



Dave Yost • Auditor of State

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To the residents, elected officials, management, and stakeholders of the Newcomerstown Exempted Village School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State
July 14, 2015

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Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Newcomerstown Exempted Village School District (NEVSD or the District). ODE requested this performance audit with the goal of improving the District's financial condition through an objective assessment of the economy, efficiency, and effectiveness of its operations and management. See **Table 1** in **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including financial management, human resources, facilities, transportation, and food service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

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

This performance audit provides 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.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A primary set of peers was selected for general District-wide comparisons. In addition, peer groups were selected for a comparison of compensation, benefits, and bargaining agreements (referred to as surrounding districts) and a separate set was selected for a comparison of transportation service. The following table contains the Ohio school districts included in these peer groups.

Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Claymont City School District (Tuscarawas County) • East Clinton Local School District (Clinton County) • East Guernsey Local School District (Guernsey County) • Franklin Local School District (Muskingum County) • Georgetown Exempted Village School District (Brown County) • La Brae Local School District (Trumbull County) • Oak Hill Union Local School District (Jackson County) • Ridgewood Local School District (Coshocton County) • Rolling Hills Local School District (Guernsey County) • Valley Local School District (Scioto County)
Compensation, Benefits, and Union Contract Peers (Surrounding Districts)
<ul style="list-style-type: none"> • Cambridge City School District (Guernsey County) • Claymont City School District (Tuscarawas County) • New Philadelphia City School District (Tuscarawas County) • Ridgewood Local School District (Coshocton County)
Transportation Peers
<ul style="list-style-type: none"> • East Clinton Local School District (Clinton County) • Franklin Local School District (Muskingum County) • Logan-Hocking Local School District (Hocking County) • Ridgewood Local School District (Coshocton County) • Ripley-Union-Lewis-Huntington Local School District (Brown County)

In addition to the peer districts listed above, comparisons were made to industry standards or leading practices where applicable. These include American Schools and Universities (AS&U); the National Center for Education Statistics (NCES); DeJong and Associates, Inc.;¹ the Government Finance Officers Association (GFOA); the National Association of State Directors of Pupil Transportation Services (NASDPTS); the National Clearinghouse for Educational Facilities (NCEF); the National Food Service Management Institute (NFSMI); the Office of Program Policy Analysis and Government Accountability (OPPAGA); the Ohio Department of Administrative Services (DAS); the Ohio Department of Education (ODE); the Ohio School Boards Association (OSBA); the Ohio State Employment Relations Board (SERB); and the United States Department of Agriculture (USDA). Compliance with pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

¹ DeJong and Associates, Inc. is a nationally recognized educational facilities planning firm that is utilized by the Ohio Facilities Construction Commission and its affiliate commissions for enrollment projections and capacity calculations on new building construction projects for school districts in Ohio.

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

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

Noteworthy Accomplishments

The following summarizes a noteworthy accomplishment identified as result of the objectives in this audit.

Salary Schedules: NEVSD renegotiated its certificated and classified salary schedules in 2013 to include only three steps for classified staff and seven steps for certificated staff. Limiting salary steps assists with budgeting and cost containment of staffing expenditures. See **Table B-2** in **Appendix B** for detailed salary comparison.

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1 Revise financial forecast to accurately portray financial condition	N/A
R.2 Eliminate 7.5 full-time equivalent (FTE) general education teacher positions	\$275,500
R.3 Eliminate 1.5 FTE educational service personnel (ESP) positions	\$129,300
R.4 Increase employee insurance contributions	\$211,100
R.5 Reduce vision insurance premiums	\$10,500
R.6 Reduce severance payment provision	\$15,100
R.7 Close one elementary building	\$195,600
R.8 Eliminate Food Service Fund deficit to maintain compliance with ORC § 3315.20	N/A
R.9 Accurately report food service operating data	N/A
R.10 Increase commodity food usage	\$36,100
R.11 Implement internal controls on food inventory	N/A
Cost Savings Adjustments¹	(\$14,300)
Total Cost Savings from Performance Audit Recommendations	\$858,900

¹ Cost savings from **R.4** and **R.5** were adjusted to account for staffing reductions in **R.2** and **R.3**.

During the course of the audit it was determined that the District's November 2014 financial forecast required a significant revision due to an outstanding Food Service Fund deficit. AOS revised this forecast to provide a more accurate representation of the District's financial condition (see **Appendix D** for a detailed explanation of the forecast revision). The following table shows the effect of the implementation of the recommendations contained in the report on these adjusted projections contained in the October 2014 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the adjusted ending fund balances.

Revised Financial Forecast with Performance Audit Recommendations

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Adjusted Ending Fund Balance	(\$45,010)	(\$255,331)	(\$677,225)	(\$1,306,470)	(\$2,080,140)
Cumulative Balance of Recommendations	N/A	\$858,900	\$1,717,800	\$2,576,700	\$3,435,600
Revised Ending Fund Balance	(\$45,010)	\$603,569	\$1,040,575	\$1,270,230	\$1,355,460

Source: NEVSD, ODE, and OPT recommendations

While the performance audit recommendations are based on FY 2014-15 operations, implementation of all recommendations may not be possible until FY 2015-16, as some recommendations require contract negotiations and others simply would not be possible until the start of a new fiscal year. As a result, cost savings have been applied to FY 2015-16 through FY 2018-19. As shown in the table above, if NEVSD implements the recommendations within the performance audit, it could eliminate the adjusted FY 2018-19 deficit of over \$2.0 million and generate a surplus exceeding \$1.3 million.

Background

The Ohio Department of Education (ODE) requested and funded this performance audit of NEVSD based on the declining fiscal stability of the District as evident in its October 2014 five year forecast (see **Appendix C**). This declining fiscal condition can be seen in **Table 1**, which contains an overview of this forecast, including the District's year ending fund balances. This forecasted information is an important measure of the future financial health of NEVSD and was used by AOS and ODE to select NEVSD for a performance audit.

Table 1: NEVSD Financial Condition Overview (October 2014)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenue	\$10,831,577	\$10,751,705	\$10,715,990	\$10,657,305	\$10,797,662
Total Expenditure	\$10,802,935	\$10,931,026	\$11,168,580	\$11,412,941	\$11,664,402
Results of Operations	\$28,642	(\$179,321)	(\$452,590)	(\$755,636)	(\$866,740)
Beginning Cash Balance	\$556,348	\$584,990	\$405,669	(\$645,946)	(\$802,557)
Ending Cash Balance	\$584,990	\$405,669	(\$46,921)	(\$802,557)	(\$1,669,297)
Ending Fund Balance	\$584,990	\$405,669	(\$46,921)	(\$802,557)	(\$1,669,297)

Source: NEVSD and ODE,

As shown in **Table 1**, the District's October 2014 five year forecast projects an ending fund balance deficit of nearly \$1.7 million for FY 2018-19. In November 2014, voters passed a renewal of the 5 year, 6.9 mill emergency levy originally passed in 2005, which will continue to generate \$750,000 annually for general operations of the District.

During the course of the audit, it was determined that the financial condition summarized in **Table 1** does not accurately depict the true financial condition of the District because the Food Service Fund has incurred year end fund balance deficits that have gone unaddressed since FY 2000-01. **Table 2** compares the FY 2000-01 Food Service Fund operating results to those of FY 2013-14.

Table 2: Food Service Fund Historical Overview

	FY 2000-01	FY 2013-14	Difference	% Change
Total Food Service Fund Revenue	\$413,749	\$518,007	\$104,258	25.2%
Total Food Service Fund Expenditure	\$416,065	\$548,231	\$132,166	31.8%
Results of Food Service Operation	(\$2,316)	(\$30,223)	(\$27,907)	1,205.0%
Beginning Food Service Fund Balance	(\$33,465)	(\$568,802)	(\$535,337)	1,599.7%
Ending Food Service Fund Balance	(\$35,781)	(\$599,025)	(\$563,244)	1,574.1%

Source: NEVSD and AOS

As shown in **Table 2**, the accumulated deficit in the Food Service Fund balance grew to over \$599,000 by FY 2013-14. Because the District failed to address the growing deficit, the General

Fund has continued to be artificially inflated. This deficit balance is important in context to the overall financial condition of the District as Ohio Revised Code (ORC) § 3315.20 and § 3313.81 requires that any deficit incurred by a special fund must be covered by the General Fund. Since FY 2000-01, the District has been cited in the annual financial audit for a negative fund balance in the Food Service Fund. Therefore, to immediately comply with this requirement, the District must transfer funds from the General Fund to cover this deficit (see **R.1**) which will significantly affect its projected financial condition.

Eliminating future fund balance deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, objectives and analyses conducted in the performance audit focus on the District's expenditures. In contrast, revenue generation is not directly controlled by school districts but instead by federal and State laws and regulations as well as support from local taxpayers.

Recommendations

R.1 Revise financial forecast to accurately portray financial condition

The District's October 2014 five year financial forecast projects an approximate \$585,000 year end General Fund balance for FY 2014-15 (See **Table C-1** in **Appendix C**). This projected fund balance is overstated and does not present the true financial condition of the District as it has an accumulated deficit balance in its Food Service Fund that must be rectified via a transfer from the General Fund. Adjusting the District's forecast to reflect this required Food Service Fund transfer, which accumulated over the course of 11 years, and cover any projected future deficits significantly, alters the District's bottom line. Specifically, including this transfer in the District's projections would result in General Fund deficit balances in all five years of the forecast period.

According to *Financial Forecasting in the Budget Preparation Process* (Government Finance Officers Association (GFOA), 2014), key steps in a sound forecasting process should include defining assumptions, gathering information, examining historical data and relevant economic conditions, and selecting the quantitative/qualitative methods to use for developing the forecast. By neglecting to rectify the Food Service Fund deficit condition, NEVSD did not consider all relevant economic conditions. As a result, the forecast does not present an accurate portrayal of the financial condition of the District.

Since the Treasurer has only been in this position for two years, the District should take this opportunity to improve the accuracy of its forecast by ensuring that deficit conditions in other funds that may affect the balance of the General Fund are accounted for, while anticipating all other relevant economic factors that may affect its financial condition. An accurate forecast would allow for effective decision-making in maintaining or achieving fiscal discipline by ensuring all relevant economic conditions the District faces are taken into consideration.

R.2 Eliminate 7.5 full-time equivalent² (FTE) general education teacher positions

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the district-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP). **Table 3** presents three options for staffing reductions in which the District would continue to operate within State requirements for general education teacher staffing levels based on FY 2013-14 peer data.

² According to the *FY 2012-13 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

Table 3: General Education Teacher Comparison

General Education FTEs	53.7				
Regular Student Population	849.9				
Staffing Ratio (Students: Teachers)	15.8:1				
	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction for this option	Annual Savings¹
Option 1: Peer Average	18.5:1	45.9	7.8	7.5	\$275,524
Option 2: 10% Above State Minimum	22.5:1	37.8	15.9	15.5	\$668,852
Option 3: State Minimum	25.0:1	34.0	19.7	19.5	\$880,132

Source: NEVSD FY 2014-15 and peer district FY 2013-14 staffing data as reported to ODE, and OAC

¹ Annual savings based on current lowest-paid general education teachers plus benefits costs of 54 percent of salaries.

The selection of one of the options presented in **Table 3** is ultimately District management's responsibility based upon the needs and desires of the stakeholders in its community. Staffing decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities of the District and maintain a solvent operation. As illustrated above, the District's student to teacher ratio is lower than peer average. While this option appears to provide sufficient savings to maintain a solvent operation, one of the other options presented might become necessary if NEVSD's financial condition worsens or some of the recommendations in this report are not fully implemented.

Financial Implication: Eliminating 7.5 FTE general education teacher positions could save **\$275,500** in salaries and benefits annually. This savings was calculated using the eight lowest general education teacher salaries for FY 2013-14 and includes an average benefit ratio of 54 percent.³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Eliminate 1.5 FTE educational service personnel (ESP) positions

ESP positions include K-8 art, music, and physical education teachers; counselors; librarians; social workers; and visiting teachers. In FY 2014-15, NEVSD employed 9.0 FTE ESP staff, which included 2.5 FTE art teachers, 2.0 FTE physical education teachers, 1.5 FTE music teachers, 1.0 FTE counselor, 1.0 FTE librarian, and 1.0 FTE school nurse. At the start of FY 2014-15, OAC 3301-35-05 required school districts to employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. Effective April 24, 2015, however, OAC 3301-35-05 was revised 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 of all students." This revision also eliminated State minimum staffing levels for ESP staffing. **Table 4** shows how the District compares to the peer average for ESP.

³ The average benefit percentage is calculated by taking the District's total employee retirement and insurance benefits divided by the District's total personal service expenditures in FY 2013-14.

Table 4: Educational Service Personnel (ESP) Comparison

	NEVSD	Peer Average	Difference		
Students Educated ¹	1077.0	1,385.7	(308.7)		
Students Educated (thousands)	1.0770	1.3857	(0.3087)		
	FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total Above/ (Below) ²
ESP Teachers	6.00	5.57	3.80	1.77	1.91
Counselors	1.00	0.93	1.66	(0.73)	(0.79)
Librarians / Media Specialists	1.00	0.93	0.69	0.24	0.26
School Nurses	1.00	0.93	0.69	0.24	0.26
Social Workers	0.00	0.00	0.07	(0.07)	(0.08)
Total Educational Service Personnel					1.56

Source: NEVSD FY 2014-15 and peer district FY 2013-14 staffing and enrollment data as reported to ODE

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

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average. Calculated by multiplying "Difference per 1,000 Students" by "Students Educated (thousands)".

As illustrated in **Table 4**, NEVSD employs more ESP positions than the peer average, signifying that financial efficiency could be gained by bringing its operations more in-line with this staffing level. However, reductions beyond the peer average remain an option for NEVSD should its financial condition worsen. The selected course of action is ultimately management's responsibility based on the needs and desires of the stakeholders in its community and must be balanced with the fiduciary responsibility to adapt to the financial realities in the District to maintain a solvent operation.

Financial Implication: Eliminating 1.5 FTE ESP could save approximately **\$129,300** in salaries and benefits annually. This was calculated using the lowest salary for ESP staff positions and includes an average benefit percentage of 54 percent.⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.4 Increase employee insurance contributions

Prior to making any changes to health insurance, the District should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation.

NEVSD offers medical, prescription drug, dental, and vision insurance to all of its employees as part of its employee health insurance plan. Employees that elect coverage are enrolled in all of the insurance programs and contribute a flat amount toward the combined monthly premium. Employees contribute \$70 for family coverage or \$34 for single coverage as outlined in the

⁴ The average benefit percentage is calculated by taking the District's total employee retirement and insurance benefits divided by the District's total personal service expenditures in FY 2013-14.

collective bargaining agreements. The employee contribution effectively goes toward the medical coverage portion of the health plan, as dental and vision insurance coverage is provided at no cost to the employee. In FY 2013-14, 117 employees were enrolled in family coverage and 22 were enrolled in single coverage. Comparisons to cost data collected in the 22nd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (Ohio State Employment Relations Board (SERB), 2014) showed that total FY 2013-14 health insurance costs to NEVSD was approximately \$18,200 lower than the SERB average for similar sized school districts. Despite these lower costs, strategies exist for cost savings in this area.

Table 5 compares the District's employee contribution to the Statewide average for school district employees in FY 2013-14, as reported by the 22nd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector*. The SERB average includes the average employee contributions for medical, vision, and dental insurance.

Table 5: Employee Contribution Comparison

	NEVSD	SERB Average	Difference
Family Plan	\$70.00	\$212.20	(\$142.20)
Single Plan	\$34.00	\$77.38	(\$43.38)

Source: NEVSD and SERB

As shown in **Table 5**, NEVSD employees contribute significantly less toward the District sponsored health plan than the SERB average. Employees are effectively not contributing toward dental and vision coverage while paying \$142.20 and \$43.38 less per employee for family and single coverage, respectively. As a result, the District could see substantial savings if the employee contributions are negotiated to the SERB averages.

Financial Implication: Increasing employee contributions to the SERB averages could save the District approximately **\$211,100** annually. Savings amounts were calculated by taking the difference per employee for each coverage level multiplied by the number of employees enrolled to arrive at the monthly savings.

R.5 Reduce vision insurance premiums

During FY 2013-14, the District provided medical, dental, and vision coverage to 139 employees, of which 117 were enrolled in family plans while 22 were enrolled in single plans. Employees are enrolled in all three insurance programs if they elect to have District-sponsored coverage. However, the District pays one combined monthly premium for the medical, vision, dental and life insurance to its insurer. The insurer does provide a breakdown of costs associated with each coverage level. **Table 6** below compares the District's vision insurance premium to the Statewide average for school districts, as reported by the 22nd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2014).

Table 6: Vision Premium Comparison

	Employees Covered	NEVSD Premium	SERB Premium	Difference
Single	22	\$12.51	\$8.58	\$3.93
Family	117	\$27.90	\$21.19	\$6.71

Source: NEVSD and SERB

As shown in **Table 6**, the District's vision insurance premium is more expensive than the SERB average for both single and family plans. As there are significantly more employees enrolled in family plans as opposed to single plans, the District would yield greater savings by reducing its vision insurance premium to the SERB average.

Negotiations with the current medical provider could assist the District in reducing its premium costs. *Renegotiate Benefit Contracts and Cut Costs* (Society for Human Resource Management (SHRM), 2009) suggests that employers seek competitive bids each year for health insurance, surveying providers in order to make meaningful comparisons and selection. Another option includes a consortium, which allows entities to save money and lower costs by joining together to purchase health insurance and increasing the risk pool.

Financial Implication: Reducing costs associated with vision insurance could save the District approximately **\$10,500** annually. The monthly savings were calculated using the difference per employee multiplied by the number of employees.

R.6 Reduce severance payment provision

NEVSD offers severance payments of up to 50 unused accumulated sick days for certificated employees and up to 55 unused accumulated sick days for classified employees at the retiring employee's final daily rate. An analysis of surrounding district CBAs showed severance payments are based on a range of 35 days up to 65 days.⁵ Furthermore, a comparison to State minimum requirements contained in ORC § 124.39 showed that a public school employee is entitled to one-fourth of his or her accrued but unused sick leave up to a maximum of 30 days. **Table 7** shows NEVSD's severance payments during the past three fiscal years compared to what these payment levels would be under the ORC minimum requirement.

Table 7: Severance Comparison

	NEVSD	ORC Requirement	Difference
FY 2011-12	\$63,870	\$38,021	\$25,849
FY 2012-13	\$54,499	\$37,258	\$17,241
FY 2013-14	\$39,205	\$36,772	\$2,433
3-Year Average	\$52,525	\$37,350	\$15,175

Source: NEVSD and ORC

As shown in **Table 7**, the District paid its employees more in severance than is required under by ORC § 124.39. Reducing severance payments to this minimum level would provide cost savings while still providing severance for retiring or resigning employees.

Financial Implication: Reducing severance payments to the ORC minimum level could provide savings of approximately **\$15,100** annually based on FY 2011-12 to FY 2013-14 data.

⁵ Claymont CSD pays out a maximum of 50 days for certificated and classified staff. Cambridge CSD pays out 45 days maximum for certificated staff and 35 days for classified; however, there are additional payouts available if leave balances exceed thresholds. New Philadelphia CSD pays out a maximum of 65 days for certificated and classified staff but also has stipulations for additional days based on leave accumulations. Ridgewood LSD pays out 50 days maximum for certificated staff and 55 days for classified staff.

R.7 Close one elementary building

NEVSD has four school facilities: East Elementary (grades K-1), West Elementary (grades Pre-K and 2-5), Newcomerstown Middle School (grades 6-8), and Newcomerstown High School (grades 9-12). Utilization of each building was assessed using a methodology outlined in *Defining Capacity* (DeJong & Associates Inc., 1999), whereby the functional capacity of a building is established based on the number of rooms that could be used for regular education instruction. This methodology excludes special education rooms, as these rooms have smaller student to teacher ratios and may not hold students for the full duration of a school day. **Table 8** shows each building's functional capacity and utilization rate for FY 2013-14.

Table 8: Building Utilization Analysis

Building	FY 2013-14 Headcount	Functional Capacity	Utilization Rate
Current State			
Newcomerstown High School	349	675	51.7%
Newcomerstown Middle School	249	450	55.3%
West Elementary School	371	450	82.4%
East Elementary School	163	200	81.5%
District Total	1,132	1,775	63.8%
Proposed Future State			
District Total	1,132	1,575	71.9%

Source: NEVSD and ODE

As shown in **Table 8**, the District utilized 63.8 percent of its functional capacity in FY 2013-14, signifying that it could achieve higher utilization and possible cost savings through the closure of a building. Utilization rates for the middle and high school buildings were the lowest of the four facilities (55.3 percent and 51.7 percent, respectively) showing that these two buildings had excess student capacity. Therefore, closing East Elementary School (which the District has temporarily closed in the past) would result in a utilization rate of 71.9 percent. This change would also require reconfiguring grade levels at the remaining three buildings to ensure optimal utilization levels.

Table 9 shows potential savings that NEVSD could realize by closing East Elementary School based on cost proportions outlined in *Closing a School Building* (National Clearinghouse for Educational Facilities (NCEF), 2010). In addition, the District may be able to generate one-time sales revenue by selling the vacated building.

Table 9: Building Closure Savings

Staffing Savings	
0.5 FTE Principal	\$57,973
1.0 FTE Office/Clerical	\$41,957
1.2 FTE Custodians	\$61,088
Total Staffing Savings¹	\$161,018
Facilities Savings	
Avoidable Purchased Services	\$16,128
Supplies and Materials	\$5,424
Utilities	\$13,074
Total Facility Savings	\$34,626
Total Savings From Building Closure	\$195,644

Source: NEVSD and NCEF

Note: Does not factor in potential relocation and transportation expenses.

¹ Savings from staffing reductions were estimated using the least senior employee salaries and benefits.

Financial Implication: The District could save approximately **\$195,600** annually through the closure of East Elementary School.

R.8 Eliminate Food Service Fund deficit to maintain compliance with ORC § 3315.20

The Food Service Fund has incurred operating deficits every year since FY 2000-01. The District, however, has not made annual transfers from the General Fund to rectify these negative year ending fund balances, despite being cited for noncompliance of this condition in its financial audits dating back to FY 2000-01. As a result, the accumulated deficit balance in the Food Service Fund exceeded \$599,000 by FY 2013-14.

ORC § 3315.20 states that a school district may have a deficit in any special fund of the district only if both of the following conditions are satisfied: (A) The district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is reasonable likelihood that the payment will be made, and (B) The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds. Because it does not satisfy either one of these requirements, the District is not in compliance with this statute. Further, ORC § 3313.81 provides that the general fund will cover any food service fund deficit. Thus, the NEVSD Food Service Fund is prohibited from accumulating deficits and is required by law to make this transfer.

The District should make a transfer from the General Fund to the Food Service Fund to alleviate the accumulated deficit balance and maintain compliance with ORC § 3315.20. To avoid future operating deficits in its food service operation, the District should consider the implementation of **R.9** through **R.11**. Should annual deficits still occur, however, NEVSD should maintain compliance with ORC § 3315.20 by alleviating these deficits through annual General Fund transfers.

R.9 Accurately report food service operating data

The District is required to report to ODE the number of meals served, current enrollment, and percentage of free and reduced lunches sold through a series of management reports (MR). Enrollment is reported on MR 60, which is used to calculate the participation for each building. East and West elementary schools also participate in the Community Eligibility Provision (CEP), which provides free breakfasts and lunches to all students regardless of family economic status or income.⁶ As part of the CEP program, all district buildings' enrollments are verified by ODE to ensure all eligible buildings are included. **Table 10** compares the enrollment reported on the MR 60 form to the CEP certification report for April of 2014.

Table 10: Food Service Enrollment Reporting Comparison

Building	MR 60 Enrollment ¹	CEP Enrollment ²	Difference	% Difference
High School	230	273	(43)	(15.7%)
Middle School	208	240	(32)	(13.3%)
West Elementary	332	352	(20)	(5.7%)
East Elementary	141	155	(14)	(9.0%)
Total Enrollment	911	1,020	(109)	(10.6%)

Source: NEVSD and ODE

¹ The MR 60 is the monthly lunch reimbursement report filed with ODE by school districts.

² The CEP certification report is used to compute direct certification percentages for federal reimbursements.

As shown in **Table 10**, the enrollment reported on the MR 60 was 109 students lower than the enrollment listed on the CEP certification report.

The District should ensure that all data reported for food service student participation is accurate to receive proper reimbursement. In accordance with National School Lunch Program (NSLP) and National School Breakfast Program (NSBP) guidelines, each school district must submit monthly claim forms to receive reimbursement for the qualified lunches and breakfasts served. Correcting food service reporting procedures will ensure that the District's data is accurate and that reimbursement revenue is correct. For example, lower enrollment numbers on the monthly reimbursement reports will inflate the District's meal participation rate, while other inconsistencies could result in lower reimbursement rates or exclusion from targeted federal programs. Inaccurate reporting could lead to loss of federal subsidies, and may jeopardize the District's CEP status for its elementary schools.

R.10 Increase commodity food usage

NEVSD takes part in the NSLP administered by the United States Department of Agriculture (USDA) Foods Program. This program distributes USDA donated food to participating schools in the form of entitlement dollars,⁷ or commodity allocations, to select food items at no cost that

⁶ School districts that have a minimum of 40 percent of identified students who qualify for free and reduced meals in any building can apply to the CEP program to serve free meals to its students, thereby increasing verification obligations and improving overall participation. Although East and West elementary schools are the only buildings that participate in this program, all District buildings report the CEP certification report.

⁷ Entitlement dollars are earned by each school district participating in the program and are determined and allocated by the number of student lunches served in the previous year multiplied by the USDA food reimbursement rate.

they would otherwise have to purchase.⁸ In FY 2013-14, the Food Service Fund incurred an operating deficit of over \$30,000. During this time, the District was awarded \$36,000 in commodities and approximately \$6,000 in bonus entitlements, but purchased slightly less than \$3,000 in commodity items. Full utilization of allocated commodities would have left the Food Service Fund with a slight profit at the end of FY 2013-14.

The *School Lunch and Breakfast Cost Study-II* (USDA, 2008) recommends that no more than 42.0 percent of a food service department's revenue should be expended on food and supply costs. **Table 11** compares the District's current food costs to the USDA estimate.

Table 11: Food Cost Savings

FY 2013-14 NEVSD Food Service Revenue	\$518,007
USDA Food Cost (as a % of Revenue)	42.0%
Projected FY 2013-14 Food Cost Based on USDA Benchmark	\$217,563
Actual FY 2013-14 Food Cost	\$253,707
Actual FY 2013-14 Percentage	49.0%
Possible Savings	\$36,144

Source: NEVSD and USDA

As shown in **Table 11**, the District expended \$36,144 more on food and supplies than recommended level suggested by the USDA benchmark. The District should take full advantage of the commodity and bonus allocations while also planning menus around commodity items whenever possible. According to the article *Best Practices Could Help School Districts Reduce Their Food Service Program Costs* (Office of Program Policy Analysis and Government Accountability (OPPAGA), 2009), districts should maximize their commodities allotment by structuring their menus around available commodities and purchasing commodities that result in the greatest savings for the district. Districts may further reduce food costs by using processing companies to convert USDA commodities into ready-to-serve food items.

Financial Implication: Reducing food and supply costs to 42 percent, as suggested by the USDA, could save the District **\$36,100** annually.

R.11 Implement internal controls on food inventory

The Food Service Department does not have an adequate inventory control system, and lacks internal controls over its products and vendors. It also does not regularly maintain inventory control sheets for ordering. Informal inventory is taken once each month by the head cook of each building. The Food Service Director noted that the locks on the freezer doors and stock rooms were broken and did not function properly. During the course of the audit, the locks on all freezers and storage rooms were repaired or replaced. Further, a review of the menu indicated that despite a stable, cyclical menu, the District used multiple vendors to order products that could be ordered through fewer vendors and in a timelier manner to avoid food shortages.

⁸ These items typically include meat, fish, poultry, fruits, cheese, oil, and grains. If the USDA purchases an abundance of one item it may be offered to entities as a bonus item through a bonus credit.

Table 12 provides the monthly food cost per day, food cost per meal, and the meals served per day for October 2013 through October 2014.

Table 12: Monthly Food Production Comparison

Month	Food Cost Per Day	Food Cost Per Meal	Meals Per Day
October 2013	\$1,339	\$1.26	1,062
November 2013	\$1,608	\$1.47	1,097
December 2013	\$1,662	\$1.59	1,047
January 2014	\$1,504	\$1.48	1,013
February 2014	\$976	\$0.94	1,043
March 2014	\$1,376	\$1.29	1,068
April 2014	\$1,272	\$1.18	1,080
May 2014	\$782	\$0.73	1,065
August 2014	\$1,423	\$1.31	1,084
September 2014	\$1,639	\$1.43	1,149
October 2014	\$1,224	\$1.01	1,217

Source: NEVSD and ODE CRRS

Table 12 shows that the District's food cost per day and the food cost per meal varied greatly between October 2013 and October 2014, despite the District's menus having little variation. The Food Service Director indicated that the District's ordering and inventory controls created situations in which some buildings had an abundance of product while others ran out before all students were provided meals. According to *Inventory Management and Tracking* (National Food Service Management Institute (NFSMI), 2012), an inventory should be taken at least once a month, but could be continuously taken as product is procured or removed from storage. Two people should take inventory: one to count and one to record. To maintain integrity, at least one of the people should not be involved with day-to-day storekeeping responsibilities.

The District should implement internal controls over its use of vendors and food inventory. This will help to ensure that all food and supplies are accounted for, while deterring potential theft and waste. In addition, these steps will allow the District to better understand and predict food cost and quantity, while maintaining quality.

Appendix A: Scope and Objectives

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

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: financial management, human resources, facilities, transportation, and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Eight of the seventeen objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
What is the District's financial history and current financial status?	N/A
What is the District's financial forecasting process?	R.1
What impact will the performance audit recommendations have on forecasted revenues and/or expenditures?	N/A
Human Resources	
Is EMIS data sufficiently reliable for use?	N/A
Are salaries comparable to the peers?	Table B-2
Are CBA provisions comparable to the peers?	R.6
Are benefits comparable to industry standards?	R.4, R.5
Are staffing levels comparable to the peers and State minimum requirements?	R.2, R.3, Table B-1
Facilities	
What are the high cost areas? What steps has the District taken to reduce costs?	N/A
Is the square footage and acreage data reliable for use?	N/A
Is maintenance and operations staffing level comparable to best practices?	Table B-3
What is the projected enrollment?	N/A
Are the buildings being utilized to levels consistent with best practices?	R.7
Transportation	
Are T-reports sufficiently reliable for use?	N/A
Are fuel purchasing practices resulting in efficient pricing?	Table B-4
Is the District's fleet condition maintained efficiently?	N/A
Food Service	
What steps can the District take to reduce the debt in the Food Service Fund?	R.8, R.9, R.10, R.11

Appendix B: Additional Comparisons

Staffing

Table B-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at NEVSD and the average of the peer districts. According to the *FY 2014 EMIS Reporting Manual* (ODE, 2014) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district. The latest available peer data was from FY 2013-14 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to NEVSD's EMIS data to reflect accurate staffing levels for FY 2014-15.

Table B-1: NEVSD Staffing Comparison

	NEVSD		Peer Average	Difference	
Students ¹ Educated	1,077.0		1,385.7	(308.7)	
Students (thousands)	1.077		1.3857	(0.3087)	
Staffing Categories	NEVSD FTEs	NEVSD FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Administrative	10.40	9.66	6.46	3.20	3.45
Office/Clerical	9.00	8.36	6.83	1.53	1.65
General Education Teachers	53.65	49.81	44.87	4.94	5.32
Educational Service Personnel	9.00	8.36	6.91	1.45	1.56
Educational Support	0.00	0.00	3.25	(3.25)	(3.50)
Other Certificated	1.00	0.93	1.26	(0.33)	(0.36)
Non-Certificated Classroom Support	9.00	8.36	9.97	(1.61)	(1.73)
Other Professional and Technical Staff	5.00	4.64	3.06	1.58	1.70

Source: NEVSD and ODE

Note: NEVSD's operational staffing, including custodians and maintenance workers, is not included in the peer comparison. These areas were assessed based on industry and operational standards (see **Table B-3**).

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

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

As illustrated in **Table B-1**, NEVSD employs more administrative, office/clerical, general education teachers (see **R.2**), ESP (see **R.3**), and other professional and technical staff compared to the peer average. While the District's administrative and clerical staff is above the peer average, no direct reductions were recommended as the analysis showed these employees have taken on several job duties to compensate for staffing reductions that are not reflected in the position coding. For example, the Superintendent oversees the facilities, transportation function, and food service operation in addition to his administrative duties. In the past, the District

employed a supervisor for the facilities and transportation functions, but made staffing reductions in these areas. In addition, the Superintendent's secretary also serves as the secretary for the Transportation Department and aides in the completion of Treasurer's Office administrative tasks. Reductions in these staffing categories are recommended, however, as a result of a potential building closure (see **R.7**).

Salaries

Wages for certificated and classified employees were compared to surrounding district averages using FY 2013-14 pay schedules contained in the respective collective bargaining agreements. **Table B-2** shows the average annual compensation over an employee's 30-year career in comparison to the surrounding district average.

Table B-2: Average Annual Compensation Comparison

	NEVSD	Surrounding District Average	Difference	% Difference
Certificated				
Bachelor's Degree	\$47,505	\$45,415	\$2,090	4.6%
Master's Degree	\$51,505	\$52,463	(\$958)	(1.8%)
Classified¹				
Cafeteria Cook	\$10.44	\$13.57	(\$3.13)	(23.1%)
Clerical	\$12.44	\$13.94	(\$1.50)	(10.8%)
Custodian	\$11.44	\$14.88	(\$3.44)	(23.1%)
Bus Driver	\$13.44	\$16.29	(\$2.85)	(17.5%)

Source: NEVSD and surrounding districts

¹Classified compensation was compared based on each position's average hourly rate over a 30-year career.

As shown in **Table B-2**, the average annual compensation for NEVSD certificated staff was below the peer average for staff with a master's degree and slightly higher than the surrounding district average for staff with a bachelor's degree. Based on certificated step schedules, employees with a bachelor's or master's degree will not surpass surrounding district compensation levels until year 17 or 21, respectively. All classified compensation, which was compared based on an average hourly rate over 30 years, was found to be below the surrounding district average (see **Noteworthy Accomplishment**).

Facilities

Table B-3 compares NEVSD's buildings and grounds staffing against national benchmarks from American Schools and Universities (AS&U) and the National Center for Education Statistics (NCES).

Table B-3: Facilities Department Staffing Needs

Grounds Staffing	
Grounds FTEs Employed	0.3
Acreage Maintained	27.5
AS&U Benchmark - Acres per FTE Groundskeeper	40.2
Benchmarked Staffing Need	0.7
Groundskeeper FTEs Above/(Below) Benchmark	(0.4)
Cleaning Staffing	
Custodial FTEs	10.2
Square Footage Cleaned	214,383
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	7.3
Custodial FTEs Above/(Below) Benchmark	2.9
Maintenance Staffing	
Maintenance FTEs	0.7
Square Footage Maintained	214,383
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Staffing Need	2.3
Maintenance FTEs Above/(Below) Benchmark	(1.6)
Total Facilities Department Staffing	
Total FTEs Employed	11.2
Total Benchmarked Staffing Need	10.2
Total FTEs Above/(Below) Benchmark	1.0

Source: NCES, AS&U, and NEVSD

Table B-3 shows that the District's total buildings and grounds staffing level is 1.0 FTE above the benchmark. Although custodial staffing is above the benchmark, this group is responsible for completing light maintenance duties. Closing East Elementary School (**R.7**) would reduce the District's total square footage cleaned by approximately 53,400 square feet, resulting in a custodial staffing need of 5.5 custodial FTEs. Because only 1.2 custodial FTE are assigned to the this building, further evaluation would be required to right size the total staffing level to align with the 29,500 square feet per FTE benchmark.

Transportation

Table B-4 shows NEVSD's transportation expenditures per active bus compared to the peer average.

Table B-4: FY 2013-14 Regular Needs Transportation Costs per Active Bus

	NEVSD	Peer Average	Difference	% Difference
Salaries	\$17,770	\$23,707	(\$5,937)	(25.0%)
Benefits	\$15,811	\$18,030	(\$2,219)	(12.3%)
Maintenance & Repairs	\$15,056	\$6,787	\$8,269	121.8%
Fuel	\$7,908	\$8,167	(\$259)	(3.2%)
Bus Insurance	\$937	\$630	\$307	48.6%
Other Costs	\$1,357	\$1,059	\$298	28.1%
Total Expenditures	\$58,839	\$58,380	\$459	0.8%

Source: ODE

Table B-4 shows that NEVSD's overall transportation expenditures per active bus were comparable to the peer average. While maintenance/repairs, bus insurance, and other costs were higher, further analysis was not performed as the District's bus fleet is comprised of older, previously owned buses. The District has an informal practice of purchasing used buses, which are lower priced but require a higher investment in maintenance and repairs.

Food Service

The primary component of a food service operation costs is labor hours, and a common indicator of efficiency is the number of meals prepared per labor hour. **Table B-5** shows the NEVSD's food service meals per labor hour, comparing the District's daily labor hours in each building to benchmarks outlined in *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999).

Table B-5: Meals per Labor Hour Analysis

Building	Meal Equivalents Served per Day	Daily Labor Hours	MPLH	Benchmark	Over / (Under) Benchmark	Total Labor Hours Needed	Equivalent Labor Hours Over/(Under)
High School	264	12.0	22.0	15.5	6.5	17.1	(5.1)
Middle School	264	11.5	22.9	15.5	7.4	17.0	(5.5)
West Elementary	360	12.0	30.0	17.0	13.0	21.2	(9.2)
East Elementary	165	6.0	27.6	13.0	14.6	12.7	(6.7)
Total	1,053	41.5	102.5	61.0	41.5	68.0	(26.5)

Source: NEVSD and Pannell-Martin

Table B-5 shows that NEVSD's food service operation has highly efficient staff, producing more meals with fewer labor hours than the industry benchmark.

Appendix C: Five Year Forecasts

Table C-1: NEVSD October 2014 Five Year Forecast

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	2,261,144	2,203,138	2,258,663	2,308,877	2,370,226	2,334,342	2,327,984	2,376,574
1.020 Tangible Personal Property Tax	338,621	426,392	466,795	543,359	583,027	545,726	522,727	550,029
1.035 Unrestricted Grants-in-Aid	5,583,989	5,495,441	5,721,059	6,271,653	6,076,079	6,108,462	6,137,325	6,192,563
1.040 Restricted Grants-in-Aid	54,150	52,043	376,725	369,849	380,004	379,623	379,243	378,482
1.045 Restricted Federal Grants-in-Aid - SFSS	311,882							
1.050 Property Tax Allocation	599,902	433,497	434,541	399,611	404,141	409,609	351,798	361,786
1.060 All Other Operating Revenue	972,609	888,908	953,168	938,228	938,228	938,228	938,228	938,228
1.070 Total Revenue	10,122,297	9,499,419	10,210,951	10,831,576	10,751,705	10,715,990	10,657,305	10,797,662
2.040 Operating Transfers-In	167,407		58,755					
2.060 All Other Financial Sources	22,487	1,342	22					
2.070 Total Other Financing Sources	189,894	1,342	58,777					
2.080 Total Revenues and Other Financing Sources	10,312,191	9,500,761	10,269,728	10,831,577	10,751,705	10,715,990	10,657,305	10,797,662
3.010 Personnel Services	5,163,000	5,065,931	4,963,015	5,285,569	5,343,999	5,402,429	5,460,859	5,519,289
3.020 Employees' Retirement/Insurance Benefits	2,478,531	2,341,462	2,685,109	2,725,364	2,825,927	2,931,023	3,040,881	3,155,737
3.030 Purchased Services	1,457,209	1,801,111	1,772,661	1,825,841	1,880,616	1,937,034	1,995,145	2,054,999
3.040 Supplies and Materials	268,976	289,880	321,229	327,654	334,207	340,891	347,709	354,663
3.050 Capital Outlay	154,974	79,489	92,652	199,505	98,495	100,465	102,474	104,524
4.300 Other Objects	393,119	396,892	636,276	439,002	447,782	456,738	465,873	475,190
4.500 Total Expenditures	9,915,810	9,974,764	10,470,942	10,802,935	10,931,026	11,168,580	11,412,941	11,664,402
5.010 Operational Transfers - Out	167,407							
5.030 All Other Financing Uses		15,634	(15,634)					
5.040 Total Other Financing Uses	167,407	15,634	(15,634)					
5.050 Total Expenditure and Other Financing Uses	10,083,217	9,990,398	10,455,308	10,802,935	10,931,026	11,168,580	11,412,941	11,664,402
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	228,974	(489,637)	(185,580)	28,642	(179,321)	(452,590)	(755,636)	(866,740)
7.010 Beginning Cash Balance	1,002,591	1,231,565	741,928	556,348	584,990	405,669	(46,921)	(802,557)
7.020 Ending Cash Balance	1,231,565	741,928	556,348	584,990	405,669	(46,921)	(802,557)	(1,669,297)
8.010 Outstanding Encumbrances	420,604	81,454	23,966					
10.010 Fund Balance June 30 for Certification of Appropriations	810,961	660,474	532,382	584,990	405,669	(46,921)	(802,557)	(1,669,297)
11.020 Property Tax - Renewal or Replacement						61,696	157,391	124,070
11.300 Cumulative Balance of Replacement/Renewal Levies						61,696	219,087	343,157
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	810,961	660,474	532,382	584,990	405,669	14,775	(583,470)	(1,326,140)
15.010 Unreserved Fund Balance June 30	810,961	660,474	532,382	584,990	405,669	14,775	(583,470)	(1,326,140)

Source: NEVSD and ODE

Table C-2: NEVSD May 2015 Five Year Forecast

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	2,261,144	2,203,138	2,258,663	2,295,936	2,334,656	2,315,530	2,308,387	2,355,912
1.020 Tangible Personal Property Tax	338,621	426,392	466,795	535,716	541,136	536,707	530,690	540,525
1.035 Unrestricted Grants-in-Aid	5,583,989	5,495,441	5,721,059	6,196,077	6,157,147	6,236,331	6,333,337	6,421,033
1.040 Restricted Grants-in-Aid	54,150	52,043	376,725	422,220	422,220	422,220	422,220	422,220
1.045 Restricted Federal Grants-in-Aid - SFSF	311,882							
1.050 Property Tax Allocation	599,902	433,497	434,541	392,081	394,946	400,197	409,710	419,466
1.060 All Other Operating Revenue	972,609	888,908	953,168	811,844	811,844	811,844	811,844	811,844
1.070 Total Revenue	10,122,297	9,499,419	10,210,951	10,653,874	10,661,949	10,722,829	10,816,188	10,971,000
2.040 Operating Transfers-In	167,407		58,755					
2.060 All Other Financial Sources	22,487	1,342	22	7,304				
2.070 Total Other Financing Sources	189,894	1,342	58,777	7,304				
2.080 Total Revenues and Other Financing Sources	10,312,191	9,500,761	10,269,728	10,661,178	10,661,949	10,722,829	10,816,188	10,971,000
3.010 Personnel Services	5,163,000	5,065,931	4,963,015	5,285,569	5,343,999	5,402,429	5,460,859	5,519,289
3.020 Employees' Retirement/Insurance Benefits	2,478,531	2,341,462	2,685,109	2,581,364	2,825,927	2,931,023	3,040,881	3,155,737
3.030 Purchased Services	1,457,209	1,801,111	1,772,661	1,910,131	1,967,435	2,026,458	2,087,252	2,149,869
3.040 Supplies and Materials	268,976	289,880	321,229	327,654	334,207	340,891	347,709	354,663
3.050 Capital Outlay	154,974	79,489	92,652	199,505	98,495	100,465	102,474	104,524
4.300 Other Objects	393,120	396,891	636,276	439,001	447,781	456,736	465,872	475,189
4.500 Total Expenditures	9,915,810	9,974,764	10,470,942	10,743,224	11,017,844	11,258,002	11,505,047	11,759,271
5.010 Operational Transfers - Out	167,407			144,000				
5.030 All Other Financing Uses		15,634	(15,634)					
5.040 Total Other Financing Uses	167,407	15,634	(15,634)	144,000				
5.050 Total Expenditure and Other Financing Uses	10,083,217	9,990,398	10,455,308	10,887,224	11,017,844	11,258,002	11,505,047	11,759,271
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	228,974	(489,637)	(185,580)	(226,046)	(355,895)	(535,173)	(688,859)	(788,271)
7.010 Beginning Cash Balance	1,002,591	1,231,565	741,928	556,348	330,302	(25,593)	(560,766)	(1,249,625)
7.020 Ending Cash Balance	1,231,565	741,928	556,348	330,302	(25,593)	(560,766)	(1,249,625)	(2,037,896)
8.010 Outstanding Encumbrances	420,604	81,454	23,966					
10.010 Fund Balance June 30 for Certification of Appropriations	810,961	660,474	532,382	330,302	(25,593)	(560,766)	(1,249,625)	(2,037,896)
11.020 Property Tax - Renewal or Replacement						61,485	156,967	123,644
11.300 Cumulative Balance of Replacement/Renewal Levies						61,485	218,452	342,096
12.010 Fund Bal June 30 for Cert of Contracts,Salary Sched,Oth Obligations	810,961	660,474	532,382	330,302	(25,593)	(499,281)	(1,031,173)	(1,695,800)
15.010 Unreserved Fund Balance June 30	810,961	660,474	532,382	330,302	(25,593)	(499,281)	(1,031,173)	(1,695,800)

Source: NEVSD and ODE

Appendix D: Five Year Forecast Adjustments

The District's October 2014 five year financial forecast projects positive operating results for the first three years of the forecast with deficits projected in the final two years, accumulating to a negative General Fund balance of over \$1.3 million by FY 2018-19. During the course of the audit it was determined that this forecast does not provide an accurate representation of the District's true financial condition. Since FY 2000-01, NEVSD has incurred operating deficits in its Food Service Fund, which left unaddressed, accumulated to a deficit of over \$599,000 by FY 2013-14. Pursuant to ORC § 3315.20, the District is required to rectify this deficit balance on an annual basis. Because of this, AOS adjusted the District's October 2014 five year forecast to include the effects of General Fund transfers to cover accumulated and projected future deficits. **Table D-1** shows the District's ending fund balances as projected in its October 2014 five year forecast with adjustments made to cover Food Service Fund deficits. It should be noted that the adjustments made to the forecast were limited exclusively to alleviating the Food Service Fund deficit condition. No analysis was conducted on the projections or appropriateness of the assumptions used in any other area of the forecast.

Table D-1: Financial Forecast Adjustments

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Original Ending Fund Balance	\$584,990	\$405,669	\$14,775	(\$583,470)	(\$1,326,140)
Results of Operations	N/A	(\$179,321)	(\$390,894)	(\$598,245)	(\$742,670)
One-Time Food Service Fund Transfer	(\$599,000)	N/A	N/A	N/A	N/A
Estimated Annual Food Service Fund Transfer	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)
Total Forecast Adjustment	(\$630,000)	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)
Adjusted Beginning Cash Balance	N/A	(\$45,010)	(\$255,331)	(\$677,225)	(\$1,306,470)
Adjusted Ending Fund Balance	(\$45,010)	(\$255,331)	(\$677,225)	(\$1,306,470)	(\$2,080,140)

Source: NEVSD, ODE, and OPT adjustments

As shown in the **Table D-1**, adjusting the forecast to include General Fund transfers to cover Food Service Fund deficits results in ending fund balance deficits for all five forecasted years.

Appendix E: Subsequent Events

On May 20, 2015, the District's May 2015 five year financial forecast was processed by ODE showing a worse financial condition than was projected in October 2014. In addition, this forecast was still devoid of the required Food Service Fund transfers required by ORC § 3315.20. The following table includes the ending fund balances from this updated forecast, the OPT adjustments for the Food Service Fund deficits, and the effect of the implementation of recommendations contained in this report.

Updated Financial Forecast with Revisions and Recommendations

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Original Ending Fund Balance	\$330,302	(\$25,593)	(\$560,766)	(\$1,249,625)	(\$2,037,896)
Results of Operations	N/A	(\$355,895)	(\$535,173)	(\$688,859)	(\$788,271)
One-Time Food Service Fund Transfer	(\$599,000)	N/A	N/A	N/A	N/A
Estimated Annual Food Service Fund Transfer	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)
Total Forecast Adjustment	(\$630,000)	(\$31,000)	(\$31,000)	(\$31,000)	(\$31,000)
Adjusted Beginning Cash Balance	N/A	(\$299,698)	(\$686,593)	(\$1,252,766)	(\$1,972,625)
Adjusted Ending Fund Balance	(\$299,698)	(\$686,593)	(\$1,252,766)	(\$1,972,625)	(\$2,791,896)
Cumulative Balance of Recommendations	N/A	\$858,900	\$1,717,800	\$2,576,700	\$3,435,600
Revised Ending Fund Balance	(\$299,698)	\$172,307	\$465,034	\$604,075	\$643,704

Source: NEVSD, ODE, and OPT recommendations

As shown above, the District's updated forecast projects original ending fund balance deficits in the latter four years of the forecast period with a projected FY 2018-19 deficit approximately \$700,000 greater than projected in October 2014 (See **Table C-1** in **Appendix C**). Despite the downward revision of its financial condition, the District could still achieve positive year end operating results for FY 2015-16 through FY 2018-19 by implementing the recommendations contained in this report.

Client Response

The letter that follows is the District’s official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report, and provided supporting documentation, revisions were made to the audit report.

Newcomerstown Exempted Village School District



Jeff Staggs
Superintendent of Schools
702 South River Street
Newcomerstown, Ohio 43832-1450

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e-mail: staggsje00@staff.nctschools.org

July 1, 2015

David Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Oh 43215

Dear Auditor Yost,

On behalf of the Newcomerstown Exempted Village School District, we would like to thank the entire Performance Audit team for their time and effort in preparing the audit report for our district. The staff was thorough and professional during all phases of the audit.

We appreciate the accomplishments noted within the report which have helped the district to provide excellent educational services while maintaining a lean budget. The district will continue to work in this area to maintain a working budget.

The recommendations for improvement identified in the report will help guide district decisions. The recommendation for food service, specifically, has been addressed even before this report was published. Many efforts have been made throughout the past years to increase revenue and decrease expenditures in the cafeteria fund including contracting with Preferred Meals for one year, reducing staff, reducing new hire salaries, reducing new hire benefits, and participating in the Community Eligibility Program. All of these have been positive changes for the cafeteria with the exception of Preferred Meals. Currently, the district has approved AVI as its food service management for the 2015-2016 school year. In addition, the district has transferred general fund dollars to the food service fund to help decrease the deficit. This transfer was made possible with savings generated through an insurance moratorium. The district is committed to erasing this deficit as quickly as possible.

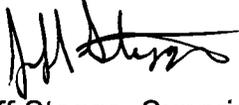
The district staffing analysis is a concern for the district since it does not take into effect the special education population of the district. Newcomerstown has around 20% of the students identified as special education. Because of the roughly 200 students in special education the district cannot eliminate the amount of teachers in this report and serve our students.

The facility recommendation in this report did not account for four classrooms of students at the elementary buildings (first grade, two pre-school, and library/special education classroom). The district will continue to take into account all classrooms and students while considering the possibility of closing East Elementary.

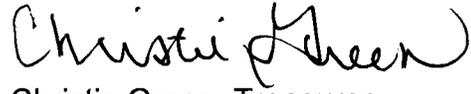
With regard to the five year forecast recommendations, the district maintains that the forecast accurately reflects the actual and projected financial activity of the general fund.

Once again, we appreciate the time and effort put forth by the Performance Audit team. We will continue to consider your recommendations as we move forward.

Respectfully,



Jeff Staggs, Superintendent



Christie Green, Treasurer

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Dave Yost • Auditor of State

NEWCOMERSTOWN EXEMPTED VILLAGE SCHOOL DISTRICT TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2015