

OHIO AUDITOR OF STATE  
KEITH FABER



Van Buren  
Local School District

# Performance Audit

July 14, 2020

OHIO AUDITOR OF STATE  
**KEITH FABER**



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OHIO AUDITOR OF STATE  
KEITH FABER



**To the Van Buren Local School District community,**

The Auditor of State's Office recently completed a performance audit for the Van Buren 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 black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
July 14, 2020

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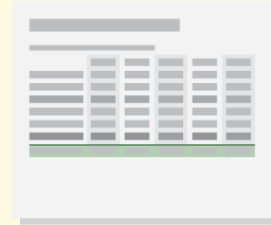
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# Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. As Ohio's school districts face progressively higher costs of doing business and uncertainty related to state and local revenue, it is increasingly important to ensure efficiency of operations. 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 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 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 operational effectiveness, increased transparency and 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>1</sup>

## Ohio Department of Education Five-Year Forecasts

Ohio school districts provide a five-year financial forecast to ODE twice a year. These forecasts provide an overview of a district's financial health. To ensure all interested parties are able to understand the forecasts, ODE has developed a guide with information including definitions of key terms, general ideas of what a good forecast should contain, and a line by line explanation of the forecast.



[Click here for the full document.](#)

### **NOTE TO REPORT USERS:**

Our report is largely based on information available prior to the State of Ohio state of emergency declaration in March 2020 due to the COVID-19 pandemic. Where applicable, our analysis only takes into account changes in operations or potential reductions in future revenues and expenditures related to the pandemic and state of emergency as projected in the District's May 2020 five-year forecast. These events could have lasting and unforeseen impacts on the District and its operations, and report users and District administrators should take this in to account as they consider implementation of the recommendations contained in this report.

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<sup>1</sup> Performance audits are conducted in accordance with generally accepted government auditing standards, see [Appendix A](#)

# Van Buren Local School District

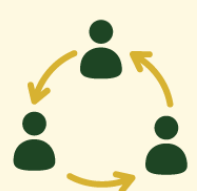
Van Buren Local School District (VBLSD or the District) is located in Hancock County and serves the Village of Van Buren and its surrounding areas. The District spans 48 square miles and had 1,058 students enrolled in Fiscal Year (FY) 2019. Of the total enrolled students, 13 percent were considered economically disadvantaged. The median income in FY 2019 was \$45,984. The District’s five-year forecast submitted in November of 2019 identified significant future operating deficits, as well as continued depletion of ending cash and fund balances, and as such was chosen for a performance audit by our office.

A school district budget is comprised of revenues and expenditures. Due to revenue generation generally being outside the control of school districts, as it is either State provided or taxpayer approved, our audit identified several areas where expenditures could be reduced in order to address the operating deficit and prolong fiscal solvency. The recommendations, which we presented to VBLSD, are based on a combination of industry standards and peer district analysis.

## Financial Condition


Ohio school districts receive funding through a variety of sources including local property taxes, local income taxes, state funding, and grants, with the majority of funding typically coming from local property taxes and state funding. A school district within the State of Ohio receives funding from the State based on a variety of formulas and laws. The formula which determines the amount granted to a district takes into account student enrollment and the relative wealth of the district compared to statewide income and property valuations. However, while the formula determines a potential amount to grant districts, individual school districts may not receive the full calculated state funding due to limitations in appropriations. In other words, the formula may calculate more revenue than what was appropriated by the General Assembly. These school districts are known as “capped” districts, since the amount of revenue received is reduced, or capped, to remain within appropriations. School districts are also guaranteed to not receive a lower amount of state funding from one year to the next, which can result in a district receiving more than the calculated funding. School districts receiving more than what the formula calculates are referred

**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

**Transportation Peers**



Districts of a similar size in square miles and population density

Click here for a list of all peers used in our analysis.

to as being on the “guarantee”. VBLSD was subject to cap restrictions in FY 2019 and received \$1,066,333, or 78.3 percent, of the calculated state funding formula amount of \$1,361,829.<sup>2</sup>

VBLSD Financial Condition Overview (November 2019)

	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Total Revenue	\$11,402,643	\$10,722,933	\$10,056,742	\$10,073,024	\$10,061,253
Total Expenditures	\$13,307,026	\$13,780,641	\$14,372,460	\$14,915,950	\$15,483,703
<b>Results of Operations</b>	<b>(\$1,904,383)</b>	<b>(\$3,057,708)</b>	<b>(\$4,315,718)</b>	<b>(\$4,842,926)</b>	<b>(\$5,422,450)</b>
Beginning Cash Balance	\$3,696,823	\$1,792,440	(\$1,265,268)	(\$5,580,988)	(\$10,423,914)
<b>Ending Cash Balance</b>	<b>\$1,792,440</b>	<b>(\$1,265,268)</b>	<b>(\$5,580,988)</b>	<b>(\$10,423,914)</b>	<b>(\$15,846,364)</b>
Encumbrances	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Cumulative Balance of Renewal/ Replacement Levies	-	\$832,641	\$2,464,618	\$4,096,595	\$5,728,572
Ending Fund Balance	\$1,742,440	(\$482,627)	(\$3,166,370)	(\$6,377,319)	(\$10,167,792)
Cumulative Balance of New Levies	-	\$122,448	\$1,812,225	\$4,457,093	\$6,906,045
<b>Ending Fund Balance with New Levy</b>	<b>\$1,742,439</b>	<b>(\$360,180)</b>	<b>(\$1,354,145)</b>	<b>(\$1,920,226)</b>	<b>(\$3,261,748)</b>

Source: VBLSD and ODE

This table shows VBLSD’s total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balances as projected in the District’s November 2019 five-year forecast. While the District’s financial condition is projected to improve according to the updated May 2020 five-year forecast, the financial condition as presented in this forecast served as the catalyst for the performance audit.<sup>3</sup>

The November 2019 forecast highlights VBLSD's financial position under multiple circumstances. Assuming passage of VBLSD's renewal/replacement levies, but not the passage of the April 2020 income tax levy, the District showed a negative ending funding balance beginning in FY 2021 of (\$482,627). This negative ending fund balance was projected to increase in the subsequent years to reach (\$10,167,792) in FY 2024. When accounting for passage of the April 2020 income tax levy, the ending fund balance was improved, but still projected to remain negative beginning in FY 2021 at (\$360,180) and worsening to (\$3,261,748) by FY 2024.

After the submission of the November 2019 five-year forecast, the District passed a 1 percent income tax levy in April which is projected to generate approximately \$2.6 million at full collection in FY 2023. This new revenue source is accounted for in the May 2020 five-year forecast, as shown in the following table. It should be noted that the rapidly evolving

<sup>2</sup> Public school funding was frozen at the FY 2019 level in the state operating budget for FY 2020 and 2021.

<sup>3</sup> The May 2020 five-year forecast accounts for annual reductions in State funding as a result of COVID-19, as well as planned staffing reductions beginning in FY 2021.



circumstances surrounding the COVID-19 pandemic have resulted in a great deal of economic uncertainty. As such, continued economic decline could result in income tax revenue that falls below current projections.

### VBLSD Financial Condition Overview (May 2020)

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total Revenue	\$11,261,280	\$10,801,560	\$11,794,935	\$12,788,437	\$12,587,490
Total Expenditures	\$12,524,459	\$12,628,004	\$12,464,097	\$12,756,490	\$13,173,913
<b>Results of Operations</b>	<b>(\$1,263,179)</b>	<b>(\$1,826,444)</b>	<b>(\$669,163)</b>	<b>\$31,946</b>	<b>(\$586,423)</b>
Beginning Cash Balance	\$3,696,823	\$2,433,644	\$607,200	(\$61,963)	(\$30,017)
<b>Ending Cash Balance</b>	<b>\$2,433,644</b>	<b>\$607,200</b>	<b>(\$61,963)</b>	<b>(\$30,017)</b>	<b>(\$616,440)</b>
Encumbrances	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Cumulative Balance of Renewal/ Replacement Levies	-	\$650,618	\$1,925,830	\$3,201,042	\$4,476,254
<b>Ending Fund Balance</b>	<b>\$2,383,644</b>	<b>\$1,207,818</b>	<b>\$1,813,867</b>	<b>\$3,121,025</b>	<b>\$3,809,814</b>

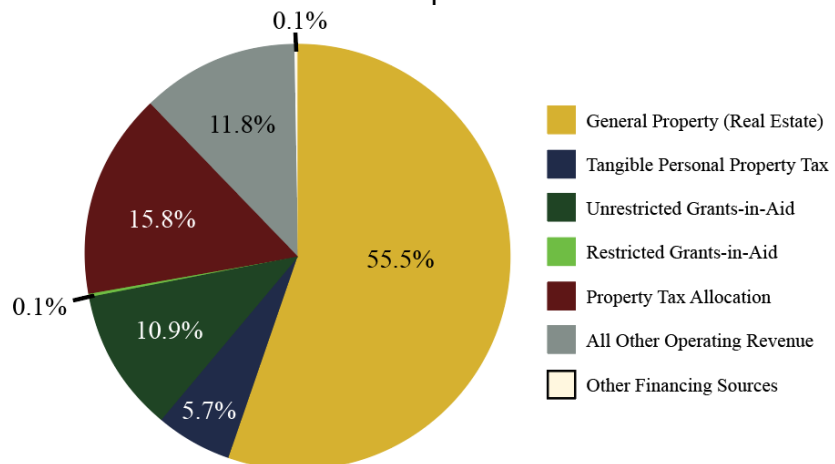
Source: VBLSD and ODE

While the November 2019 five-year forecast projected a declining financial condition, the May 2020 five-year forecast projects operating surpluses from FY 2022 through FY 2024. This improving financial condition is based on the expectation that revenues will continue to outpace expenditures, largely as a result of planned staffing and salary reductions, and corresponding decreases in cost of employee benefits. In total, the District anticipates a \$3.8 million General Fund surplus at the end of the forecast period. This report provides recommendations that can be put into place should the financial condition deteriorate.

## Revenues

The primary revenue source for the District in FY 2019 was general property taxes which accounted for 55.5 percent of all revenues. VBLSD also received 5.7 percent of revenues through tangible personal property taxes, which are taxes on business equipment. An additional 15.8 percent of funding was received through a property tax allocation, which is money provided by the State as a reimbursement for statutory

FY 2019 Revenue Composition



Source: VBLSD

tax credits and reductions granted to real and personal property taxpayers. The remaining 23 percent of FY 2019 funding was received through a variety of other sources including 10.9 percent of funding which was categorized as unrestricted grants and primarily from State foundation funding.

## Local Tax Revenue

Property taxes levied by Ohio school districts are subject to restrictions in the Ohio Constitution<sup>4</sup> and Ohio Revised Code (ORC).<sup>5</sup> Each school district receives a portion of the first 10 mills<sup>6</sup> of property tax that is levied on every parcel of taxable property in the school district. This is known as inside millage and revenue collected by a school district on this millage increases as property values increase. School districts are also permitted to levy additional taxes in excess of the first 10 mills if approved by a vote of its residents. This is known as outside millage. Outside millage is subject to what is known as tax reduction factors, which restrict the revenue raised by outside millage property taxes to what is raised in the first preceding year of collections.<sup>7</sup> The tax dollars levied using inside and outside millage are used to fund the school district's operations.

As a result of House Bill 920, passed in 1976, the amount collected on all outside millage is frozen at the dollar value collected in its first year. In subsequent years, as property values rise a school district would not receive additional revenue, and instead the effective millage rate is reduced in order to maintain the preceding year's level of revenue from the same properties. There is a minimum current expense<sup>8</sup> millage floor of 20 mills, which means that tax reduction factors cannot be applied to reduce the millage for current expenses to less than 20 mills. A school district can receive additional revenue on outside millage if there is new residential or commercial construction within the school district or if reduction factors decrease the effective current expense millage to the 20-mill floor. When this happens, state law does not allow the current expense

## Inside Millage

In Ohio, millage is referred to as "inside" millage and "outside" millage. Inside millage is millage 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 name 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.

## Outside Millage

Outside millage is any millage "outside" the 10 mills that is provided by the Constitution of the State of Ohio. This millage is voted in by the public. Another name for outside millage is voted millage. This millage can be used for general purposes or be restricted, it depends on the language of the law which enables it.

<sup>4</sup> Article XII, section 2 of the Ohio Constitution

<sup>5</sup> ORC § 5705.10 and ORC § 5705.02

<sup>6</sup> Property tax rates are computed in mills. A mill is 1/1000 or .001. One mill costs a property owner \$1.00 for every \$1,000 of taxable value.

<sup>7</sup> ORC § 319.301

<sup>8</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.

millage to be adjusted downward any further, meaning that the 20-mill minimum rate may now be applied to increased property values in addition to new construction.

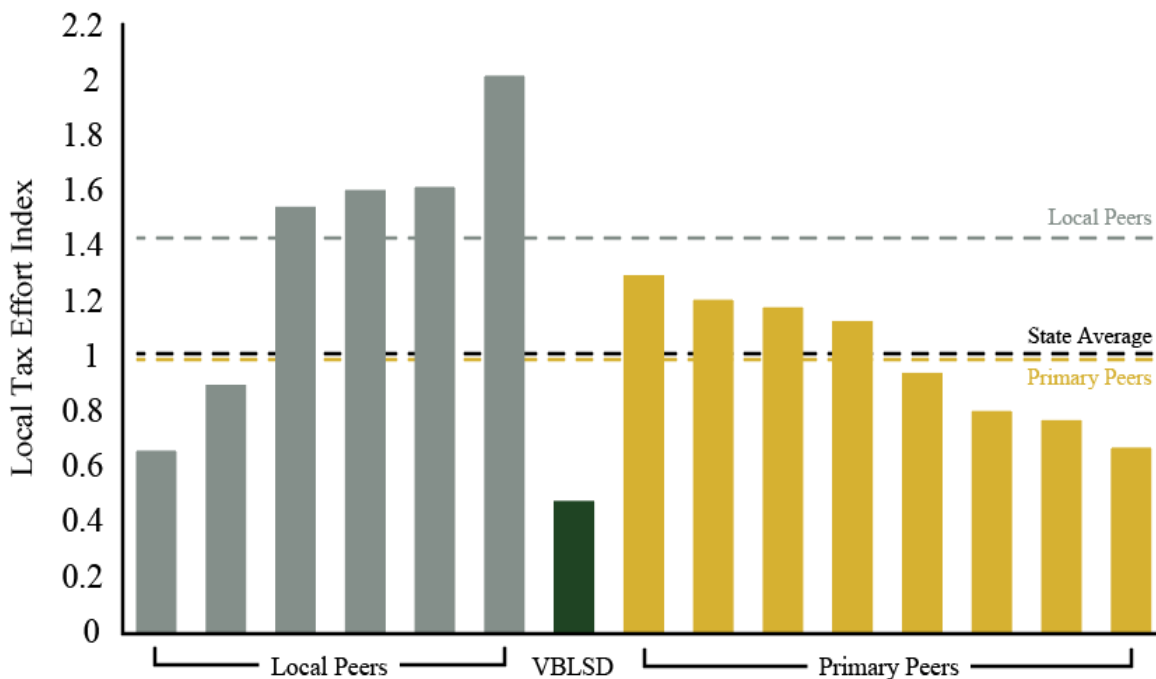
The District collected revenue on 5.30 inside mills and 14.70 outside mills (after tax reduction factors) in Tax Year 2019 (collection in 2020) for its General Fund current expenses. As such, the District is at the ‘20-Mill floor’ and is not subject to further tax reduction factors and sees the full increase in revenue whenever property values increase following reappraisals and updates from the Hancock County Auditor.

## Revenue Comparisons

### Local Tax Effort

ODE uses the Local Tax Effort Index as a measure of taxpayer support for the district in which they reside. This index 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 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.

Local Tax Effort Comparison to Peers



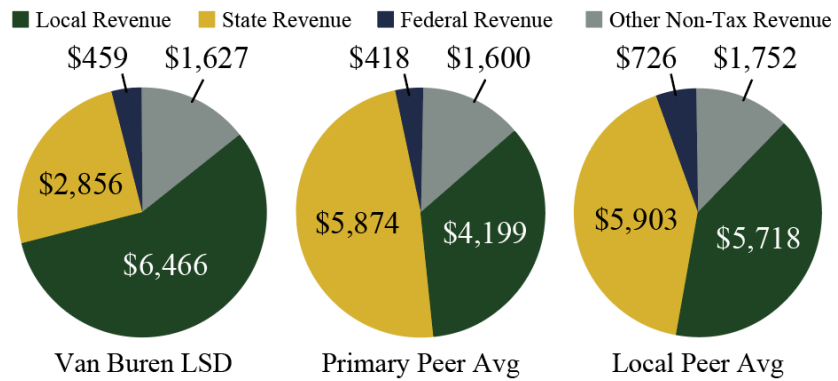
Source: ODE

In the chart on the previous page, the District’s local tax effort was compared to the state average and both local and primary peers. VBLSD has a local tax effort of 0.4738, which is lower than all three benchmarks. This indicates that the residents of the District pay less of their available income in school district property taxes than the state average, as well as both comparison groups.<sup>9</sup>

## Revenue per Pupil

Revenue per pupil, broken down by type of funding, is another way to compare funding sources between Ohio school districts. VBLSD receives \$11,408 per pupil, with 56.7 percent coming from local revenue sources. The District’s local revenue is higher than primary and local peers on both a total dollar amount and percentage basis.

Revenue per Pupil Comparison



Source: ODE

## 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, and Transportation. We identified seven recommendations which would result in reduced expenses or improve the District’s operational management based on industry standards and peer averages. These seven recommendations are referred to as **Tier I** recommendations in the audit.

While implementation of the Tier I recommendations improves the District’s financial condition in the near-term, it may not be sufficient to achieve long-term financial stability. Additional measures beyond alignment with the peer averages and applicable industry benchmarks may be necessary, especially if the District’s financial condition should unexpectedly worsen during the forecasted period. Should these circumstances arise, the District could consider taking more aggressive cost saving actions.

**Tier II** recommendations are those that have potential for increased savings but do not include additional personnel reductions. **Tier III** recommendations are additional personnel reductions identified on a case-by-case basis in areas where the District was staffed in-line with, or lower than, the respective peer averages, but could potentially make additional reductions based on the

<sup>9</sup> The District’s local tax effort relative to the comparison groups could change as a result of its passage of the 1 percent income tax levy. The updated tax effort value will likely be published in the FY 2021 Cupp Report.

District’s specific dynamics as compared to the peers. The financial impact of this audit’s recommendations on the May 2020 five-year forecast are shown below.

### Financial Forecast with Performance Audit Recommendations

	2021	2022	2023	2024
Original Ending Fund Balance	\$1,207,818	\$1,813,867	\$3,121,025	\$3,809,814
Cumulative Balance of Tier I Recommendations	\$924,654	\$1,881,251	\$2,865,035	\$3,879,645
<b>Revised Ending Fund Balance with Tier I Recommendations</b>	<b>\$2,132,472</b>	<b>\$3,695,118</b>	<b>\$5,986,060</b>	<b>\$7,689,459</b>
Cumulative Balance of Tier II Recommendations	\$448,153	\$1,013,117	\$1,778,339	\$2,634,737
<b>Revised Ending Fund Balance with Tier I &amp; Tier II Recommendations</b>	<b>\$2,580,625</b>	<b>\$4,708,235</b>	<b>\$7,764,399</b>	<b>\$10,324,196</b>
Cumulative Balance of Tier III Recommendations	\$1,018,959	\$2,070,242	\$3,155,580	\$4,272,880
<b>Revised Ending Fund Balance with All Recommendations</b>	<b>\$3,599,584</b>	<b>\$6,778,477</b>	<b>\$10,919,979</b>	<b>\$14,597,076</b>

### Results of Operations with Performance Audit Recommendations

	2021	2022	2023	2024
Operational Income/(Loss)	(\$1,225,826)	\$556,049	\$1,257,158	\$638,789
Annual Impact of Tier I Recommendations	\$924,654	\$956,597	\$983,784	\$1,014,610
<b>Revised Operational Income/(Loss) with Tier I Recommendations</b>	<b>(\$301,172)</b>	<b>\$1,512,646</b>	<b>\$2,240,942</b>	<b>\$1,653,399</b>
Annual Impact of Tier II Recommendations	\$448,153	\$564,964	\$765,222	\$856,398
<b>Revised Operational Income/(Loss) with Tier I &amp; Tier II Recommendations</b>	<b>\$146,981</b>	<b>\$2,077,610</b>	<b>\$3,006,164</b>	<b>\$2,509,797</b>
Annual Impact of Tier III Recommendations	\$1,018,959	\$1,051,283	\$1,085,337	\$1,117,300
<b>Revised Operational with All Recs</b>	<b>\$1,165,940</b>	<b>\$3,128,893</b>	<b>\$4,091,501</b>	<b>\$3,627,097</b>

# Tier I Recommendations

## 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 VBLSD’s financial management policies in order to determine if there were areas for improved management.

### Recommendation 1: Reduce the General Fund subsidy of extracurricular activities to the local peer level

#### Financial Implication

Reducing expenditures and/or increasing revenue to bring the General Fund subsidy of extracurricular activities in line with the local peer average would save the District an average of \$122,000 annually in each year of implementation.

#### Methodology and Analysis

In FY 2019, the District spent \$642,349 on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. More than \$381,300, or 59.4 percent of expenditures, were subsidized by the General Fund. On a per pupil basis this equates to a General Fund expenditure of \$354.73 per pupil. We compared the District’s per pupil General Fund subsidy for extracurricular activities to local peer averages. The local peer average was \$241.21 per pupil, a difference of \$113.52 per pupil. Lowering per pupil spending to the peer average would reduce the total General Fund subsidy by \$122,034.

$$\frac{(\text{Revenue} - \text{Expenditures})}{\text{Enrollment}} = \text{Per Pupil Subsidy}$$

To see our math, click here.

#### Conclusion

The District subsidizes its extracurricular activities on a per pupil basis to a greater degree than the local peers. We recommend that VBLSD reduces subsidies for extracurricular activities to be

in line with peer averages. The District should consider implementing one or more of the following steps to reduce the General Fund subsidy to the level of local peers:

- Increase pay to participate fees for extracurricular activities;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or Eliminate programs.

Instituting any of these measures would help reduce the General Fund subsidy, allowing more resources to be dedicated to student instruction. However, the District leadership should continue to consider the impact on families and students within VBLSD resulting from the implementation of these measures.

# 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 70.9 percent of VBLSD’s General Fund expenditures in FY 2019, a significant impact on the District’s budget and financial condition. OPT reviewed VBLSD’s staffing levels, salaries, insurance benefits, and collective bargaining agreement (CBA) provisions compared to peer districts as well as Ohio Revised Codes (ORC) and Ohio Administrative Code (OAC) requirements to determine areas where the District could save money through reductions.<sup>10</sup>

## Recommendation 2: Eliminate Administrative and Administrative Support Positions above the Peer Average

### Financial Implication

By reducing administrative and administrative support staff to be in line with the primary peer averages, the District could save an average of \$173,900 in each year of the forecasted period.<sup>11</sup>

### Methodology and Analysis

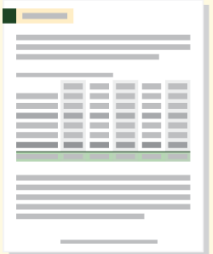
Staffing levels for the District were identified and compared to primary peer averages. A Full-Time Equivalent (FTE)<sup>12</sup> was used to identify staffing levels, based on ODE reporting guidelines. In order to make data-driven decisions, the data was normalized on a per 1,000 student level.

### District Staffing Levels

School districts report staffing to the Ohio Department of Education through the Education Management Information System (EMIS). The information is collected in EMIS based on several codes related to job category and function. We gather this information and compare it to primary peers in order to provide data driven recommendations.

While the report highlights areas where staffing could be reduced based on peer averages, we analyzed several other categories which did not result in a recommendation. In the areas where there is no recommendation, RCSD has staffing levels in line with, or below, primary peer averages.

[Click here for our full staffing analysis.](#)



<sup>10</sup> Both Title 1 and Special Education staffing is excluded from our analysis due to various requirements. **Appendix C** contains additional detail regarding our methodology for staffing analysis.

<sup>11</sup> The value of the savings for all staffing recommendations were based on the lowest tenured employee salaries and inflated it for contractual wage increases, and increases in the costs of benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

<sup>12</sup> 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



Areas where VBLSD has staffing levels above the primary peer average and could reduce administrative or administrative support staffing include:

- 1.0 FTE central office administrators; and
- 1.0 FTE central office support position.

Reductions in staffing would bring the District in line with primary peer averages based on FY 2019 data.

## Central Office Administrators

Ohio school districts are required by law to employ a Superintendent and Treasurer; additional central office administrator staffing is based on the needs of the District.<sup>13</sup> These positions generally include district leadership who lead or coordinate programs on a district-wide basis. VBLSD employs 5.00 FTE central office administrator staff. Eliminating 1.0 FTE central office administrator positions could save an average of \$119,200 in each year of implementation over the forecasted period, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

## Central Office Support

Currently VBLSD employs 4.19 FTE central office support staff. These staff members assist in the Treasurer's Office with budgeting and payroll. This category of positions also consists of the EMIS Coordinator, the executive secretary, and the transportation/maintenance secretary. Eliminating 1.0 FTE central office support staff could save an average of \$54,700 in each year of implementation over the forecasted period, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

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position, as defined by the district." (ODE Education Management Information System Manual, October 2019). Due to unique requirements, special education staffing was excluded from the staffing analysis.

<sup>13</sup> ORC § 3319.01 requires school districts in Ohio to employ the services of a Superintendent; ORC § 3313.22 requires school districts in Ohio to employ the services of a Treasurer.

## Recommendation 3: Eliminate Direct Student Education and Support Positions above the Peer Average

### Financial Implication

By reducing direct education and student support staff to be in line with the primary peer averages, the District could save an average of \$648,100 in each year of the forecasted period.<sup>14</sup>

### Methodology and Analysis

As with **Recommendation 2**, staffing levels for the District were identified and compared to primary peer averages on a normalized FTE per 1,000 student basis. Areas where VBLSD could reduce direct student education and support staffing include:

- 8.0 FTE general education teachers;
- 0.5 FTE gifted and talented teachers; and,
- 3.0 FTE monitor positions.

### General Education Teachers

VBLSD employs 58.00 FTE general education teachers and has a student to teacher ratio of 17:1. After an 8.0 FTE reduction, the student to teacher ratio increases to 20:1, which is still below the minimum staffing ratio of 25:1 as set forth in the Ohio Administrative Code (OAC).<sup>15</sup> Eliminating 8.0 FTE general education teacher positions could save an average of \$509,800 in each year of implementation over the forecasted period, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

### Gifted and Talented Teachers

VBLSD employs 1.00 FTE gifted and talented teachers. Eliminating 0.5 FTE gifted and talented teacher positions could save an average of \$51,800 in each year of implementation over the forecasted period, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

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<sup>14</sup> The value of the savings for all staffing recommendations were based on the lowest tenured employee salaries and inflated it for contractual wage increases, and increases in the costs of benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

<sup>15</sup> Ohio Administrative Code (OAC) § 3301-35-05 requires the ratio of general education teachers to students to be a least 1.0 FTE classroom teacher for every 25 regular students district-wide.

## Monitor Positions

VBLSD employs 3.16 FTE monitors. Eliminating 3.0 FTE monitor positions could save an average of \$86,500 in each year of implementation over the forecasted period, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

## Recommendation 4: Align employer cost for vision insurance with the SERB regional average

### Financial Implication

Aligning its employer costs with the State Employee Relations Board (SERB) Regional averages could save the District approximately \$13,200 annually.

### Methodology and Analysis

The District is self-insured through the Hancock County School Consortium, and has Medical Mutual as their third party administrator. VBLSD offers single and family coverage to all employees. Vision insurance is fully covered by the District, meaning no employee contribution is required. In FY 2019, the District had 33 participants in the single plan and 82 participants in the family plan.

SERB gathers information from government entities relating to medical, dental, and vision insurance costs and releases information pertaining to these benefits annually. In order to provide meaningful comparisons, SERB data was used to obtain the Toledo regional averages<sup>16</sup> to contrast against the FY 2020 vision premium rates for the District's single and family. After identifying the number of participants enrolled in these vision plans, we calculated the annual cost savings of aligning the District's employer costs for vision insurance to the SERB regional average.

VBLSD's employer costs for single and family vision plans were higher than the SERB regional averages. Both the single and family plan total premiums were higher than the respective SERB regional averages. VBLSD employees do not contribute to the vision premiums, resulting in higher overall annual employer costs compared to the SERB regional averages by approximately \$1,100 for the single plan and \$12,100 for the family plan.

### Conclusion

Aligning its employer cost with the SERB regional averages could save the District approximately \$13,200 annually.

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<sup>16</sup> The District's FY 2020 vision rates for single and family elections were compared to the FY 2019 SERB regional averages as this was the only SERB data available at the time of this analysis.

## Recommendation 5: Renegotiate Collective Bargaining Agreement Provisions Related to Contracted Services

### Methodology and Analysis

The District maintains two collective bargaining agreements (CBAs); one with the Van Buren Education Association, representing certificated staff, effective through June 30, 2022, and one with the Ohio Association of Public School Employees (OAPSE), representing classified staff, effective through June 30, 2020. These CBA's were analyzed and compared to local peer CBA's,<sup>17</sup> as well as applicable codes found within ORC and OAC in order to highlight any overly generous provisions or potential opportunities to save money or increase operational efficiency.

The district's classified CBA includes a provision that prohibits the district from using outside contractors/employees to eliminate or reduce the regular work hours of district employees. The district retains the right to hire temporary employees to meet seasonal or fluctuating needs, for weather or other emergencies, and in other specified situations as outlined in the agreement. Only North Baltimore LSD's CBA expressly forbids contracting out work performed by the bargaining unit. Elmwood LSD's CBA restricted contracting work of district employees for a specified period of time only, but the provision has expired<sup>18</sup>. Including this provision in the CBA could limit VBLSD's ability to make management decisions related to the district's financial position.

### Conclusion

The district should consider renegotiating the above provision in order to increase management control over district operations.

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<sup>17</sup> Two peer districts, Arcardia LSD and McComb LSD, do not currently have a classified CBA in place.

<sup>18</sup> Findlay CSD's CBA requires the district to give advance notice to the union before subcontracting, and allow an opportunity to register its views. Liberty-Benton LSD CBA addresses extra work during breaks being offered to district employees, however, indicates the board still retains the right to subcontract specialized work.

# 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 VBLSD's use of existing facilities in comparison to best practices and industry standards to determine if there were any areas for improvement.

## Recommendation 6: Develop renovation management plans in accordance with best practices

### Methodology and Analysis

To analyze VBLSD's facilities, we obtained information regarding the district's educational buildings configuration, including age, condition, and renovation date, as well as information regarding new building construction and renovation assessments, and funding opportunities. We then determined the Administration's future plans to engage in renovation projects and identified best practices for engaging in renovation projects while school is in session.

The U.S. Environmental Protection Agency (EPA) provides health and safety guidelines for in session school renovations. According to *Sensible Guide for Healthier School Renovations: Key Environmental Health Considerations When Renovating Schools* (EPA, January 2016), school renovations have the potential to increase student exposures to harmful contaminants, however addressing school renovation challenges proactively can help save money and support student performance. Regarding maintaining indoor air quality during renovations, the EPA recommends the following best management practices:

- Plan ahead to maintain good indoor air quality during renovations;
- Reduce potential exposure to construction dust by sealing off work areas from non-construction workers, using equipment with HEPA filters, and frequently cleaning work areas;
- Select staging areas for construction materials, equipment, and vehicles away from classrooms and HVAC intake; and,
- Review product labels and product specification sheets to verify content.

The EPA also provides guidance on how best to manage asbestos, mold, vapor intrusion, hazardous materials and mercury, lead based paint, polychlorinated biphenyls (PCBs), radon, and construction and demolition.

In *Managing Construction and Renovation While School Is in Session* (spaces4learning, June 1, 2007), it is recommended that schools prioritize the early creation of communication channels among community members, parents, faculty, staff, the construction team, and the student body in order to keep all stakeholders informed about progress, timetables, major steps, educational

impacts, safety concerns, and the process for handling inquiries and complaints. It is also recommended that schools develop pre-construction plans that consider hazards, site preparation, scheduling, ongoing communication, emergencies, increased custodial staff needs, and unique considerations for students and staff with special health and mobility needs.

The District's educational buildings are co-located on a single campus, and include a combined high school/middle school facility as well as a separate elementary school. The 156,175 square foot combined high school/middle school is the District's largest facility and includes designated space for the Board of Education. This facility has undergone ten renovations since its original construction in 1918. The elementary school building was first constructed in 1972 and has undergone one major addition in 2003, culminating in a combined total of 80,877 square feet.

In 2010, the Ohio Facilities Construction Commission (OFCC) provided the District with a facilities assessment that detailed recommended facility upgrades and associated costs. Major upgrades were recommended in 19 of the 23 assessment categories in the middle school/high school building and in 16 of the 23 assessment categories in the elementary school. Deficiencies in both buildings included those related to HVAC, electrical systems, technology, and roofing. According to the District, total renovation costs were estimated at nearly \$22 million, with OFCC offering match funding totaling approximately \$900,000. Additional renovation and new construction estimates were subsequently provided by outside firms in 2011 and 2014 that varied in size and scope, with total costs ranging from approximately \$10.5 to \$43.5 million.

According to the District, there are no formal plans to proceed with major renovations, additions, or new construction projects throughout the forecast period, but options may potentially be explored in the next 2 to 3 years. Options for major facility upgrades were most recently explored in 2014, but at that time, OFCC match funding was limited to approximately 5 percent. As a result, the District did not commit to major facility upgrades. In 2020, Van Buren LSD ranked 560th out of 610 in priority for OFCC funding assistance.

In light of the District's financing limitations, any facility renovations are likely to be undertaken in a piecemeal fashion, potentially while school is in session.

## Conclusion

The District should develop management plans in accordance with best practices when embarking on facility renovation projects while school is in session. Doing so will help to ensure the safety and well-being of its students and staff, and may help to mitigate extra costs associated with otherwise preventable hazardous situations.

# 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 VBLSD's transportation routing plan in comparison to best practices and industry standards to determine if there were any areas for improvement.

## Recommendation 7: Eliminate 1 bus route from the active bus fleet<sup>19</sup>

### Financial Implication

Eliminating one bus route could save an average of \$12,300 in compensation and benefits costs in each year of implementation over the forecasted period.

### Methodology and Analysis

The District has 11 resident-student routes organized in a single-tier system in which there is one set of morning routes and one set of afternoon routes for all grades.<sup>20</sup>

We evaluated the District's ridership in comparison to industry benchmarks. In *Hidden Savings in Your Bus Budget* (2017), the American Association of School Administrators recommends transporting 80 percent of the bus's rated capacity. Any routes which met capacity criteria were excluded from our analysis. In addition to capacity standards, we also consider student ride times as a part of our analyses. While there is no set standard for student ride time, we adhered to the District's preference on the topic of a sixty minute maximum.

The District had a peak usage of 57.0 percent of the rated capacity.<sup>21</sup> Our analysis found that eliminating one route from the operation would yield a usage rate of 69.7 percent.

### Conclusion

The elimination of one route could save an average of \$12,300 in each year of implementation over the forecasted period.

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<sup>19</sup> It is important to note that at the time of this audit, a great deal of uncertainty remains regarding the effects of COVID-19 on school transportation operations. As such, the District may need to consider adjusting its fleet needs beyond the scope of this recommendation as a potential result of changing ridership.

<sup>20</sup> VBLSD does not utilize a multi-tiered routing system in which grade levels are transported separately in two or more sets of morning and afternoon routes according to staggered bell schedules.

<sup>21</sup> This analysis excludes special needs transportation and routes to non-public schools, as the District must adhere to the respective schools' bus schedules.



## Tier II and Tier III Recommendations

The District could gain efficiencies by aligning its operations with the peer averages and industry standards by implementing the recommendations outlined in Tier I of this report. These recommendations could result in average annual savings of approximately \$969,500 and keep the District's ending fund balance positive throughout the forecast period. Implementing the following Tier II and Tier III actions could result in further significant annual savings but would likely have an impact on district operations and instructional activities.

### Tier II Recommendations

#### Eliminate the remaining General Fund subsidy of extracurricular activities

As shown in **R.1**, the District could save an average of approximately \$122,000 per year by aligning its General Fund subsidy of extracurricular activities with the local peer average. If further savings were needed, the District could consider fully eliminating the General Fund subsidy of \$381,300, which would save an additional **\$259,200** per year. To do so, the District could consider the following actions individually, or in combination:

- Increase pay to participate fees, admissions and sales, and booster club funding to levels that would fully cover the annual subsidy amount; and/or,
- Eliminate programs and associated supplemental salaries for activities that require higher expenses than the revenue generated.

#### Reduce employer costs of Medical and Dental Insurance plans

The District offers three medical plans to employees under an individual or family plan. Plan A is the Certificated PPO plan, Plan B is the Classified PPO plan, and Plan D is an HSA plan. Dental and Vision plans are also present and are 100 percent employer paid for both single and family.

Of the 111 District employees that participate in the provided medical insurance plans, 99 were enrolled in Plan B in 2019<sup>22</sup>, which has separate insurance premiums for classified/administrative staff and certificated staff. 110 employees participated in the Dental plan, and 115 employees participated in the Vision plan. The employee contribution for District administrators is 10%, and all others pay 15%.

Although the Districts insurance premiums for Medical Plan B and the Dental Plan are overall lower than the SERB regional averages, the employer cost for its Plan B Classified/Admin insurance premiums and for Single Dental coverage is higher. Aligning its employer costs for Plan B Classified/Admin single and family insurance premiums, and the single dental coverage

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<sup>22</sup> 57 of which are certificated employees, 42 are classified/admin employees.

premium, with the respective SERB regional averages could save the District approximately **\$52,700** annually.

## Negotiate to eliminate the College Credit Plus and tuition reimbursement provisions from the certificated CBA

The District's certificated CBA provides regular tuition reimbursement for certificated employees based on a semester-hour maximum of \$375, a quarter hour maximum of \$250, an individual tuition reimbursement of \$2,700, per employee, and a maximum allocation of \$25,000, annually, for all employees. Any unused money from the \$25,000 allocation is transferred to the professional leave budget. The local peer average is \$2,388, per employee, and \$34,333, annually, for regular tuition reimbursement. Two peers do not detail an individual employee maximum, only two peers detail semester hour maximums, and one peer details quarter hour maximums. While all of the peers offer tuition reimbursement in their certified CBAs, and the district's reimbursement amounts are in line with the peers, this benefit is not required by ORC or OAC.

In a separate provision, the District offers 100% reimbursement to its employees pursuing qualifications to teach College Credit Plus (CCP) classes at the District. Since teaching requirements for CCP include a master's degree in the subject area, or a master's degree in a different area plus 18 hours of continuing education in the subject, this provision is effectively tuition reimbursement. An employee receiving this type of reimbursement is not eligible for regular tuition reimbursement at the same time. While two of the peers offer a similar reimbursement program specifically for CCP in their certified CBAs, and the other peers have regular tuition reimbursement provisions that may allow for CCP reimbursement, this benefit is also not required by ORC or OAC.

The District could consider renegotiating these provisions in order to provide additional cost savings. Eliminating CCP and tuition reimbursements could result in average annual savings of **\$15,600** based on the amounts paid from FY 2017 through FY 2019.

## Eliminate Retirement pick-up for Central Office Administrators

In addition to tuition reimbursements, the District also provides benefits related to employee pension programs that are not required by law. School districts in Ohio, and their employees, are required to contribute payments into two retirement plans: the State Teachers Retirement System (STRS) for certificated/teaching staff and the School Employees Retirement System (SERS) for other/classified employees. Ohio law mandates the contribution percentages to be made by employers and employees.<sup>23</sup> As a form of alternative compensation for 11 central office administrators in FY 2019, VBLSD went beyond the SERS and STRS requirements by paying the entire employee share of retirement, which is considered retirement "pickup." Based on the

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<sup>23</sup> Employers are required to contribute 14 percent of each employee's annual salary to the appropriate retirement fund. Employee members of SERS are responsible for contributing an additional 10 percent, while employee members of STRS contribute an additional 14 percent.

total FY 2019 retirement pickup amount, the District could save approximately **\$138,200** annually by eliminating this provision.

## Implement a Base & Step Freeze for all employees

While the career compensation for VBLSD is lower overall for both certified and classified employees compared to the local peer averages, the District could still realize significant annual savings, without reducing additional staff, by implementing either a base freeze, a step freeze, or both, for all employee salary schedules at FY 2021 levels. The following savings amounts were calculated after taking into account staffing reductions identified in previous recommendations, and could be realized beginning in FY 2022 after the current CBAs expire:

Base Freeze Only- employees would continue to advance through steps in the schedule but base amounts would be frozen (i.e. no cost of living increases added to the base amounts): \$122,300

Step Freeze Only- employees would remain at current step levels and cease to advance through steps in the schedule, but would receive increases to the salary base amounts: \$145,100

If the District opted to implement a base freeze in conjunction with a step freeze, it could achieve annual average savings of approximately **\$267,400**.

## Tier III Recommendations

In addition to the staffing reductions identified in **R.2** and **R.3**, the District could consider further staffing reductions beyond alignment with the peer averages. Potential reductions could include central office administrators, building administrators, counselors, general education teachers, and building office support staff.

### Central Office Administrators

Eliminate 0.5 FTE Athletic Director position: VBLSD employs one full-time athletic director. However, 6 of the 8 primary peers utilize a part-time athletic director at an average full-time equivalency of 0.5. Only 2 primary peers employ a full-time athletic director similar to VBLSD.

This action could result in annual average savings of approximately **\$57,600**.

Eliminate 1.0 Director of Integration and Innovation:<sup>24</sup> VBLSD employs one full-time director of integration and innovation. However, only 1 primary peer employs a similar full-time position. One primary peer utilizes 1 part-time employee for this position while 3 primary peers utilize their respective Educational Service Center (ESC) for the services of a curriculum director. Three primary peers do not employ this position; the functional duties of this position are shared among the existing administrator staff.

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<sup>24</sup> This position is also commonly titled “Curriculum Director” at other school districts.

This action could result in annual average savings of approximately **\$100,200**.

## Building Administrators

Eliminate 1.0 FTE Building Principal position: VBLSD employs 3 full-time building principals; 1 each for the elementary school, middle school, and high school. However, because the middle school and high school are housed in the same physical building, the District could consider eliminating 1 principal position, and subsequently require one principal to cover both the middle school and high school, with the remaining principal covering the elementary school.

This action could result in annual average savings of approximately **\$132,300**.

## Educational

Eliminate 0.5 FTE Counseling position: VBLSD employs 2 full-time counselor positions. While 7 of the 8 primary peers employ 2 or more full-time counselors, Minster LSD only employs 1 full-time counselor. Based strictly on Minster LSD's counselor staffing ratio per 1,000 students, the District could eliminate 0.5 FTE counselor positions.

This action could result in annual average savings of approximately **\$47,700**.

Eliminate up to 10.0 FTE additional General Education Teachers: While eliminating 8.0 FTE general education teachers would align the District's staffing level with the primary peer average as shown in **R.3**, the District could eliminate an additional 10.0 FTE general education teacher positions and still be compliant with State minimum student to teacher ratio requirements<sup>25</sup>. Doing so would increase its student to teacher ratio from 20:1 (after the initial 8.0 FTE reduction) to just under 25:1. However, staffing to State minimum levels is not common practice, and further reductions of teaching staff beyond the peer average could drastically change service levels within the District.

This action could result in annual average savings of up to approximately **\$699,400**.

## Building Office Support

Eliminate 1.0 FTE Building Secretary position: VBLSD employs 3 full-time building secretaries; 1 each for the elementary school, middle school, and high school. However, because the middle school and high school are housed in the same physical building, the District could consider eliminating 1 secretary position, and subsequently require one secretary to cover both the middle school and high school, with the remaining secretary covering the elementary school.

This action could result in annual average savings of approximately **\$30,800**.

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<sup>25</sup> Ohio Administrative Code (OAC) § 3301-35-05 requires the ratio of general education teachers to students to be a least 1.0 FTE classroom teacher for every 25 regular students district-wide.

# 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 Van Buren 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.

# VAN BUREN LOCAL SCHOOLS



HOME OF THE BLACK KNIGHTS

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*ELEMENTARY PRINCIPAL*

June 30, 2020

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 Van Buren Local School District Board of Education would like to thank you and the audit team for their dedicated work in providing this district with a State Performance Audit. The Van Buren Administration is committed to identifying efficiencies in district operations, thereby reducing overall operational costs.

The performance audit is anticipated to be released in the month of July 2020, and the Board anxiously awaits the final draft of the report. The Board would be in favor of the Performance team presenting the final report during an Executive Session of an upcoming meeting.

Van Buren has committed to improving district performance, cost reductions and the ongoing financial analysis to provide a platform for data driven decisions. The process is providing the Board with a third-party perspective of overall finances and the obstacles faced by this district; including revenue reductions hitting in the spring of 2020, anticipated levy renewals and loss of state tax revenue. The renewal of the upcoming levy in November is imperative.

Most reductions implemented for the 2021 school year were positions absorbed due to attrition. There are additional positions slated to be reduced for the 2022 school year. In the current economy, the Board was not considering additional reductions for the 2021 school year.

The Van Buren Local School District Board of Education would like to acknowledge the professionalism of the Performance Audit Team and ease with which the Team worked with representatives at the District level. The insights gained through this process will drive upcoming operational decisions and staffing plans in development by the district administrative staff.

Sincerely,

Timothy Myers, Superintendent

Dawn Jacobs, Treasurer/CFO