identified the following scope areas to conduct detailed review and analyses: Financial Management, Human Resources, Facilities, Transportation, and Food Service; based on an initial review of the District's operations we identified specific objectives within each scope area. In some cases our analysis did not identify a recommendation for the District; this typically happens when the entity being audited is in line with industry standards or peer averages. This report identifies and explains the recommendations for improved operations and cost savings which resulted from our performance audit.¹

The District's Board of Education and administration are in the best position to determine what services are required to meet the community's needs. The recommendations contained in this performance audit report are a series of options for the District to consider when determining how best to meet the community's needs while also upholding the responsibility to operate in a financially sustainable manner. Ultimately, the decision to implement these recommendations, or to look for alternative opportunities to achieve and sustain long-term financial health, is the prerogative of the Board and administration.

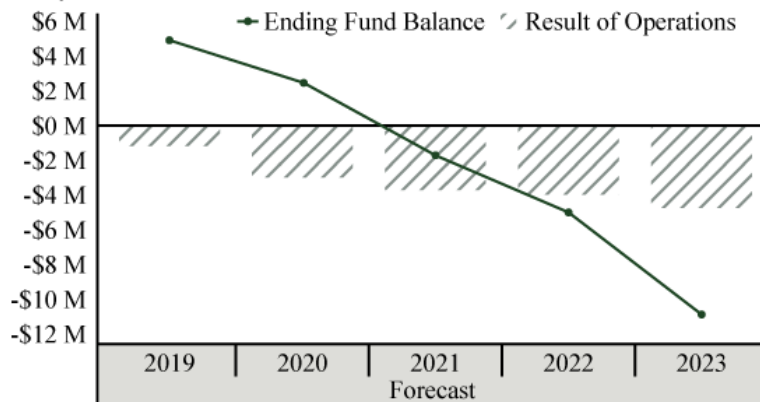
¹ A full list of objectives and correlating recommendations can be found in **Appendix A**.

Bellbrook-Sugarcreek Local School District

Bellbrook-Sugarcreek Local School District (BSLSD or the District) is located in Greene County and serves the City of Bellbrook and Sugarcreek Township. The District covers 29 square miles and had 2,634 students enrolled in Fiscal Year End (FYE) 2019. The student population is expected to grow by 1 percent on average annually during the next five years.

The district was chosen for a performance audit based on the District’s May 2019 five-year forecast. While the District had some reserve funds, projected deficit spending is forecasted to

May 2019 Five-Year Forecast



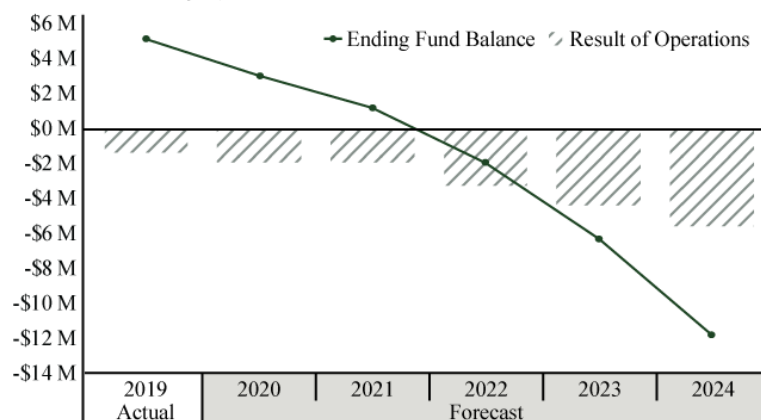
create an overall deficit by FYE 2021. The May forecast projected the deficit to grow to nearly \$11 million by the end of the forecast period in FYE 2023. The deficits shown in the May five-year forecast is largely due to revenues remaining largely flat over the forecast period not keeping up with expenditures such as employee base salary and step increases, a large increase in health insurance costs for FYE

2020, and increases for purchased services and supplies and materials. Due to the forecasted deficits and following the defeat of its May 2019 levy, and in consultation with ODE, we decided a performance audit of the District was warranted.

The District submitted a new forecast in November 2019. The new forecast showed an improved fiscal condition, pushing the projected deficit to FYE 2022. This is due to budget cuts approved by the Board of Education (see **Noteworthy Accomplishment**). However, this forecast still

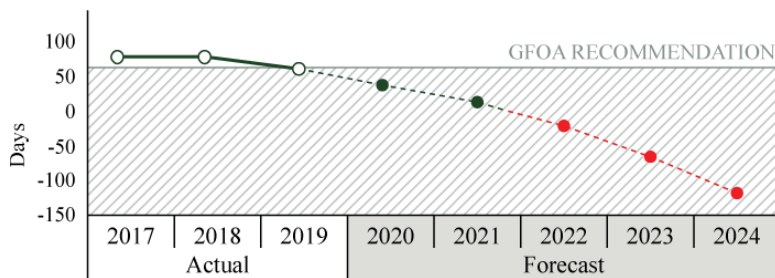
projects a deficit of nearly \$11.7 million by the end of the forecasted period in FYE 2024. Like in the May 2019 forecast, the November 2019 forecast is showing deficits due to flat revenue and increasing expenditures due to personnel costs, purchase services, and supplies and materials. See **Tables A-3** and **Tables A-4** for full detail of the May 2019 and November 2019 five-year forecasts.

November 2019 Five-Year Forecast



One way to measure an organization’s fiscal health is to identify the “days cash on hand.” This metric essentially identifies how many days an organization could continue operations if all funding were to be interrupted. The Government Finance Officers Association (GFOA) recommends a minimum unreserved cash balance of 60 days on hand. BSLSD dropped below that standard in FYE 2019 and, based on the most recent forecast, will continue to fall below the standard and have negative cash on hand beginning in FYE 2022. This would mean that the District would no longer have the resources necessary to pay for staff, utilities, or other expenses related to operations.

Days Cash on Hand



that standard in FYE 2019 and, based on the most recent forecast, will continue to fall below the standard and have negative cash on hand beginning in FYE 2022. This would mean that the District would no longer have the resources necessary to pay for staff, utilities, or other expenses related to operations.

Funding

Districts in Ohio receive funding through a variety of sources including local property taxes, state funding, and grants, with the majority of funding typically coming from local property taxes and state funding.² In the FYE 2020 and FYE 2021 state operating budget, state funding for public schools was frozen at FYE 2019 levels, meaning that districts would not see an increase in funding per pupil from the state. However, the state budget includes allowances for additional funding for school districts who have seen historic enrollment growth. BSLSD will receive additional funding based on its historic enrollment growth, totaling \$88,638 in FYE 2020, or 1.6 percent of its total calculated state funding.³

BSLSD receives the majority of its funding, 62.5 percent, through local property taxes. These taxes are collected through levies which are approved by voters within the District. The levies which have been approved for BSLSD are continuing levies, which means that they do not expire, allowing for a steady stream of revenue for the District. However the amount raised by these levies is capped; the District only receives up to the amount raised in the first full year of collection. As a result, the District sees minimal growth in local tax revenue due to increases in property value. The last tax levy which increased revenue for BSLSD was passed as a replacement levy in 2015.⁴

ODE uses the Local Tax Effort Index in order to compare taxpayer support between school districts in Ohio. This index provides an understanding of a community’s tax burden compared to other districts while taking into account economic demographics; a value below the state average of 1.0 indicates that a district’s residents provide a smaller portion of their available

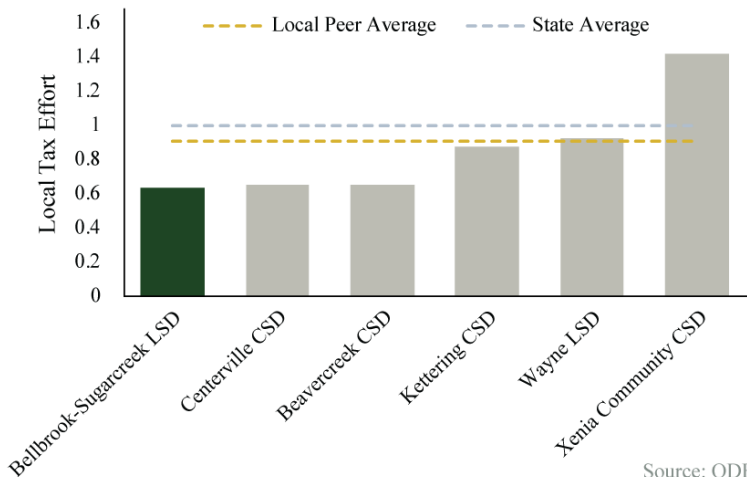
² See **Appendix A** for full revenue breakdown.

³ The state budget bill also includes Student Wellness and Success funding for school districts in FYE 2020 and FYE 2021. These are restricted funds that according to ODE are not to be shown on the five-year forecast.

⁴ Replacement levies reset the reduction factors set in place by the State Tax Commissioner, allowing a school district to receive the full millage approved by voters based on updated property valuation.

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 other school districts. The index is updated by ODE annually as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.⁵

Local Tax Effort Comparison



Source: ODE

¹ Beavercreek CSD and Centerville CSD passed new money levies in 2019 which are not reflected in this data.

BSLSD has a local tax effort which is below the state average. It is also below the local peer average. Of note, two peer districts which had a similar local tax effort both passed levies in 2019 which will increase their tax effort index number in future reports. The District also has a lower local tax effort compared to the primary peers.

The District has proposed a levy for March 2020. This levy is a new continuing levy which will not expire and is projected to raise approximately \$3.3 million annually. The levy would resolve the projected deficits for four years of the forecast period, but barring any other changes in either revenue or expenditures there would still be a forecasted deficit in FYE 2024.

Table 1: Projected Impact of March 2020 Levy

	Forecast FYE				
	2020	2021	2022	2023	2024
Original Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Estimated New Levy Revenue	\$0	\$1,661,000	\$3,322,000	\$3,322,000	\$3,322,000
Cumulative Balance of New Levy Revenue	\$0	\$1,661,000	\$4,983,000	\$8,305,000	\$11,627,000
Revised Ending Fund Balance	\$3,095,550	\$2,934,634	\$3,089,374	\$2,117,819	(\$26,982)

Source: Greene County Auditor and ODE

Note: Actual revenue collected per fiscal year may be affected by delinquent payments, timing of payments, or new construction within the District.

⁵ The Local Tax Effort Index reflects revenue raised in Tax Year (TY) 2017, which is collected in 2018, or the first half of FYE 2019.

Even with the projected additional revenue from the proposed levy, the District would need to either find additional sources of revenue or reduce expenditures by approximately \$6,700 annually from FYE 2021-FYE 2024 in order to fully balance its forecast.

Noteworthy Accomplishment

The District has taken steps to address projected deficits after the defeat of a levy in May 2019. The Board of Education voted to reduce the budget in two phases which was reflected in the November 2019 five-year forecast. The cuts include the elimination of bus routes and drivers, reductions in academic and support staffing, changes to health insurance policies, and postponing bus purchases. Additionally, all staff agreed to a base, step, and merit pay freeze for FYE 2021. In total, the agreed upon reductions total approximately \$2 million in cost savings. These changes were able to postpone the projected deficit until FYE 2022.

Impact of Recommendations

Based on industry standards and peer analysis, we identified eleven recommendations which would result in reduced expenses or improve the District's operational management. While these recommendations would result in significant cost savings, they would not – even if fully implemented – address the entire projected deficit in the most recent five-year forecast. The twelfth recommendation included in this report provides additional options which BSLSD leadership would need to review in order to address the remaining deficit. These options could drastically change service levels within the District.

In the final three years of the most recent five-year forecast, the District has projected deficits of approximately \$1.9, \$5.7, and \$11.7 million dollars, respectively. In order to address the final deficit, without new revenue, the District needs to cut an average of nearly \$3 million annually in the final four years of the forecast period. The recommendations based on industry standards and peer averages would only address a portion of this deficit, nearly half of the annual cost avoidance would need to be addressed through more severe cuts shown in recommendation 12. The financial impact of this audit's recommendations are found in the table on the following page.

**Table 2: Financial Forecast with Performance Audit
Recommendations**

	Forecast FYE				
	2020	2021	2022	2023	2024
Original Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Cumulative Balance of Recommendations 1-11	\$0	\$1,093,178	\$2,661,868	\$4,248,119	\$5,848,691
Revised Ending Fund Balance with R.1-R.11	\$3,095,550	\$2,366,812	\$768,242	(\$1,939,062)	(\$5,805,291)
Cumulative Balance of Recommendation 12	\$0	\$1,451,400	\$2,902,800	\$4,354,200	\$5,805,600
Revised Ending Fund Balance with All Recommendations	\$3,095,550	\$3,818,212	\$3,671,042	\$2,415,138	\$309

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings for **R.3**, **R.4**, **R.5**, **R.9**, and **R.12** are assumed implemented in FYE 2021. Cost savings for **R.1** is assumed for FYE 2022-FYE 2024, the forecasted years with the technology upgrades included. Cost savings for **R.6** and **R.7** assume implementation in FYE 2022, as that is the first year following expiration of the Memorandum of Understanding extension of the collective bargaining agreements.

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 BSLSD's financial management policies in order to determine if there were areas for improved management.

Recommendation 1: Reassess the Strategic Plan due to Fiscal Condition

Financial Implication

Removing the planned Technology upgrades from the five-year forecast will save the District \$250,000 annually in each year of implementation between FYE 2022 and FYE 2024.

Methodology and Analysis

The District adopted a strategic plan in January 2019 which included provisions for technology upgrades. These upgrades include the need to replace existing Chromebooks due to a limited life span as a result of support from Google. The Chromebooks are used by students and are a part of the District's technology plan which includes a policy of providing one Chromebook for each student.

BSLSD included these upgrades in the five-year forecast because the Permanent Improvement (PI) Fund does not have available resources to pay for the expense. We reviewed the General Fund capital outlay in comparison to the unreserved fund balance of the PI Fund over the last three fiscal years. Generally speaking, the PI Fund can and should be used for items such as technology upgrades. However, the current PI Fund balance for BSLSD is too low and cannot absorb the expected capital expenses.

Conclusion

The GFOA recommends reassessing the strategic plan due to budgetary conditions. Because of the District's inability to absorb the additional costs of the planned technology upgrades in either the PI Fund or the General Fund, BSLSD should reassess its strategic plan and delay the technology purchases.

Recommendation 2: Develop a Formal, Multi-Year Capital Plan

Financial Impact

While no financial impact is associated with this recommendation, a formal, multi-year capital plan is critical to the overall financial health of an organization.

Methodology and Analysis

The District does not have a formalized capital plan and instead uses an informal method for determining the priority of capital projects and purchases. GFOA recommends that public entities create and implement a multi-year capital plan. A properly prepared capital plan is essential to the future financial health of an organization and its continued ability to deliver services to constituents and stakeholders.

SHP Leading Design, a consultant company, has conducted a facility needs assessment for BSLSD. The assessment details items that may need repaired or replaced, by building, between FYE 2019 and FYE 2023. It also included an estimated cost for repairs in each year. These estimates are based on an on-site walk-through and historical data. The suggested repairs and replacements are for general improvements. The District could use this assessment as a starting point in the development of its capital plan based on available resources and priority of repairs/replacement.

Conclusion

The District should create a multi-year plan which addresses the following:

- 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.

By formalizing and following a capital plan the District would ensure that capital assets are effectively prioritized and planned for based on a comprehensive view of the District's needs.

Recommendation 3: Eliminate the General Fund Subsidy of Extracurricular Activities

Financial Impact

By eliminating the General Fund subsidy the District would save an average of \$703,000 in each year of the forecast period.

Methodology and Analysis

In FYE 2019 BSLSD spent more than \$754,400 on extracurricular activities from its General Fund. These expenditures were offset by revenue totaling over \$51,400 credit to the General Fund. The overall subsidy of \$703,000 represents approximately 44 percent of total extracurricular spending in FYE 2019. On a per pupil basis, the district had a General Fund subsidy of \$260.87 for extracurricular activities. We reviewed the District's per pupil General Fund subsidy for extracurricular activities to both local and primary peer averages. In both instances BSLSD spent more per pupil. Local peers had a subsidy of \$134.40 per pupil on average and primary peers had a subsidy of \$222.02 per pupil on average.

The District's total subsidy of extracurricular activities on a per pupil basis was \$340,836 higher than local peers and \$104,701 higher than primary peers in FYE 2019. A reduction of the subsidy would help to address the projected deficit.

Conclusion

The District subsidizes its extracurricular activities on a per pupil basis more than both local and primary peers. Generally we would recommend that a district reduce subsidies to be in line with peer averages. However, due to BSLSD's financial condition, and in order to fully address the projected deficits, a full elimination of the subsidy is necessary. The District should consider the following options in order to eliminate the general fund subsidy:

- Increase pay to play participation fees;
- Increase activity admission fees;
- Increase booster club support;
- Reduce supplemental salary schedule; and
- Eliminate activities.

Eliminating the General Fund subsidy of extracurricular activities would save the District an average of \$703,000 in each year of implementation over the forecasted period. This recommendation could be implemented in FYE 2021.

Human Resources

Human resource expenditures are significant to both the operational and financial conditions within school districts. Specifically, personnel costs (i.e., salaries and benefits) accounted for 77.5 percent of BSLSD's General Fund expenditures in FYE 2019, a significant impact on the District's budget and financial condition. OPT reviewed BSLSD's staffing levels, salaries, insurance benefits, and collective bargaining agreement (CBA) provisions compared to peer districts and Ohio Revised Codes (ORC) and Ohio Administrative Code (OAC) requirements to determine areas where the District could save money through reductions. Due to the nature of federal requirements, special education staffing was excluded from the staffing analysis. See **Appendix B** for additional information regarding staffing analysis.

Recommendation 4: Eliminate Administrative and Administrative Support Positions above the Peer Average

Financial Impact

By reducing administrative and administrative support staff to be in line with primary peer averages, the District could save an average of \$63,600 in each year of the forecasted period.

Methodology and Analysis

Staffing levels for the District were identified and compared to primary peer averages. A Full-Time Equivalent (FTE)⁶ was used to identify staffing levels, based on ODE reporting guidelines. In order to make data-driven decisions, the data was normalized on a per 1,000 student level.⁷ Areas where BSLSD could reduce administrative or administrative support staffing include:

- 1.0 FTE technical positions
- 0.5 FTE central office support

Because comparisons are made on a per student basis, the ratio can change if student populations rise or fall. As previously discussed, the District's student enrollment is growing and has projected continued growth. Reductions in staffing would bring the District in line with primary peer averages based on FYE2020 data.

⁶ ODE defines full-time equivalency as "...the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. The number 1.00 represents one full-time assignment. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district." (*ODE Education Management Information System Manual*, October 2019).

⁷ See **Appendix B**, Human Resources for more information on the staffing analysis used for this recommendation.

Technical Staff

By eliminating 1.0 FTE technical staff positions the District could save an average of \$29,600 in each year of implementation over the forecasted period.⁸ Technical staff act as computer support technicians and assist with IT related issues.

Eliminating 1.0 FTE technical positions in FY 2020-21 would bring the District's baseline staffing ratio to a level consistent with the primary peer average. Despite increased enrollment, the District is projected to remain consistent with the primary peer average throughout the forecast period.

*Note: During the course of the audit the Board of Education approved a reduction plan that includes the elimination of 1.0 FTE technical positions for FYE 2021 (see **Noteworthy Accomplishment**).*

Central Office Support Staff

BSLSD employs 7.81 FTE central office support staff, including bookkeeping, records management, and clerical staff, who provide support to District administrative officials. By eliminating 0.5 FTE central office support positions the District could save an average of \$34,000 in each year of implementation over the forecasted period.⁹

Eliminating 0.5 FTE administrative support positions in FY 2020-21 would bring the District's baseline staffing ratio to a level consistent with the primary peer average. Despite increased enrollment, the District is projected to remain consistent with the primary peer average throughout the forecast period.

⁸ The value of the savings from this recommendation was projected to increase by an average of 3.9 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

⁹ The value of the savings from this recommendation was projected to increase by an average of 5.6 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

Recommendation 5: Eliminate Direct Student Education and Support Positions above the Peer Average

Financial Implication

By reducing direct education and student support staff to primary peer levels, the District could save an average of \$325,600 in each year of the forecasted period.

Methodology and Analysis

Staffing levels for the District were identified and compared to primary peer averages. An FTE was used to identify staffing levels. In order to make data-driven decisions, the data was normalized on a per 1,000 student level.¹⁰ Areas where BSLSD could reduce direct student education and support positions include:

- 0.5 FTE career-technical education teacher positions
- 1.0 FTE counselors
- 0.5 FTE library staff
- 1.5 FTE nursing staff

Because comparisons are made on a per student basis, the ratio can change if student populations rise or fall. As previously discussed, the District's student enrollment is growing and has projected continued growth. Reductions in staffing would bring the District in line with primary peer averages based on FY 2019-20 data.

Career-Technical Staff

By eliminating 0.5 FTE career-technical positions the District could save an average of \$52,800 in each year of implementation over the forecasted period.¹¹ Career-technical teachers provide instruction to students to develop skills, knowledge, and abilities needed for occupational employment. Due to increasing enrollment, the student to teacher ratio will change over time, however the District is not expected to fall below peer averages based on this recommendation.

¹⁰ See **Appendix B**, Human Resources for more information on the staffing analysis used for this recommendation.

¹¹ The value of the savings from this recommendation was projected to increase by an average of 5.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision and life insurance, Medicare, and retirement.

Counseling Positions

By eliminating 1.0 FTE counseling positions the District could save an average of \$125,000 in each year of implementation over the forecasted period.¹² If the District eliminates 1.0 FTE counseling positions it would match the peer average. Due to increasing enrollment, the staffing ratio will change over time, however the District is not expected to fall below peer averages based on this recommendation.¹³

Library Staff

By eliminating 0.5 FTE library staff positions the District could save an average of \$13,400 in each year of implementation over the forecasted period.¹⁴ If the District eliminates 0.5 FTE library positions it would match the peer average. Due to increasing enrollment, staffing ratio will change over time, however the District is not expected to fall below peer averages based on this recommendation.¹⁵

Nursing Staff

By eliminating 1.5 FTE nursing staff positions the District could save an average of \$134,400 in each year of implementation over the forecasted period.¹⁶ If the District eliminates 1.5 FTE nursing positions it would match the peer average. Due to increasing enrollment, staffing ratio will change over time, however the District is not expected to fall below peer averages based on this recommendation.

The District employs a nurse in each of its four school buildings. If this recommendation is implemented, it is possible that some schools would need to share nursing staff.¹⁷

¹² The value of the savings from this recommendation was projected to increase by an average of 4.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

¹³ Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel (ES)) to enhance the learning opportunities for all students." This revision effectively eliminated state-minimum staffing levels for ESP staffing, which included counselors.

¹⁴ The value of the savings from this recommendation was projected to increase by an average of 4.3 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

¹⁵ As noted in footnote 13 above, the Ohio Legislature revised OAC 3301-35-05 to eliminate state-minimum staffing levels for ESP staffing, which also included counselors. This revision effectively eliminated state-minimum staffing levels for ESP staffing, which also included librarians.

¹⁶ The value of the savings from this recommendation was projected to increase by an average of 4.4 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

¹⁷ As noted in footnote 13, the Ohio Legislature revised OAC 3301-35-05 to eliminate state-minimum staffing levels for ESP staffing, which also included counselors. This revision effectively eliminated state-minimum staffing levels for ESP staffing, which also included nurses.

Recommendation 6: Renegotiate Collective Bargaining Agreement Provisions

Financial Impact

The following collective bargaining agreement (CBA) provisions could be renegotiated in order to save the District money:

- **Tuition Reimbursement:** Average annual savings of \$16,300, based on previous three year historic average of \$16,373.04;
- **Local Professional Development Committee (LPDC) Pay:** Average annual savings of \$500, based on previous three year historic average of \$525;
- **Attendance Incentive:** Average annual savings of \$15,100, based on previous three year historic average of \$15,166.67;
- **Mentor Compensation:** Average annual savings of \$6,200, based on previous three year historic average of \$6,291.67; and,
- **Merit Pay:** Average annual savings of \$158,700, based on previous three year historical average actual of \$158,771.33.

In total, renegotiating the above provisions of the CBAs could save BSLSD an average of \$196,800 in each year of the forecasted period.

Methodology and Analysis

The District maintains two CBAs – one with the Sugarcreek Education Association, representing certificated staff, effective through May 31, 2020, and one with the Ohio Association of Public School Employees (OAPSE), representing classified staff, effective through June 30, 2020. Both bargaining units agreed to a memorandum of understanding (MOU) in fall 2019 that extended the agreements to the end of FYE 2021. The MOU contained an agreement to freeze salary base and step increases and to not have merit pay for FYE 2021. Both agreements were reviewed in order to identify provisions which exceed legal requirements and local peer districts. The provisions below, with the exception of merit pay, was not affected by the MOU. The following provisions were identified as having an immediate financial impact on the District:

- **Tuition Reimbursement:** Under both CBAs, BSLSD offers a tuition reimbursement program to its employees. This provision limits the reimbursement for any individual employee, but does not specify a maximum amount allocated by the District annually towards tuition reimbursement. The District's FYE 2017-FYE 2019 three year average tuition reimbursement amount is \$16,373.04. This benefit is not required by ORC or OAC.
- **LPDC Compensation¹⁸:** LPDCs are required to be established by State law to review coursework and professional development activities proposed and completed by

¹⁸ School districts are required by ORC § 3319.22 to establish a LPDC.

educators to determine if State certification and licensure requirements have been met. Under the certificated CBA, the District compensates its three bargaining unit LPDC members \$25 per hour, or an average of \$500 over the last three fiscal years. This compensation benefit is not required by the ORC or OAC.

- **Attendance Incentive:** The District offers an attendance incentive to members of both CBAs for one or less day of sick/personal leave usage per work year. The amount of compensation is \$300.00 for zero days of sick/personal leave days used, and \$200.00 for one day of sick/personal leave used. This benefit is not required by the ORC or OAC.
- **Mentor Teacher¹⁹ Compensation:** Under the certificated CBA, the District compensates first year resident educators/mentors \$1,000. This benefit is not required by the ORC or OAC.
- **Merit Pay:** Under both CBAs, the District offers a merit stipend to individuals if BSLSD receives an A/B rating on the ODE State Report Card. For the certificated staff, a payment of 1% of current salary, and a merit pay of \$250 is awarded to all classified/support staff employees. This benefit is not required by ORC or OAC.

For the provisions listed above, all are offered by peer districts with the exception of merit pay. In every scenario, the peer district average is higher than the amount paid by BSLSD. However, in order to address the projected deficit, these benefits should be eliminated as they are not required by law.

In addition to provisions which would have an immediate financial impact, the District should consider renegotiating the following provisions which exceed state minimum requirements or peer averages:

- Sick Leave Accumulation;
- Severance Payout;
- Vacation accrual;
- Paid Holidays; and
- Life Insurance.

Conclusion

The District should consider renegotiating the above provisions in order to improve operational efficiency and provide cost savings. Eliminating the above provisions could provide the District with an annual cost savings of **\$196,800**.

¹⁹ A mentor teacher program is required by ORC § 3319.223

Recommendation 7: Reduce Employer Cost of Vision Insurance

Financial Implication

Reducing the District’s cost for vision insurance premiums to the average for Greene County school districts could save the District an average of \$12,600 in each year of implementation during the forecasted period.

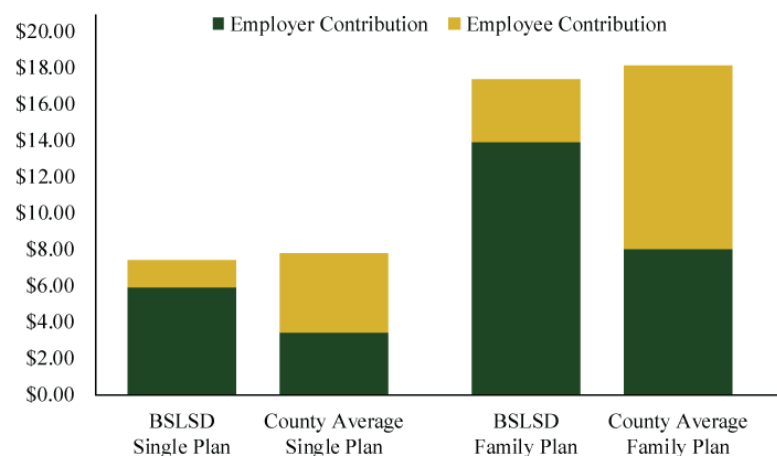
Methodology and Analysis

The State Employee Relations Board (SERB) releases information related to public employee benefits. The premiums paid by BSLSD were compared to Greene County averages for health, vision, and dental insurance. Our review showed that the District has a higher employer cost than the County average for vision insurance.

BSLSD offers one vision plan for all employees. Within this plan employees can opt into a Single or Family plan. The District has a higher employer cost than the county average for both single and family vision premiums for full-time employees. BSLSD provides vision insurance at a prorated amount for part-time employees. Some of these employees also pay less than the county average. However, a majority of employees are on plans that result in a higher employer cost than the Greene County average. The chart below shows the difference between the employer vision insurance premium costs for full-time employees compared to the Greene County average.

Our analysis identified all employees for which the employer premium was above the Greene County average. For those employees we identified the cost savings associated with bringing premium payments in line with Greene County averages.

Full-Time Employee Vision Insurance



Conclusion

BSLSD could generate vision insurance savings of more than **\$12,600** annually by bringing its employer contributions in line with the Greene County school district average. Any changes to the employer/employee cost share, however, are subject to negotiation and savings would not be realized until FYE 2022.

Transportation

Transportation of students is a critical function for school districts. Ensuring that busing services are provided in a safe and efficient manner is important for both the well-being of students and the fiscal health of the school district. We reviewed BSLSD's transportation routing plan and compared it to industry standards and best practices and determined it did not warrant a recommendation. We also reviewed and had no recommendations regarding bus maintenance or fuel purchasing. However, our review did result in a recommendation related to the long-term planning of the District's bus fleet.

Recommendation 8: Develop a Strategic Fleet Replacement Strategy

Financial Implication

While no financial implication is associated with this recommendation, developing and following a long-term strategic plan in regards to fleet purchasing and maintenance will allow the District to allocate resources in an efficient manner in regards to busing of students.

Methodology and Analysis

The District maintains a fleet of 36 buses, using 25 and keeping 11 on hand as spares. The average age of active buses is 8 years and the average age of spare buses is 15 years. BSLSD has already delayed the purchase of new buses in June of 2019, delaying an expense of \$200,000.

According to industry standards,²⁰ the replacement of school buses should be a planned process. The bus replacement plan should incorporate maintenance data and should establish priorities with regard to safety and emissions. Additionally, the NASDPTS recommends a combined approach to school bus replacement that considers both age and mileage in which replacement thresholds are set between 12-15 years, or 150,000-200,000 miles, respectively. Of the District's 25 active buses 44 percent, or 11 total buses, fall under replacement criteria.

Conclusion

The District should consider replacing aging buses once its fiscal condition improves. The District should consider the full cost of bus operation, including fuel, parts, labor, and vehicle depreciation, in addition to safety and emissions. Doing so will allow it to communicate to leadership and to the public about the needs of its bus fleet. Adopting a plan could reduce overall operating costs and help avoid the need to replace a major portion of its fleet at the same time.

²⁰ See *School Bus Replacement Considerations* (The National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002)

Facilities

The changing landscape of education requires periodic reviews of facility usage and maintenance to ensure that a district is using limited resources wisely. We reviewed BSLSD's use of existing facilities in comparison to best practices and industry standards to determine if there were any areas for improvement. Our review did not result in a recommendation for staffing levels, however the review did result in the following recommendations.

Recommendation 9: Increase Rental Revenue or Sell/Donate the Sugarcreek Elementary Building

Financial Impact

The District loses money on the rental of the Sugarcreek Elementary building. Recouping the full operating cost of the building would save the District approximately \$27,200 in each year of implementation during the forecasted period. This recommendation could be implemented in FYE 2021.

Methodology and Analysis

The District owns and maintains the Sugarcreek Elementary building which was formerly used as an elementary school. The building is not currently being used for the regular education of District students and is leased out to other organizations for use.

The lease agreements require the District to maintain the building, including providing utilities, property insurance, and a custodian who is assigned to the building. In FYE 2019 the District had expenditures which were more than total revenues by more than \$30,000.

In order to address this issue the District has the following two primary options:

- **Retain ownership of the building and increase revenue.** This option could be cost-effective for BSLSD if it were successful in generating enough additional revenue to cover all of the building's operating expenditures. Options to increase revenue may include increasing rental rates or leasing out any unused space.
- **Sell or donate the building.** This option would eliminate all additional operating expenditures, as well as any expenditures for future repairs. If the District were successful in selling the building, it could also achieve a one-time revenue enhancement resulting from the sale. It is important to note that, barring any circumstances that could supersede the provisions as set forth in ORC § 3313.41, the District would be obligated to first offer the building for lease or sale to any community school, board of trustees of any college-preparatory boarding schools, or the governing bodies of any STEM schools, that are located within the territory of the District. (This option would not be possible until the current leases expire in FYE 2023.)

Conclusion

The District should take steps to bring revenues in line with expenses related to the Sugarcreek Elementary building. This can be done by either increasing lease rates or leasing out additional space and increasing total revenue. If the District is unable to increase revenues, it should consider selling the building to avoid additional costs.

By eliminating the deficit spending related to the Sugarcreek Elementary building, the District would save approximately \$27,200 annually in General Fund expenses.²¹

²¹ \$3,500 in expenditures came from the Permanent Improvement Fund, which is not reflected on the five-year forecast, and as such excluded from the financial implication.

Recommendation 10: Develop a Formal Facilities Preventative Maintenance Plan

Financial Impact

While this recommendation does not have an immediate financial impact, a formal preventative maintenance plan can help the District avoid costly repairs or replacements.

Methodology and Analysis

The District does not have a formal preventative maintenance program which encompasses all equipment. BSLSD does have a policy which states that whenever possible and feasible, maintenance shall be preventative. However, repairs are typically required as a reaction to problems or malfunctions rather than using a regular schedule of preventative maintenance designed to optimize the lifespan of equipment.

According to industry standards²², a comprehensive facility maintenance program is a school district's primary tool for protecting its investment in school facilities. A formal preventative maintenance program should be developed for all equipment. Planning for preventative 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 hours.²³

Conclusion

The District should develop a formal preventative maintenance program. The absence of such a program limits the transparency of the maintenance necessary to keep facilities operating efficiently and effectively.

Developing and implementing an effective preventative maintenance program would ensure that the District receives the maximum useful life of its assets and that BSLSD properly allocates resources for maintenance and replacement.

²² See *Planning Guide for Maintaining School Facilities* (National Center for Educational Statistics, 2003)

²³ See *Public Works Management Practices Manual* (American Public Works Association, 2014)

Recommendation 11: Develop a Purchasing Process for Maintenance and Repair Services

Financial Impact

While this recommendation does not have an immediate financial impact, a formal purchasing process will reduce the risk of overpaying for maintenance services.

Methodology and Analysis

We reviewed BSLSD's repairs and maintenance services expense on a per square foot basis and compared it to the primary peer average for FYE 2019 and found that the District spent \$0.29 per square foot, or nearly 50%, more than its peers.

The District uses an outside vendor for HVAC services and repairs. This vendor accounts for 42.3 percent of BSLSD's total expense for repairs and maintenance. Rather than having a contract in place for HVAC related services the District pays the company on an as-needed basis.

Overall, the District could potentially reduce repair and maintenance expenditures by developing a formal purchasing process. An important step in establishing an effective purchasing process that meets best practices is to create a purchasing manual. Procedure manuals should include the following elements:

- The overarching purpose of establishing a procurement policy;
- Definitions of any terms, titles, or criteria that may be unclear or specific to the organization;
- The basic organizational concepts which govern the authorities, roles, and/or responsibilities of those involved in the procurement process;
- Guidance regarding any product and/or service specifications deemed as critical to the continued mission of the organization;
- A code of conduct and ethics by which any and all employees involved in the procurement process should be guided;
- Outline the on-boarding process and any continuing education requirements for those involved in organizational procurement; and
- Guidance relating to any special programs, such as, minority-owned business, locally owned business, or cooperative purchasing.²⁴

Conclusion

BSLSD should develop a formal purchasing process to reduce the risk of overpaying for maintenance services. As a part of this process, it should ensure that services are obtained at the

²⁴ See Developing a Procurement Policy Manual (National Institute for Governmental Purchasing, 2012)

lowest possible price by requesting quotes, or by utilizing competitive bidding²⁵, when appropriate.

²⁵ School districts are required by ORC 3313.46 to use competitive bidding for contracts worth over \$50,000 if used to build, repair, enlarge, improve, or demolish any school building.

Additional Recommendations

The preceding recommendations will not fully address the projected deficit fund balances. Unless the District is able to identify and obtain additional funding, more severe reductions in expenditures would need to be considered in order to achieve fiscal solvency.

Even after implementing all previous recommendations, the District's November 2019 five-year forecast would still project a cumulative deficit of approximately \$5.8 in FYE 2024. In order to address the remaining deficit the District would need to eliminate an average of approximately \$1.5 annually during the forecast period. To address the remaining gap, the District would need to consider additional cost saving measures, including those that would bring staffing levels below primary peer averages. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

Recommendation 12: Make Additional Reductions to Address the Deficit

Financial Implication

We developed the following recommendations to provide BSLSD a range of options in order to address the remaining deficit:

- Continue the base salary and step freezes, which was agreed to for FYE 2021, through FYE 2024 could save the District an average of \$851,300 in each additional year of implementation over the forecasted period;
- Implementing a 10.5 percent across-the-board staffing reduction in FYE 2021 could save the District an average of \$1,512,000 in each year of implementation over the forecasted period.
- Eliminating 16.0 FTE teaching positions could save the District an average of \$1,467,800 in each year of implementation over the forecasted period.

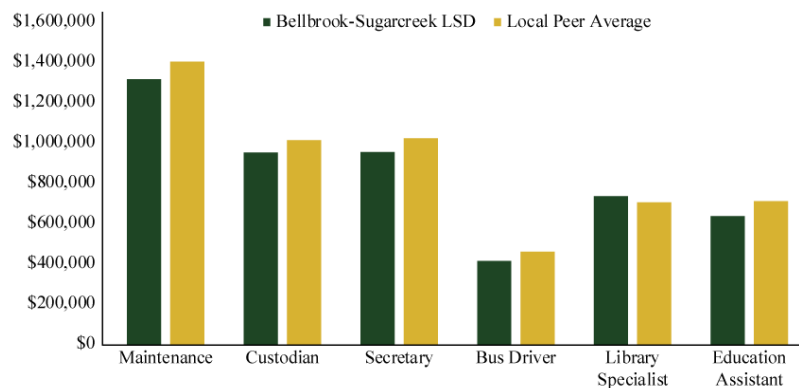
If the District negotiates a base salary and step freeze for existing employees, it would need to also reduce staffing to fully address the remaining deficit. However, the staffing reductions would not be as severe as those outlined in this recommendation.

Methodology and Analysis

We calculated the financial impact of a base salary and step freeze after taking into account staffing reductions identified in previous recommendations.²⁶ All District staff agreed to a salary

²⁶ Merit pay is not considered in this calculation as it is assumed to have been eliminated as a part of **R.6**.

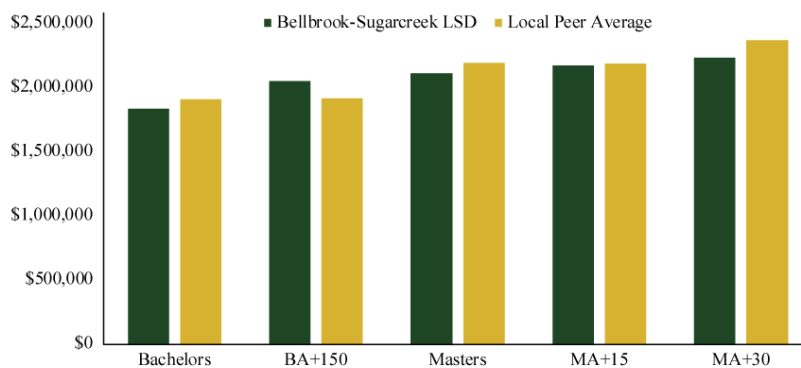
Classified Career Salary Comparison



and merit pay freeze for FYE 2021. By continuing this freeze through the forecasted period, the District would be able to address nearly 60% of the remaining deficit.

While this option would address a significant portion of the remaining deficit, it should be noted that BSLSD staff are generally paid less over their careers than staff in local peer districts with similar experience and job functions. This may make a multi-year salary freeze difficult to institute. The District would need to consider the ramifications of an indefinite pay freeze in relation to the ability to maintain qualified, tenured staff in the local job market.

Certificated Career Salary Comparison



Previous recommendations (**R.4** and **R.5**) addressed BSLSD’s staffing relative to the primary peer average. The District could make an additional 10.5 percent across-the-board staffing reduction in order to address the remaining deficit. The table below shows the number staffing cuts in each category which would need to be made in order to fully address the remaining deficit.

Table 3: Additional Staffing Reductions

Category ¹	Revised Total FTEs	FTEs after 10.5% Reduction	Rounded FTE Reduction	Avg. Annual Savings
Administrators	9.00	8.06	0.50	\$51,991
Office Support	16.56	14.82	1.50	\$65,997
Educational	129.51	115.91	13.50	\$1,319,317
Operational	22.38	20.03	2.00	\$71,209
Support	9.39	8.41	0.50	\$3,549
Total	186.84	167.22	18.00	\$1,512,063

Source: BSLSD

Note: This analysis includes staffing changes passed by the Board of Education for FYE 2021 (see **Noteworthy Accomplishment**).

¹ The categories shown in this table are defined in ODE’s EMIS manual

² Additional staffing reductions does not consider Food Services employees as they are not paid via the General Fund. Nor does it consider District bus drivers as they are employed based on operational need.

The District could also choose to reduce teaching positions in order to address the remaining deficit. In order to fully address the deficit, BSLSD would need to eliminate an additional 16.0 FTE educator positions. **R.5** provided recommendations which brought the District's staffing in line with primary peers. This additional reduction in educator staff would bring the District below peer levels, but would remain above state mandated minimums.

State law requires districts maintain a student to teacher ratio of 25:1.²⁷ After implementing **R.5**, BSLSD would have a student to teacher ratio of approximately 19:1, the reductions in this recommendation would result in a student to teacher ratio of approximately 22:1. As a result of this recommended reduction in education staffing, the District would have 29 FTE teachers above the state mandated minimum requirement.

Conclusion

After implementing **R.1** through **R.11** the District still faces an average annual deficit of more than \$1.4 million. In order to fully address the remaining deficit, BSLSD would need to implement additional measures. This recommendation identifies options for the District to consider. These options would eliminate the deficit in each year of the forecast, however each option could drastically change service levels within the District. BSLSD leadership would need to review these options in order to determine what is in the best interest of the District's constituents.

²⁷ Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision effectively eliminated state-minimum staffing levels for Educational Service Personnel staffing, which constituted kindergarten through 8th grade art, music, and physical education teachers. ODE currently considers general education, K-8 art, music, and physical education, Limited English Language proficiency, and gifted and talented teaching positions as part of the calculation contained in OAC 3301-35-05.

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. The Ohio Performance Team initiated this audit pursuant to Ohio Revised Code § 3316.042.

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:

Table A-1: Audit Scope, Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are the District's budgeting and forecasting practices comparable with leading practices?	Verbal, R.1
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to peers and the District's financial condition?	R.3
Human Resources	
Is the District's EMIS data process sufficiently reliable and consistent with leading practices?	No Recommendation
Are the District's staffing levels efficient compared to peers and state minimum requirements?	R.4 and R.5
Are the District's salaries comparable to peers?	No Recommendation
Are the District's collective bargaining agreement (CBA) provisions comparable to the peers and ORC minimums?	R.6
Are the District's insurance benefits comparable to industry standards?	R.7
Facilities	
Is the District's data on facilities square footage and staffing reliable and comparable to leading practices?	No Recommendation
Is the District's custodial and maintenance staffing efficient compared to benchmarks?	No Recommendation
Are the District's facilities expenditures comparable to peers?	R.9 and R.11
Are temporary labor and overtime expenditures comparable to peers and industry benchmarks?	No Recommendation
Is the District's capital planning efforts consistent with leading practices?	R.2 and R.10
Transportation	
Are the District T Report procedures accurate and consistent with leading practices?	No Recommendation
Is the District's fleet size efficient compared to leading practices?	No Recommendation
Is the District's fleet maintained efficiently?	No Recommendation
Is the District's fuel purchasing practice resulting in efficient pricing?	No Recommendation
Are the District's bus replacement practices consistent with leading practices?	R.8
Food Service	
Is the Food Service Fund self-sufficient and consistent with leading practices?	Verbal

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. This performance audit identified internal control deficiencies specific to payroll processing. These deficiencies were communicated to both the District and the District's financial auditors.

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;
- Statues; 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. 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 A-2 shows the Ohio school districts included in these peer groups.

Table A-2: Peer Group Districts

Primary Peers
<ul style="list-style-type: none"> • Canfield Local School District (Mahoning County) • Highland Local School District (Medina County) • Jonathon Alder Local School District (Madison County) • Lexington Local School District (Richland County) • Monroe Local School District (Butler County) • Northwest Local School District (Stark County) • Poland Local School District (Mahoning County) • Ross Local School District (Butler County) • Shawnee Local School District (Allen County) • Tipp City Exempted Village School District (Miami County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Beavercreek City School District (Greene County) • Centerville City School District (Montgomery County) • Kettering City School District (Montgomery County) • Wayne Local School District (Warren County) • Xenia Community City School District (Greene County)
Transportation Peers
<ul style="list-style-type: none"> • Batavia Local School District (Clermont County) • Bellefontaine City School District (Logan County) • Canfield Local School District (Mahoning County) • Norwalk City School District (Huron County) • Tipp City Exempted Village School District (Miami 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. 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.

Tables A-3 and A-4 are the May and November 2019 five year forecasts which were used as a basis for analyses throughout the report.

Table A-3: May 2019 Five-Year Forecast

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Total Revenue	\$28,553,997	\$28,741,000	\$29,255,000	\$29,576,000	\$29,901,000
Total Expenditure	\$29,685,936	\$31,620,475	\$33,093,916	\$33,594,260	\$35,184,555
Result of Operations	(\$1,131,939)	(\$2,879,475)	(\$3,838,916)	(\$4,018,260)	(\$5,283,555)
Beginning Cash Balance	\$6,345,133	\$5,213,194	\$2,333,719	(\$1,505,197)	(\$5,523,457)
Ending Cash Balance	\$5,213,194	\$2,333,719	(\$1,505,197)	(\$5,523,457)	(\$10,807,012)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$5,213,194	\$2,333,719	(\$1,505,197)	(\$5,523,457)	(\$10,807,012)

Source: BSLSD and ODE

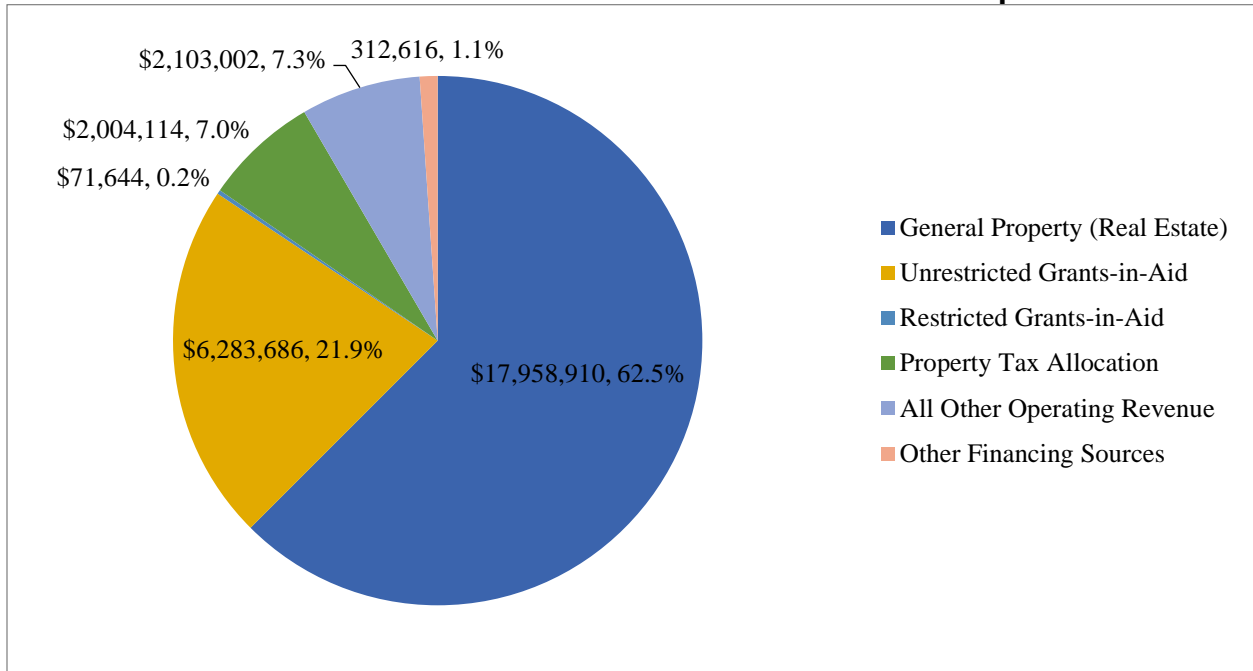
Table A-4: November 2019 Five-Year Forecast

	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Total Revenue	\$28,751,000	\$29,312,000	\$29,633,000	\$29,958,000	\$30,288,000
Total Expenditure	\$30,567,475	\$31,133,916	\$32,800,260	\$34,251,555	\$35,754,801
Result of Operations	(\$1,816,475)	(\$1,821,916)	(\$3,167,260)	(\$4,293,555)	(\$5,466,801)
Beginning Cash Balance	\$4,912,025	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)
Ending Cash Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)

Source: BSLSD and ODE

Chart A-1 shows BSLSD's FYE 2019 sources of General Fund revenue.

Chart A-1: FYE 2019 General Fund Revenue Composition



Source: BSLSD

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 Bellbrook-Sugarcreek 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.



BELLBROOK-SUGARCREEK SCHOOLS

"Soaring Toward Excellence"

January 2020

Dear Auditor Faber,

Bellbrook-Sugarcreek Local Schools is at a critical juncture. Our school district has outstanding, dedicated teachers and staff that do an excellent job educating and supporting our children. The district is consistently recognized for this effort and ranked among the best locally and across the state. There is so much we have to offer to provide all of our students a high-quality and well-rounded educational experience. I am proud each and every day of what is accomplished in our schools. The district has received a "B" and an "A" on the last two State Report Cards, the high school has been recognized by The Washington Post, US News and Newsweek as one of the top high schools in the nation; and the middle school has been named an "Ohio Schools to Watch."

The single most important issue facing our schools right now is our budget. The districts 5-year forecast in May 2019 projected a \$1.5 million deficit in the 2020-21 school year. That, along with a levy failure in May of 2019, triggered your office, in consultation with the Ohio Department of Education, to work collaboratively to conduct a performance audit of Bellbrook-Sugarcreek Schools. In the summer of 2019, we were already in the process of making reductions. By the fall of 2019, we had made \$1.8 million reductions (we had already made \$500,000 in 2018) for a total of \$2.3 million. These cuts included the reduction of 20 staff positions, half of which are teaching positions, in addition to a pay freeze for all employees in the 2020-21 school-year.

Your report has been released and we have reviewed your recommendations. Due to an already lean budget, the auditors found it very challenging to find many areas to reduce without striking at the core of our schools and forever changing the well-rounded and high-caliber educational experience our students deserve and our community expects. Without additional funds - such as the passage of the March levy - these reductions will be devastating; however, even if the levy does pass, the finances in the district are still very perilous. *Your recommendations are in addition to the \$2.3 million in reductions we have already made.* The following are a list of *your* recommended reductions.

Recommended reductions starting in the 2020-21 school-year (Reductions = \$2,544,578)

Eliminate 16 regular education teachers or 10% across the board staffing reduction
Eliminate ½ career tech teacher
Eliminate 1 counselor
Eliminate ½ library staff
Eliminate 1.5 nurses
Eliminate 1 computer support person
Eliminate the General Fund subsidy for extra-curricular activities and sports
Increase rental revenue or sell/donate Sugarcreek Elementary

Recommended reductions (in addition to 2020-21 reductions) starting in the 2021-22 through 2023-24 school-year (Reductions = \$3,020,090/year)

Renegotiate negotiated agreements, which includes pay freezes and no steps
Reduce cost of vision insurance
Delay the purchase of student computers for 1 year

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The reductions stated in the above sections would eliminate over 20 more positions and, if implemented, "these options would eliminate the deficit each year of the forecast; however, each option *could drastically change service levels within the District.*" For example, the elimination of 20 or more teacher positions will dramatically increase class sizes and could eliminate many - if not all - of the specials and electives (such as art, STEM, music, A.P. classes, advanced courses, etc...) that we offer. Eliminating the General Fund subsidy for extra-curricular activities could increase the cost to nearly \$1,000 or more per sport per student athlete.

Additional reductions would be necessary going into the 2023-24 school-year because even with all of these cuts, over the next three school years the district's ending budget balance is projected to be \$309 at the end of school-year 2023-24.

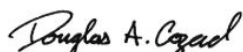
Regardless of how you feel about school funding, these reductions are a devastating and a grim reality for Bellbrook-Sugarcreek Schools. Over the years, the district has seen inflationary increases that are outside the district's control that include unfunded and underfunded state mandates in addition to the increase in the cost of doing business, plus district funding from the state has generally been flat-lined with very little increases. Only 27% of our funding is from the state. We take fiscal responsibility very seriously, but we cannot spend what we do not have. We believe that this report demonstrates that balancing the district budget is not a spending issue, it is a revenue issue. *As shown in the report, our community's tax burden, when taking in consideration the income level and property wealth and the actual taxes being paid, is lower than the state, local districts and peer districts' averages.*

Also noteworthy are the areas where there were not any recommendations. These areas were considered and evaluated by the State Auditor's Office but no savings could be found. For example, our transportation practices and routes were found to be extremely efficient. *Our teacher and support staff salaries are below peer districts and will be even lower due to their pay freeze for the 2020-21 school year.* Our maintenance and custodial staffing is well below peer districts, which is remarkable considering the great shape our facilities are in!

Due to the financial situation that we are in and the timing of the March 17 levy on the ballot, we will begin to examine and implement some of the recommendations from the State Auditor's office Performance Review. Additionally, we plan on forming a community-based committee to look at these recommendations long term and provide further input to our Board of Education.

The Bellbrook-Sugarcreek Local Schools Board of Education and administration would like to thank you for conducting this performance audit. We appreciate the very thorough and professional work of Mark Ingles and his team. We are always looking for ways to be as efficient as possible so we can continue to be good stewards of taxpayer dollars.

Sincerely,



Douglas A. Cozad, PhD
Superintendent
Bellbrook-Sugarcreek Local Schools