



**Auditor of State  
Betty Montgomery**

# GIRARD CITY SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 16, 2003



## Auditor of State Betty Montgomery

To the Residents and Board of Education of the Girard City School District:

On March 20, 2003, Girard City School District (Girard CSD) was placed in fiscal caution because of a projected deficit beginning in the fiscal year ending June 30, 2003. Pursuant to ORC §3316.031 and ORC §3316.042, my office initiated a performance audit on Girard CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist Girard CSD in eliminating the conditions which brought about the declaration of fiscal caution.

The performance audit contains recommendations which provide cost savings and efficiency improvements. The performance audit also provides an independent assessment of Girard CSD's financial situation and a framework for the District's financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist Girard CSD in developing and refining its financial recovery plan, the District is also encouraged to assess overall operations and develop other recommendations independent of the performance audit. During the course of the performance audit, Girard CSD worked diligently with its Board of Education and the community to decrease expenditures in several areas.

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution designation, a district overview, the objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Girard CSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 16, 2003

# **Executive Summary**

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## **Project History**

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the state superintendent of public instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of that school district's five-year forecast. According to ORC §3316.042, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced programs can be achieved. Girard City School District (GCSD) was placed in fiscal caution on March 20, 2003 because of a projected deficit beginning in the fiscal year ending June 30, 2003.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of GCSD. Based on a review of GCSD information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities; and
- Transportation.

AOS initiated fieldwork in late March 2003 and completed the project in July 2003.

## **District Overview**

GCSD encompasses five square miles within the City of Girard in Trumbull County. In FY 2001-02, GCSD had an average daily membership (ADM) of 1,767 students and a total of 241.5 FTE employees, including 82.1 regular teacher FTEs. GCSD has two school buildings: one containing an elementary and intermediate school, and the other containing a junior high and high school. In FY 2001-02, GCSD met 24 of 27 of the Ohio Department of Education's (ODE) 27 performance standards, resulting in a designation of effective as defined by ODE. GCSD's total per pupil operating expenditures, including governmental funds, facilities acquisition and construction expenditures, and debt service expenditures of \$8,497 in FY 2001-02 were higher than the peer school districts used in this performance audit.

Most of GCSD's facilities are older buildings in need of renovation or replacement. In prior years, the District leased some of its facilities to the Girard Community Improvement Corporation for the purpose of renovation or replacement. The intermediate school was replaced in FY 2000-01 but was not been occupied for a period of time due to air quality problems. The resulting work to remedy the air quality problems, as well as legal costs to address complaints about the air quality within the building, has impacted the District's General Fund. A construction project is currently underway at the elementary school to renovate seven classrooms and add three new ones.

During the course of this performance audit, GSCD began to address its financial difficulties by identifying staffing reductions, seeking approval to use funds reimbursed by the Ohio School Facilities Commission (OSFC) for the new intermediate school in order to offset some payments made from the General Fund, and projecting the need for an operating levy to be placed on the ballot in November 2003. The millage for the operating levy will be 5.9 mills. However, the District has not addressed contractual issues that impact the District's General Fund, nor has the District committed to reducing staffing levels to avoid future deficits.

In October, 2002, the District was forecasting negative ending fund balances in FY 2003-04 through FY 2006-07, with the negative fund balance reaching (\$612,000) in FY 2006-07. Due to the mid-year reduction in state funding, ODE determined that GCSD would also have a deficit beginning in the FY 2002-03 and the deficit would grow at a more rapid rate in future years. By considering implementation of the recommendations in this performance audit, GCSD can avoid future financial difficulties. See **R2.14** and **Table 2-26** in the **financial systems** section of this report for the proposed financial recovery plan and impact of the performance audit recommendations on the General Fund ending balance.

## **Objectives & Methodology**

The goal of the performance audit process is to assist GCSD management in identifying cost savings opportunities, with the objective of eliminating the conditions which brought about the declaration of fiscal caution. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that GCSD can consider in its continuing efforts to stabilize its financial condition. A second objective of the performance audit is to perform an independent assessment of the school district's financial situation, including development of a framework for a financial recovery plan. GCSD's financial forecast, along with its accompanying notes and assumptions, is also assessed for reasonableness.

To complete this report, the auditors gathered and evaluated a significant amount of data pertaining to the reporting areas, conducted interviews with various individuals associated with GCSD, and assessed requested information from selected peer districts. Brookfield Local School District (BLSD), Champion Local School District (CLSD) and LaBrae Local School District

(LLSD) were identified as peers based on ODE's list of comparable districts, a review of various demographic information, and input from GCSD personnel. Best practice data was also used from ODE, the State Employment Relations Board (SERB) and other school districts for additional comparisons. Numerous interviews and discussions were held at many levels at GCSD and with groups of individuals involved internally and externally with the District.

## **Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are key noteworthy accomplishments observed at GCSD:

- The District's report card rating went from continuous improvement in FY 1999-00 to effective in FY 2001-02.
- GCSD's square footage maintained per maintenance FTE is greater than the peer average and the American Schools and University (AS&U) Maintenance and Operations standards.
- GCSD administration has worked proactively with the Board to decrease expenditures to improve the District's financial condition. Action has been taken to reduce staff and supplemental contracts, and reduce costs for maintenance agreements, supplies and miscellaneous services.

## **Key Recommendations**

The performance audit report and executive summary contain a number of recommendations pertaining to GCSD. The following are key recommendations:

- GCSD should analyze and use the financial recovery plan outlined in **Table 2-26** to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on the District's financial condition. Based on the forecast that GCSD is currently presenting, the District will have an ending fund balance in FY 2006-07 that is less than 2 percent of total revenues, which could lead to it remaining in fiscal caution status in the future. GCSD should consider implementing the recommendations in this performance audit to help rectify its future financial difficulties. In addition, GCSD should update the financial recovery plan on an ongoing basis as critical financial issues are addressed or emerge.
- The school board should pass a resolution to resolve an incorrect categorization of OSFC reimbursements deposited within the Classroom Facilities Fund. The money should be deposited within the Permanent Improvement Fund for the purpose of paying for the improvements related to the Intermediate School facility. GCSD should also reimburse the

General Fund, or any other fund, from the Permanent Improvement Fund for expenses incurred that qualify as permanent improvement expenses related to the construction and capital improvement of the intermediate school. Furthermore, GCSD should expense the portion of future maintenance and custodial costs associated with the Intermediate School to an appropriate cost center within the Permanent Improvement Fund. In this manner, the General Fund will be relieved of some of the expense related to the maintenance costs of this facility. Thereafter, if the project is closed, GCSD may consider a transfer of any remaining funds to the Debt Service Fund to service the outstanding bond obligations for the construction of the intermediate school. It is important to note that an adequate audit trail must be maintained to implement this recommendation. GCSD can reduce the General Fund impact by approximately \$25,000 annually by using OSFC money within the Permanent Improvement Funds for facility maintenance expenses. GCSD has taken action to implement this recommendation.

- GCSD should follow through on its plans to place a 5.9 mill operating levy on the November 2003 ballot. If this levy passes, the District would receive approximately \$425,000 in addition revenues for FY 2003-04 and approximately \$850,000 for FYs 2005-06 and 2006-07. If a levy is placed on the ballot and passed, GCSD should demonstrate accountability by sharing information with the public concerning how the new revenue will be spent and how the new levy will benefit the District. GCSD implemented this recommendation during the course of the performance audit.
- GCSD should reduce 2.0 FTE clerical personnel. By doing so, the District will still maintain clerical staffing levels in relation to administrative and total personnel that are comparable to the peer districts. GCSD could generate an estimated annual cost savings of \$85,000 as a result of reducing its clerical personnel by 2.0 FTEs. The District has taken action to implement this recommendation.
- GCSD should reduce its supplemental contracts to a level proportionate to the peer districts. The District should seek at least a 30 percent reduction in costs for supplementals. In addition, GCSD should make the athletic director position part-time and shift the current athletic director's primary duties back to classroom instruction. If Girard is able to reduce the cost per supplemental position by 30 percent, the District would create an annual cost avoidance of approximately \$55,000. GCSD implemented this recommendation during the performance audit.
- During future contract negotiations, GCSD should seek a 10 percent employee contribution for health insurance from employees working seven hours or more, consistent with the costs shared by employees state-wide. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs in future years. Assuming that GCSD required an employee contribution equal to

10 percent for single and family coverage, the District would save approximately \$129,000 annually.

- GCSD should implement a graduated benefits scale based on the number of hours worked by employees. Currently, every District employee is eligible to receive full benefits at no cost. If GCSD uses a prorated scale based on the number of hours worked for those employees working less than seven hours per day, employees would contribute up to 62.5 percent of the monthly premium. Using a graduated benefits scale would decrease GCSD's direct health care premium costs by approximately \$39,000 annually based on the number of hours worked by its 17 part-time classified employees.
- During the next contract negotiations, GCSD should seek reduced cost of living increases (COLAs) of 1 percent, 1 percent, and 2 percent for all staff, educational personnel and administrators for the three years of the respective contracts. Reducing the impact of COLAs on the District will bring the GCSD certificated and classified salary schedules more in line with the peer districts' salary schedules and reduce the financial burden of personnel costs on the District. Based on current salaries, GCSD could achieve a cumulative cost avoidance of approximately \$362,000.
- During the next contract negotiation, GCSD should consider reducing the number of paid holidays for classified employees to be more in line with the average of Revised Code minimum standards and peers.. Using the average daily rate of classified employees, based on the number of months worked per year, the District could save approximately \$13,000 annually.
- GCSD should participate in a centralized cooperative purchasing program. Participation in a cooperative would allow GCSD to purchase supplies and materials at a more competitive price. Consolidated purchasing through a cooperative would also help prevent duplication of orders. Participating in the Ohio state cooperative program could result in annual average savings of approximately \$24,000. GCSD implemented this recommendation during the performance audit.
- Girard CSD should adopt a formal written transportation policy and change district transportation practices to more closely reflect state minimum standards as identified and outlined in ORC § 3327.01. The current unwritten policy results in the District transporting approximately 90 percent of its students. By formalizing its transportation policy and reducing busing for high school students and some students living within the City limits, GCSD could realize annual cost savings of approximately \$16,000. Before implementing any transportation service reductions, GSCD should ensure that student safety is not impacted.

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## **Additional Recommendations**

The remainder of this executive summary highlights additional recommendations from the audit report. Additional recommendations include the following:

### *Financial Systems*

- GCSD should institute formal forecasting policies and practices that require projections to be made for each object code that is aggregated into forecast line items. GCSD's treasurer should ensure the notes and assumptions adequately reflect what is reported in the five-year forecast. The notes and assumptions should be expanded and consistently present more detailed historic and projected information, and explanatory comments. By providing more detail in the forecast and its supporting notes, the Board and the public will better understand the financial condition of GCSD.
- GCSD should restate the five year financial forecast to separate one-time unusual expenditures as a separate line item. The methodology GCSD employs is problematic because it forecasts broadly defined expenditure categories, rather than, projecting more narrowly defined object code level expenditures. Broad inflationary assumptions may then carry one time expenditure items forward, leading to overstated future expenditures. The treasurer should consider revising the following forecast assumptions:
  - Real property tax revenues (see **R2.4**);
  - Unrestricted grants-in-aid (see **R2.5**);
  - Personnel services and associated benefits (see **R2.7** and **R2.8**); and
  - Textbooks and instructional materials (see **R2.9**).
- GCSD should use a formal capital improvement plan as a basis for projecting future capital outlay expenses. GCSD should revise its five-year forecast to reflect the revised forecast for capital outlay expenses. Part of this plan should include obtaining sufficient outside funding to maintain the district's computer labs.
- GCSD should charge all operating expenses associated with food service operations to the Lunch Room Fund. This will allow the District to determine if operations offer the potential for additional revenues or cost reductions. In addition, food service operations expenses will be reflected accurately so bonuses can be determined.
- GCSD should closely examine the spending patterns indicated in **Table 2-20** and **Table 2-21** and consider reallocating the District's revenue toward those programs and priorities that have the greatest impact on improving the student's education and proficiency test results.

*Human Resources*

- GCSD should develop policies and procedures to ensure that accurate reports are prepared and reconciled before being submitted to ODE and the Educational Management Information Systems (EMIS). GCSD should also ensure that someone independent of the data gathering process reviews the information to ensure accuracy of the numbers. GCSD has taken steps to implement this recommendation.
- GCSD should closely monitor grant funding to ensure that the federal grant for the Drug Abuse Resistance Education (DARE) coordinator is received yearly to fund the position's salary and benefits. If the grant is not received or is reduced, then GCSD should reflect the changes and either reduce the amount of time spent conducting drug safety duties to the allowable grant amount, or eliminate the DARE coordinator's position if it cannot be funded at all by the grant. The DARE activities should still be conducted but transferred to an existing position such as a teacher, principal, or counselor, similar to BLSD, CLSD, and LLSLSD.
- During the next contract negotiation, GCSD should review its Early Retirement Incentive (ERI) and ensure the cost to the District is less than the cost of retaining eligible employees. If the ERI is more costly than retaining eligible teachers, the benefit should either be eliminated or changed to a retirement incentive that is financially advantageous to the District. GCSD should ensure that vacated positions are filled with lower-salaried teachers in order to maximize the financial benefit of the ERI.

*Facilities*

- GCSD should increase maintenance staff by 1.0 FTE.. The additional maintenance FTE will help GCSD keep up with the demands of additional building maintenance when the new school addition opens in FY 2004-05. GCSD currently assigns 271,860 square feet to the maintenance worker, which is significantly higher than the AS&U figure of 116,660 square feet per maintenance worker for similar sized school districts.
- GCSD should reallocate workloads of the 2.0 FTE custodians assigned to the stadium. The responsibilities of the custodians assigned to the stadium should occupy only about 7 hours for 1.0 FTE per day. The second 1.0 FTE's time and workload should be reallocated to 0.5 FTE for maintenance work and 0.5 FTE for custodial work at the elementary school. Reallocating the custodian's workload will increase efficiency for GCSD because additional time will be dedicated to maintaining district facilities. This will also help reduce the immediate need for an additional full time maintenance employee. GCSD has taken action to implementation this recommendation with a target completion date of November, 2003.

- GCSD should review building operating practices and develop an energy conservation plan for the District. Formalizing its energy conservation program could help GCSD capture additional savings.
- GCSD should purchase a comprehensive computerized work-order maintenance system. A comprehensive system would allow GCSD to track work orders, materials used, personnel information and productivity statistics. Using accurate cost data and time-to-complete information will result in better resource allocation decisions.
- GCSD should develop and implement a formal, planned preventive maintenance program for each building in the District. A preventive maintenance log should also be created for each building to record when each task is performed. This will help reduce the risk of incurring high costs for emergency repairs.

### *Transportation*

- GCSD should not submit T-11 forms to ODE for special needs reimbursement if Trumbull County Educational Service Center (TCESC) is reporting services and collecting reimbursements for the same students. Beginning in the next reporting cycle, GCSD will cease to receive a separate annual reimbursement directly from ODE for approximately \$25,000. This recommendation was implemented during the course of the performance audit.
- GCSD should formally document its bus replacement plan. The plan should also be formally approved by the Board. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making in purchasing replacement buses. The plan should also take into consideration the potential reduction in required buses if the District chooses to implement busing changes.
- GCSD should develop a formal written bus preventative maintenance program. A documented program will provide the transportation department a written management tool for monitoring and scheduling bus maintenance. Replacing the current manual log system with a computerized recording system will provide school administrators real-time information and will help GCSD better monitor transportation expenditures.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which GCSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (**R3.5-R3.12**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Recommendations from all Sections	Estimated Annual Cost Savings	Estimated Annual Implementation Costs	Estimated One-Time Implementation Costs	Gain/(Loss) of Revenue	Cumulative Cost Avoidance
<b>Financial Systems</b>					
<b>R2.6</b> Use of OSFC funds <sup>1</sup>	\$25,000				
<b>R2.13</b> Levy-5.9 mils <sup>2</sup>				\$850,000	
<b>Human Resources</b>					
<b>R3.3</b> Reduce 2. clerical positions	\$74,000				
<b>R3.4</b> Reduction in cost per supplemental position	\$55,000				
<b>R3.5</b> Require employee contribution towards medical monthly premium	\$129,000				
<b>R3.6</b> Classified benefit employee contribution	\$39,000				
<b>R3.7</b> Certified 1, 1, 2, COLA					\$276,000
<b>R3.8</b> Classified 1, 1, 2, COLA					\$45,000
<b>R3.9</b> Bus driver 1, 1, 2, COLA					\$6,600
<b>R3.10</b> Administration and Treasurer 1, 1, 2, COLA					\$34,200
<b>R3.11</b> Reduction of paid holidays	\$13,000				

Recommendations from all Sections	Estimated Annual Cost Savings	Estimated Annual Implementation Costs	Estimated One-Time Implementation Costs	Gain/(Loss) of Revenue	Cumulative Cost Avoidance
<b>Facilities</b>					
<b>R4.1</b> Hire an additional maintenance employee		\$40,000			
<b>R4.2</b> Implement an Internet-based, electronic work order system for maintenance requests.			\$3,000		
<b>R4.5</b> Implement a centralized purchasing agreement	\$24,000	\$300			
<b>Transportation</b>					
<b>R5.2</b> Reduce number of pupils transported annually	\$16,000				
<b>R5.3</b> Special need reimbursement				(\$25,000)	
<b>R5.4</b> Fuel purchase savings	\$2,200	\$125			
<b>R5.6</b> Implement VMP software			\$5,500		
<b>Total Financial Implications</b>	<b>\$352,200</b>	<b>\$40,425</b>	<b>\$8,500</b>	<b>(\$25,000)</b>	<b>\$361,800</b>

<sup>1</sup> OSFC fund use not included in total due to fund reallocation

<sup>2</sup> Levy not included in total as voter approval is required.

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

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# Financial Systems

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## Background

This section focuses on the financial systems within Girard City School District (GCSD). The objective is to analyze the current financial condition of GCSD and develop recommendations for improvements and efficiencies. GCSD's five-year forecast was also analyzed to ensure that the projections accurately represent future operational and financial conditions.

The Auditor of State (AOS) recommended the establishment of fiscal watch and emergency laws for school districts to create predetermined monitors and criteria for fiscal responsibility and to provide technical assistance to help school administrators restore fiscal stability. Senate Bill 310, effective September 19, 1996, established fiscal watch and emergency laws for Ohio school districts. Senate Bill 345, effective April 10, 2001, amended the conditions for declaring fiscal watch and emergency and created a new category of fiscal caution. The difference between fiscal caution, fiscal watch and fiscal emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

In accordance with Ohio Revised Code (ORC) §3316.031 and ORC §3316.042, a district may be placed in fiscal caution when the district projects a deficit in the current year. On March 20, 2003, GCSD was placed in fiscal caution due to a projected FY 2002-03 ending fund balance deficit as well a deficit in future years. As a result, GCSD is required to submit a financial recovery plan proposing changes that would lead to the elimination of this deficit.

### *Financial Operations*

On March 20, 2003, ODE declared GCSD in fiscal caution. ODE indicated that it expected GCSD to generate a small deficit in FY 2002-03 and a larger deficit in FY 2003-04. ODE encouraged GCSD to implement plans to avoid any deficits in the current fiscal year and any future fiscal years. **Table 2-1** compares GCSD's operational revenues and expenditures to peer districts.

**Table 2-1: Comparison of FY 2002-03 Revenues  
by Source and Expenditures by Object**

	<b>Girard (GCSD)</b>	<b>Brookfield (BLSLSD)</b>	<b>Champion (CLSD)</b>	<b>LaBrae (LLSD)</b>	<b>Peer Average</b>
Property & Income Tax	\$2,815,194	\$3,275,447	\$2,937,568	\$3,078,035	\$3,097,017
Intergovernmental Revenues	\$7,410,574	\$6,324,809	\$7,084,027	\$6,952,931	\$6,787,256
Transfers In	\$52,151	\$0	\$0	\$0	\$0
Other Revenues	\$404,459	\$137,388	\$597,981	\$606,148	\$447,172
<b>Total Revenue</b>	<b>\$10,682,378</b>	<b>\$9,737,644</b>	<b>\$10,619,576</b>	<b>\$10,637,114</b>	<b>\$10,331,445</b>
Wages	\$6,009,096	\$6,027,846	\$5,998,163	\$6,015,734	\$6,013,914
Fringe Benefits	\$2,684,983	\$2,166,060	\$2,964,135	\$2,449,365	\$2,526,520
Purchased Service	\$1,050,546	\$642,975	\$602,273	\$794,985	\$680,078
Tuition	\$429,659	\$693,280	\$489,202	\$597,746	\$593,409
Supplies & Textbooks	\$192,676	\$352,096	\$341,504	\$244,548	\$312,716
Capital Outlays	\$55,437	\$89,180	\$205,037	\$100,076	\$131,431
Debt Service	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$93,334	\$152,598	\$516,407	\$638,310	\$435,772
Other Financing Uses	\$206,480	\$0	\$115,732	\$73,544	\$63,092
<b>Total Expenditures</b>	<b>\$10,722,211</b>	<b>\$10,124,035</b>	<b>\$11,232,453</b>	<b>\$10,914,308</b>	<b>\$10,756,932</b>

Source: FY 2002-03 4502 Reports

In FY 2002-03, GCSD experienced significantly less operating losses than the peer average. GCSD's operating losses were 0.4 percent of total revenues, while the peer average operating losses were 4.1 percent of total revenues. The district achieved a better financial condition than the peer average despite incurring one-time operating expenses resulting from air quality issues at the new intermediate school. Air quality issues, requiring significant capital improvement costs, legal fees, and environmental engineering fees in FY 2002-03, contributed to the district's fiscal condition (see **R2.3**). However, GCSD has experienced operating losses throughout the historical period and as far back as FY 1998.

**Table 2-2** illustrates the above data as percentages of total revenues and total expenditures.

**Table 2-2: Comparison of FY 2002-03 Revenues by Source and Expenditures by Object (as a Percent of Total Revenues and Expenditures)**

	GCSD	B LSD	CLSD	LLSD	Peer Average
Property & Income Tax	26.4%	33.6%	27.7%	28.9%	30.1%
Intergovernmental Revenues	69.4%	65.0%	66.7%	65.4%	65.7%
Transfers In	0.5%	0.0%	0.0%	0.0%	0.0%
Other Revenues	3.8%	1.4%	5.6%	5.7%	4.2%
<b>Total Revenue</b>	<b>\$10,682,378</b>	<b>\$9,737,644</b>	<b>\$10,619,576</b>	<b>\$10,637,114</b>	<b>\$10,331,445</b>
Wages	56.0%	59.5%	53.4%	55.1%	56.0%
Fringe Benefits	25.0%	21.4%	26.4%	22.4%	23.4%
Purchased Service	9.8%	6.4%	5.4%	7.3%	6.3%
Tuition	4.0%	6.8%	4.4%	5.5%	5.6%
Supplies & Textbooks	1.8%	3.5%	3.0%	2.2%	2.9%
Capital Outlays	0.5%	0.9%	1.8%	0.9%	1.2%
Debt Service	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.9%	1.5%	4.6%	5.8%	4.0%
Other Financing Uses	1.9%	0.0%	1.0%	0.7%	0.6%
<b>Total Expenditures</b>	<b>\$10,722,211</b>	<b>\$10,124,035</b>	<b>\$11,232,453</b>	<b>\$10,914,308</b>	<b>\$10,756,932</b>

Source: FY 2002-03 4502 Reports

GCSD is more dependent upon intergovernmental revenues (state and federal funding) than peer school districts. Local tax revenue represents a smaller portion of its total revenues.

GCSD's operational expenditures indicate that fringe benefits, purchased services, and other financing uses are a larger portion of the district's total expenditures compared to the peer average. In FY 2002-03, this is partially explained by one-time expenses resulting from air quality issues at the intermediate school (see **R2.3**). In addition, General Fund transfers to the Debt Service Fund are made in order to finance debt that has no other receipt sources. These transfers are reflected with the other financing uses line item. The nature of the Other Financing Uses line item indicates that GCSD's General Fund bears a larger debt burden than the peer school districts. Factors such as debt service, fringe benefits, and purchased services, have contributed to GCSD's worsening fiscal condition.

**Table 2-3** compares GCSD's operational revenues and expenditures to peer districts, adjusted for the number of students these districts serve.

**Table 2-3: Comparison of FY 2002-03 Revenues by Source  
and Expenditures by Object per Student**

	GCS D	BLS D	CLS D	LLS D	Peer Average
<b>Average Daily Membership (ADM)</b>	<b>1707</b>	<b>1390</b>	<b>1673</b>	<b>1503</b>	<b>1522</b>
Property & Income Tax	\$1,649	\$2,356	\$1,756	\$2,048	\$2,035
Intergovernmental Revenues	\$4,341	\$4,550	\$4,234	\$4,626	\$4,459
Transfers In	\$31	\$0	\$0	\$0	\$0
Other Revenues	\$237	\$99	\$357	\$403	\$294
<b>Total Revenue</b>	<b>\$6,258</b>	<b>\$7,005</b>	<b>\$6,348</b>	<b>\$7,077</b>	<b>\$6,788</b>
Wages	\$3,520	\$4,337	\$3,585	\$4,002	\$3,951
Fringe Benefits	\$1,573	\$1,558	\$1,772	\$1,630	\$1,660
Purchased Service	\$615	\$463	\$360	\$529	\$447
Tuition	\$252	\$499	\$292	\$398	\$390
Supplies & Textbooks	\$113	\$253	\$204	\$163	\$205
Capital Outlays	\$32	\$64	\$123	\$67	\$86
Debt Service	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$55	\$110	\$309	\$425	\$286
Other Financing Uses	\$121	\$0	\$69	\$49	\$41
<b>Total Expenditures</b>	<b>\$6,281</b>	<b>\$7,283</b>	<b>\$6,714</b>	<b>\$7,262</b>	<b>\$7,068</b>

Source: FY 2002-03 4502 & SF-3 Reports

GCS D's fiscal condition is partially explained by the lower level of operating revenues per student compared to peer school districts. GCS D's total revenues are approximately 7.8 percent lower than the peer average. This is caused by lower levels of local property and income tax receipts. GCS D's property and income tax receipts per student were approximately 19 percent lower than the peer average.

GCS D has been able to maintain total expenditures per student below those of the peer average. GCS D's total expenditures per student were 11.1 percent less than the peer average. However, wages, purchased services, and tuition remain expenditure categories in which GCS D pays more than the peer average.

**Table 2-4** shows selected discretionary expenditures, by account, as a percentage of total FY 2002-03 General Fund expenditures for GCS D and the peer districts.

**Table 2-4: FY 2001-02 Discretionary Expenditures**

	GCS D	Adjusted GCS D <sup>1</sup>	BLS D	CLS D	LSD	Peer Average
Prof. and Technical Service	2.1%	1.5%	0.6%	0.9%	1.1%	0.9%
Property Services	4.7%	4.7%	1.5%	2.2%	2.3%	2.0%
Mileage/Meeting Expense	0.0%	0.0%	0.0%	0.3%	0.1%	0.2%
Communications	0.3%	0.3%	0.3%	0.5%	0.4%	0.4%
Pupil Transportations	0.0%	0.0%	0.9%	1.0%	1.1%	1.0%
Other Purchased Service	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General Supplies	0.6%	0.6%	2.2%	1.8%	0.6%	1.5%
Textbooks/Reference Materials	0.2%	0.2%	0.4%	0.7%	0.5%	0.5%
Food & Related Supplies/Mat	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.6%	0.6%	0.4%	0.0%	0.5%	0.3%
Fleet Maintenance and Repair	0.3%	0.3%	0.5%	0.4%	0.7%	0.5%
Other Supplies & Materials	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Land, Building & Improvements	0.0%	0.0%	0.1%	0.0%	0.2%	0.1%
Equipment	0.5%	0.5%	0.2%	0.9%	0.7%	0.6%
Buses/Vehicles	0.0%	0.0%	0.6%	0.9%	0.0%	0.5%
Dues and Fees	0.6%	0.6%	1.3%	4.0%	5.7%	3.7%
Insurance	0.3%	0.3%	0.1%	0.4%	0.1%	0.2%
<b>Total</b>	<b>10.2%</b>	<b>9.6%</b>	<b>9.2%</b>	<b>14.1%</b>	<b>14.0%</b>	<b>12.5%</b>

Source: FY 2001-02 4502 Report

<sup>1</sup> Adjusted for one-time expenses resulting from air quality issues at intermediate school

As shown in **Table 2-4**, GCS D's discretionary spending as a percentage of all General Fund expenses (10.2 percent), is approximately 16.9 percent lower than the peer average (12.5 percent). Examining individual line items, GCS D is higher than the peer average in only 3 out of 16 categories. The largest portion of discretionary spending was in the property services line item which was almost 2.4 times higher than the peer average percentage for discretionary spending. In addition, GCS D's professional and technical services expenses were the highest among the peers. These expenses are primarily explained by air quality issues at the newly constructed intermediate school building that resulted in significant costs for capital improvements and environmental consultants (see **R2.3**). Because of the high percentage of expenditures in the areas of fringe benefits and purchased services GCS D's discretionary spending remains at levels below peer districts.

Those expenses related to air quality issues at the intermediate school were largely of a mandatory nature. For the purpose of analyzing those expenses under GCS D control, operating expenditures were adjusted by removing these costs. On a normalized basis, adjusting for

expenses related to the air quality issues, GCSD's discretionary spending as a percentage of total General Fund expenditures is 21.8 percent lower than the peer average. GCSD exceeds the peer average in only 4 of 16 categories; professional and technical services, property services, plant maintenance and repair, and insurance expenses. Property Service expenditures are higher than the peer average, due primarily to the maintenance duties that are outsourced rather than being performed in house.

The above tables illustrate that GCSD has successfully contained those expenditures that are under its immediate control. This is evidenced by a lower level of discretionary funding and lower levels of expenditure per student. Despite the District's efforts, it remains in fiscal caution primarily because it receives less local funding per student. This factor is compounded by challenging economic conditions.

The financial forecast presented in **Table 2-5** represents GCSD's projection (submitted to ODE on May 28, 2003) of the District's present and future financial condition. The forecast and accompanying assumptions are the representations of GCSD and are presented without further verification. The projections, which incorporate the combined General, Emergency Levy, DPIA, as well as that portion of the Bond Retirement Fund relating to General Fund obligations, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. Furthermore, during this performance audit, actual FY 2002-03 figures became available and were incorporated into the District's five-year forecast. This table presents historical FY 2002-03 figures and adjusts beginning fund balances of the projected fiscal years. Assumptions that have a significant impact on GCSD's financial recovery, such as property tax revenue, state foundation revenues, salaries and wages, benefits, one-time operational expenses, and inflationary increases in expenditures have been tested for reasonableness.

**Table 2-5: GCSD Financial History and Forecast (in 000's)**

	Actual FY 99-00	Actual FY 00-01	Actual FY 01-02	Actual FY 02-03	Forecast FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07
Real Estate Property Tax	2,644	2,744	2,740	2,832	2,975	3,125	3,375	3,575
Tangible Personal Property Tax	589	546	663	467	575	575	575	575
Unrestricted Grants-in-Aid	6,143	6,687	7,185	7,210	7,175	7,375	7,575	7,985
Restricted Grants-in-Aid	4	0	0	128	345	350	365	165
Property Tax Allocation	363	356	381	395	445	500	525	550
Other Revenues	483	453	404	481	350	325	325	300
<b>Total Operating Revenues</b>	<b>10,226</b>	<b>10,786</b>	<b>11,373</b>	<b>11,513</b>	<b>11,865</b>	<b>12,250</b>	<b>12,740</b>	<b>13,150</b>
Personal Services	6,280	6,648	7,006	6,977	7,325	7,575	7,825	8,250
Employee's Retirement & Insurance Benefits	1,772	2,330	2,317	2,771	2,675	2,875	2,995	3,250
Purchased Services	1,344	1,290	1,629	1,486	1,550	1,575	1,575	1,600
Supplies & Materials	292	295	242	193	225	250	250	275
Capital Outlay	183	137	82	55	55	55	55	55
Debt: Principal	45	45	45	0	0	0	0	0
Debt: Principal – HB 264				45	45	45	45	0
Debt: Interest & Fiscal Charges	39	31	10	8	6	3	1	0
Other Objects	332	336	331	206	225	250	325	325
<b>Total Operating Expenditures</b>	<b>10,287</b>	<b>11,112</b>	<b>11,662</b>	<b>11,741</b>	<b>12,106</b>	<b>12,628</b>	<b>13,071</b>	<b>13,755</b>
Operating Transfers In	563	722	698	160	100	100	100	75
Operating Transfers Out	833	891	861	206	175	175	175	175
All Other Financing Sources/ (Uses)	52	0	0	0	0	0	0	(0)
<b>Net Financing Sources/ (Uses)</b>	<b>(218)</b>	<b>(169)</b>	<b>(163)</b>	<b>(46)</b>	<b>(75)</b>	<b>(75)</b>	<b>(75)</b>	<b>(100)</b>
<b>Results of Operations (Loss)</b>	<b>(279)</b>	<b>(495)</b>	<b>(452)</b>	<b>(274)</b>	<b>(316)</b>	<b>(453)</b>	<b>(406)</b>	<b>(705)</b>
Beginning Cash Balance	1,700	1,421	926	474	200	(116)	(569)	(975)
<b>Ending Cash Balance</b>	<b>1,421</b>	<b>926</b>	<b>474</b>	<b>200</b>	<b>(116)</b>	<b>(569)</b>	<b>(975)</b>	<b>(1,680)</b>
Outstanding Encumbrances	125	44	81	0	0	0	0	0
Total Budget Reserves	165	0	0	0	0	0	0	0
Property Tax - New					350	700	700	700
Cumulative Balance of New Levies					350	1,050	1,750	2,450
<b>Ending Fund Balance- June 30th</b>	<b>1,131</b>	<b>882</b>	<b>393</b>	<b>200</b>	<b>234</b>	<b>481</b>	<b>775</b>	<b>770</b>

Source: GCSD Treasurer's Office

The financial projection in **Table 2-5** presents the expected revenues, expenditures and fund balance for GCSD's General Fund for each of the fiscal years including June 30, 2004 through June 30, 2007, with historical information presented for the fiscal years ended June 30, 2000, 2001, 2002 and 2003. Based upon the treasurer's projections, GCSD is operating with significant operating losses in each fiscal year through FY 2006-07 resulting in negative fund

balances beginning in FY 2003-04 through the end of the forecast period. However, these operating losses are contrasted with potential additional property tax revenues resulting in positive fund balances in each forecasted fiscal year.

The assumptions disclosed herein are GCSD's forecast assumptions. The treasurer submitted a narrative for the forecast submitted December 5, 2002. A revised forecast was submitted on May 28, 2003. It is assumed that the narrative's assumptions remain valid unless contradicted by the updated forecast's attached assumptions. Major assumptions used to develop the five-year forecast are as follows.

### **Revenues**

- General property tax revenue was forecasted in conjunction with tangible personal property over the forecast period. The total of these revenue sources is projected to increase due to the triennial update in 2002 and the revaluation in 2005. These increases in property values are in part, based upon the belief that development of new larger homes, new construction, and the end of tax exemptions under enterprise zone agreements will result in a positive trend for real estate tax revenue. As a result of these assumptions, GCSD projects that general property tax revenue will increase by an annual average of 6.1 percent.
- Tangible personal property taxes are forecasted to remain relatively constant throughout the forecast period. A 2.7 percent decrease is expected on average each year from FY 2001-02 to FY 2006-07 due to the reduction in value of public utility personal property of 1 percent annually and the uncertainty of these values in the future. Contrasting these decreases is the assumption that business growth within the district and the end of enterprise zone agreements will increase tangible personal property collections.
- GCSD is projecting an increase from state foundation payments because GCSD is classified in the bottom third of Ohio school districts for wealth. GCSD expects that, as school funding lawsuits are resolved, the state will more equally fund schools in Ohio. As a result, GCSD has forecasted an increase in state foundation receipts of 2.7 percent annually for the next five years. GCSD anticipates a more equal finding of schools in Ohio as school funding lawsuits are resolved.
- Other Revenue consists of tuition receipts; interest on investments; sale of assets; property rentals; and other revenue from local sources such as donations or contributions. These receipts are projected to decrease over the forecast period. Investment returns are expected to decrease over the forecast period, therefore, GCSD is forecasting an average annual decrease of 5.7 percent.

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**Expenditures**

- GCSD includes certificated and classified staff salaries and wages, substitute costs, and other wages for student workers in its personal services line item. GCSD assumes that administration salaries are currently lower than prior years because a junior high principal was replaced with a lower salaried individual and the superintendent has foregone family benefits. These salaries will increase 3 percent annually over the forecasted period. Classified employee wages are projected to increase 2 percent in FY 2002-03 and 3 percent for FY 2003-04 consistent with the cost of living allowance (COLA) expressed in the union contract. Certificated employee salaries are expected to increase 3 percent annually. After FY 2003-04 GCSD assumes increases of 3 percent on the base amount. No allowance is made for future negotiated increases in union contracts, and step increases have not been factored into the forecast. Over the forecast period, GCSD assumes an annual average increase of 3.6 percent in the personal services line item.
- GCSD is projecting Employees' Retirement and Insurance Benefit costs to increase between 3.5 and 8.5 percent annually with an average annual increase of approximately 8.1 percent. The amounts for benefits are based on existing negotiated agreements. For periods beyond the current agreements, historical patterns have been used.
- Purchased Services are forecasted below FY 2001-02 levels and represent a commitment by the administration to reduce overall service contracts and services components by 10 to 15 percent in FY 2002-03 and then hold them to an inflationary adjustment of 3 percent annually thereafter. Overall, the purchased services forecast line item has an average annual growth rate of negative 0.4 percent over the forecasted period.
- GCSD is forecasting supplies and materials to decrease significantly in FY 2002-03. The district plans to allocate between \$25,000 to \$50,000 annually for a textbook replacement program. In addition, other normal expenditures are assumed to increase by an inflationary amount. Overall, the line item appreciates by an average of 2.7 percent annually, however, it should be noted that there are significant fluctuations.
- Capital outlay projections assume that a bus will be purchased in FY 2002-03, FY 2003-04, and FY 2005-06, and newly acquired computer equipment will be replaced in FY 2004-05 and FY 2006-07 with other miscellaneous capital outlay needs. GCSD assumes that an annual allotment of \$55,000 would be sufficient for these needs.

GCSD prepared a formal financial recovery plan on May 28, 2003. In the recovery plan, the treasurer indicated that the district hopes to realize higher revenues in selected areas and achieve savings through the retirement of an administrative employee. In addition, the board approved placing a 5.9 mill operating levy on the ballot in November of 2003. Furthermore, the treasurer outlined potential cost reduction strategies such as renegotiating labor contracts for possible

changes to wage increases, health care co-payments, and early retirement incentives. Finally, the district has committed to reducing discretionary expenditures.

During the course of the performance audit actual financial figures became available for FY 2002-03. These figures were used to revise beginning cash balance figures in the district's forecast. In addition, the actual figures will be used to evaluate the validity of GCSD's five-year forecast assumptions.

In addition to the analyses presented in this report, assessments were conducted on several other areas within the financial systems operations of GCSD that did not warrant changes and did not yield any recommendations. These areas include the following:

- Tangible property tax receipts are dependent upon a dynamic asset class and the county auditor does not dispute GCSD assumptions which were reasonable. Therefore, it is assumed that the district's projections are likely to be the most accurate available;
- Other Revenue increased contrary to GCSD assumptions in FY 2002-03; however, this was primarily caused by the timing of grant reimbursements, and does not affect the District's overall assumptions;
- Purchased service projections are consistent with historical amounts when adjusted for one-time expenses;
- Other object expenses are forecasted to decrease consistent with the District's stated cost reduction plans;
- Transfers out assumptions appear to be reasonable and the District has resolved problematic accounting policies of prior forecasts;
- Debt service assumptions are now consistent with the debt schedule; and
- Forecast assumptions, other than those which are noted in **R2.1 – R2.11** and **R2.13**, were tested and appeared reasonable.

## Recommendations

### Financial Forecast

**R2.1** GCSD should institute formal forecasting policies and practices that require projections to be made for each object code aggregated into forecast line items. Projections should be made in a conservative manner, as in the forecast submitted May 28, 2003. All assumptions made in projecting object code items should be documented and assessed annually against actual financial figures. Assuming the proposed levy is not approved, the District's five-year forecast indicates negative cash fund balances of \$115,848 in FY 2003-04. Additional operating losses are expected to contribute to an ending cash fund balance of negative \$1,680,548 in FY 2006-07. A contributing factor may be the forecasting methodology employed by the District, which does not allow for accurate financial planning. Therefore, GCSD should consider adjusting its assumptions based upon recommendations in this performance audit.

Tables 2-6 and 2-7 illustrate the variance between actual financial activity and prior year forecasts for FY 2000-01 and FY 2001-02 and the variance between the current forecast assumptions and historical performance.

**Table 2-6: Revenue Forecast Variances**

	Actual FY 00-01 % Variance Above/ (Below) Forecast	Actual FY 01-02 % Variance Above/ (Below) Forecast	5 year Average Historical Growth Rate	Average forecasted annual % Change	Projected Rates Above/ (Below) Historic Avg.
1.010 General Property (Real Estate)	(5.89%)	(11.68%)	3.53%	6.10%	2.57%
1.020 Tangible Personal Property Tax	1.34%	34.03%	(3.26%)	(2.67%)	0.59%
1.035 & 1.040 Grants-in-Aid	3.67%	3.31%	6.01%	2.69%	(3.32%)
1.050 Property Tax Allocation	(7.24%)	(3.78%)	3.18%	8.91%	5.73%
1.060 All Other Operating Revenue	(13.65%)	(19.18%)	(1.55%)	(5.15%)	(3.6%)
<b>1.070 Total Revenue</b>	<b>(0.25%)</b>	<b>(0.65%)</b>	<b>4.37%</b>	<b>3.13%</b>	<b>(1.24%)</b>

Source: FY 2000-01 through FY2002-03 five-year financial forecasts

**Table 2-7: Expenditure Forecast Variances**

	Actual FY 00-01 % Variance Above/ (Below) Forecast	Actual FY 01-02 % Variance Above/ (Below) Forecast	5 year Average Historical Growth Rate	Average Updated forecast annual % Change	Projected Rates Above/ (Below) Historic Avg.
3.010 Personal Services	6.96%	(0.62%)	5.10%	3.55%	(1.55%)
3.020 Retirement/Insurance Benefits	15.92%	(6.39%)	10.56%	8.05%	(2.51%)
3.030 Purchased Services	(12.54%)	25.28%	(1.92%)	(0.35%)	1.57%
3.040 Supplies and Materials	(7.70%)	(23.23%)	(10.05%)	2.74%	12.79%
3.050 Capital Outlay	9.89%	(17.83%)	(19.20%)	(6.6%)	12.59%
4.300 Other Objects	3.30%	0.44%	9.42%	(0.39%)	(9.81%)
<b>4.500 Total Expenditures</b>	<b>5.25%</b>	<b>0.06%</b>	<b>2.82%</b>	<b>3.59%</b>	<b>0.77%</b>

Source: FY 199-2000 through 2001-02 five-year financial forecasts

A comparison of GCSD's prior year forecasts against actual financial records reveals that forecasts were not prepared in a conservative manner. While the forecasted total revenues and expenditures are generally accurate within an acceptable level of deviation, these deviations result in an overall negative impact upon expected cash balances. Revenues were forecasted to be greater than actual receipts, and expenditures were forecasted to be lower than actual expenditures. Using the forecast prepared in FY 1999-00, GCSD predicts total revenues that are 0.25 percent greater than actual revenues received. In addition, the forecast for FY 2000-01 predicts total expenditures that are 5.25 percent less than actual expenditures. In dollar terms, a 5.25 percent variance equates to almost \$554,100.

GCSD's forecast for FY 2001-02 predicts that revenues are 0.65 percent higher than actual receipts. In addition, the forecast predicts total expenditures that are 0.06 percent less than actual expenditures. Furthermore, individual line items within the forecast deviate significantly from actual figures.

In contrast, the current forecast, submitted during this performance audit, has average growth rates that are somewhat more conservative. Total revenues are forecasted to grow at a slightly lower rate than in the past five years and total expenditures are forecasted to grow at a slightly higher rate than in the past five years. Compared against forecasted total revenue figures, actual total revenues for FY 2002-03 were 0.8 percent higher than anticipated. In addition, total expenditures were 0.9 percent less than forecasted for this period. The current forecast was submitted approximately one month before the close of FY 2002-03. With the knowledge of year-to-date financial data, individual revenue and

expenditure line items still deviated significantly from actual performance. For instance, tangible personal property tax receipts were 15.1 percent less than forecasted. The all other operating revenue line item was 20.2 percent greater than forecasted. Finally, a line item with little potential for change, such as debt service principal payments, deviated significantly from those forecasted payments. The methodology employed by GCSGD in developing this forecast and the state of documented forecast notes and assumptions contributes to the high degree of variance noted in the forecasts.

Each of the line items in the District's forecast was projected based upon the treasurer's and superintendent's general understanding of the trends in revenues and expenses. The treasurer and superintendent projected those line items appearing in the forecast as an aggregate total, but did not project the components of these line items at the object code level. This methodology does not examine the line items with a sufficient level of detail to ensure that developments at the individual object code level are sufficiently accounted for in the line item forecast.

For instance, in the GCSGD forecast submitted December 5, 2002, a \$450,000 Bank One Energy Conservation Improvement Bond General Fund debt obligation was incorrectly accounted for as both an expense within the debt service line items and as an operating transfer out of the General Fund. This practice reduced the fund balance twice for the same obligation. In addition, this debt was incorrectly assumed to mature in FY 2002-03, rather than as it should in FY 2004-05. A more detailed forecasting methodology may avoid similar difficulties.

The National Advisory Council on State and Local Budgeting Practice (NACSLB) outlines best practices in projecting revenues and expenditures. The following recommendations are among the most applicable NACSLB practices:

- Major revenue sources should be projected using trend analysis, econometric modeling, an analysis of factors that have historically affected collections, or other methods as appropriate depending upon the type of revenue being projected, the availability of data, and the time frame covered by the projections;
- Fund level and government entity-wide expenditure projections should be prepared and documented so that they may be linked with the accounting system and integrated into overall financial projections with documentation detailing critical assumptions such as service levels and non-recurring items;
- Regular and timely monitoring of budgetary performance should be conducted using budget-to-actual or budget-to-projected actual comparisons of revenues, expenditures, and fund balance;
- Government entities should have procedures in place to determine when deviations from the budget plan merit adjustments to the budget; and
- Forecasting variances should be analyzed to improve forecasting in future periods.

AOS has observed the following standards that result in effective forecasting:

- The methodology should require forecasts to be projected at the object code level of detail and aggregated into the ODE standard forecast line items;
- Assumptions should be recorded at the object code level and documented based on historical activity;
- Assumptions should be accurate, but of a conservative nature.

Forecasts that are not sufficiently conservative can result in deteriorating fund balances predicated upon an overly optimistic financial position. When budgetary allocations are insufficient, cost overruns must be funded by cash balances. Also, overly optimistic forecasts do not leave sufficient resources for unexpected emergencies or operational needs.

**R2.2 GCS D's forecasting assumptions do not appear to accurately present its future financial situation, nor are they adequately stated in the forecast notes. GCS D's five-year forecast and the accompanying assumptions or notes should be expanded and should consistently present more detailed historic and projected information and explanatory comments. In addition, the GCS D treasurer should ensure the notes and assumptions adequately reflect what is reported in the five-year forecast. By providing more detail in the forecast and its supporting notes, the GCS D Board of Education and the public will better understand the financial condition of GCS D.**

GCS D does not adequately disclose the assumptions used to develop its forecast. For instance, in the GCS D forecast submitted December 5, 2002, the Emergency Levy Fund receives 3.6 operating mills, which in the past was transferred to the General Fund. The General Fund and the Emergency Levy Fund are both aggregated into the forecast, therefore, this transfer was reported in equal amounts in the operational transfers in and transfers out line items. This policy was not adequately disclosed within the forecast notes, thereby, reducing the clarity of the sources and uses of funding. GCS D has ended this accounting practice, and therefore, this is no longer an issue in the newly submitted forecast as of May 28, 2003.

GCS D does include some assumptions and notes to its five year financial forecast; however, they do not consistently provide the following factors that have an impact on the forecast:

- Historic and projected inflation rates;
- Internal financial objectives and comparable external averages;
- Historic and projected enrollment and Average Daily Membership (ADM) including open enrollment in and out of the District;
- Information regarding facility utilization;

- Historic and projected staffing by position;
- Expenditures for main components of purchased services, materials and supplies, and other expenditures;
- Projected capital outlay expenditures with details identifying amounts related to specific projects, and fulfilling minimum state requirements;
- Debt service obligations with detailed descriptions;
- Outstanding encumbrances at year-end and discussion of their impact; and
- Transfers out of the General Fund for debt obligations in other funds.

Accurate assumptions are critical to ensuring reasonable projections. In each case, assumptions should take into account the historical performance within each line item at the object code level. As discussed in **R2.1**, the high level at which projections are made leads to inaccuracies in the forecast. Faulty assumptions further reduce the reliability and reasonableness of the forecast.

AOS revised GCSD's forecast based on historical data. The revised forecast is shown in **Table 2-26**. Based on the revised assumptions, the condition of GCSD's ending fund balance worsens over the five-year period to a cumulative deficit of approximately \$2.5 million including AOS recommendations; or \$3.7 million without implementing AOS recommendations.

**R2.3 GCSD should restate the five-year financial forecast to separate one-time unusual expenditures as a separate line item. As discussed in R2.1, the methodology GCSD employs is problematic because it forecasts broadly defined expenditure categories, rather than projecting more narrowly defined object code level expenditures. Furthermore, the exact impact of these items could not be determined with current GCSD records due to miscoding of various expenditures. It is likely that some consideration may have been accounted for in the projections for these unusual items on a broad conceptual level; however, the exact impact of these items could not be determined on a historical basis without classifying expenditures. Therefore, it is unlikely that these expenses were projected with a high degree of accuracy. Furthermore, broad inflationary assumptions may include these items going forward when it is inappropriate, thereby overstating future expenditures.**

GCSD incurred unusual one-time expenses from FY 2000-01 through FY 2002-03 related to air quality issues at its intermediate school building. During FY 2001-02, GCSD's intermediate school experienced difficulties with its ventilation system duct work that caused air quality hazards. As a result, the students were moved to the Todd Woods building in April of 2001 for the remainder of the school year and all of the FY 2001-02 school year. This caused the district to incur additional maintenance and utility expenses.

Capital improvement corrections were necessary to replace the existing duct work, and additional professional and technical services were required for consultation and monitoring of the building's air quality safety. There were also legal costs related to litigation of this matter. These expenses impacted the General Fund in the amount of \$1,649 in FY 2000-01, \$197,983 in FY 2001-02, and \$90,191 in FY 2002-03 (on a year-to-date basis as of April 2003). These events had a direct impact on several expense line items within the forecast. Affects were experienced in the personal services (3.010), purchased services (3.030), and supplies and materials (3.040) line items; however, the majority of these expenses are not expected to continue.

**Table 2-8** represents necessary adjustments for unusual one-time costs on forecast line items.

**Table 2-8: Adjustments to Forecast Line Items for One-time Expenses**

<b>Object Code Description</b>	<b>Forecast Line Item</b>	<b>Adjustments to Historical Line Items within the Forecast</b>		
		<b>FY 00-01</b>	<b>FY 01-02</b>	<b>YTD FY 02-03</b>
(130) Certificated Other Compensation	Personal Services (3.010)	\$0	(\$136)	\$0
(141) Non-certificated salaries & wages (Regular)	Personal Services (3.010)	\$0	(\$16,409)	(\$24,063)
(400) Purchased Services	Purchased Services (3.030)	\$0	(\$19,659)	(\$1,072)
(418) Professional/ Legal Services	Purchased Services (3.030)	\$0	(\$99,800)	(\$57,021)
(419) Other Professional & Technical Services	Purchased Services (3.030)	(\$862)	(\$35,418)	(\$6,083)
(423) Property Services: Repairs & Maint. Services	Purchased Services (3.030)	\$0	(\$9,419)	\$0
(431) Travel & Meeting Exp.: Certificated Travel	Purchased Services (3.030)	\$0	(\$2,015)	\$0
(441) Communications: Telephone Service	Purchased Services (3.030)	(\$256)	(\$1,808)	\$0
(474) Tuition & Similar Payments: Excess Costs	Purchased Services (3.030)	\$0	(\$1,100)	\$0
(512) Supplies: Office Supplies	Supplies & Materials (3.040)	(\$487)	\$0	\$0
(570) Supplies & Materials for Op, Maint, & Repair	Supplies & Materials (3.040)	(\$44)	(\$12,219)	(\$1,952)
<b>Total Adjustments to Forecast Line Items for Incurring One-Time Costs</b>		<b>(\$1,649)</b>	<b>(\$197,983)</b>	<b>(\$90,191)</b>

Source: GCSD treasurer's office

Discussions with the treasurer revealed that the following methodologies were employed to project expense line items within the forecast:

- **Personal Services** - The treasurer maintains historical records at the individual employee level. However, only the total figures for certified employees, classified employees, and supplemental employees are projected.

- **Purchased Services** - This line item was forecasted at a high level using inflationary assumptions based upon general ideas of trends in the component line items such as: professional and technical services, property services, communications, and tuition.
- **Supplies and Materials** - These expenses were forecasted at a high level, without forecasting at a level of detail of the contributing expenses.

Each of the above line items in the forecast was projected with insufficient detail. Furthermore, an exact impact of unusual expenditures was not maintained by GCSD. While a list of payments for items related to this incident was maintained by the treasurer's office, it was necessary to determine the time period, fund, function, and object code for each payment to determine the impact on those funds and line items aggregated in the five-year forecast.

The combination of GCSD's forecasting methodology and the lack of detailed historical records is problematic because the five-year forecast does not base future air quality expenses on accurate historical costs. In addition, since these line items are generally forecasted at the line item level, appreciation assumptions may be applied inappropriately to these costs.

**R2.4 GCSD should revise the assumption used to forecast real property tax revenues. According to collection history and the county auditor's expectations for future property valuation, real property tax revenues have increased at rates below those used by GCSD in its current forecast.**

An examination of the five-year forecast prepared by GCSD indicates that property tax revenues are projected to increase 6.1 percent, on average, from FY 2002-03 to FY 2006-07, while the 5 year historical annual growth rate average is 3.53 percent. During these years, the forecast indicates fluctuations in property tax revenue annual increases from a low in FY 2002-03 of 3.1 percent to a high in FY 2005-06 of 8 percent.

An analysis of actual property tax revenues in the forecast funds indicates that property tax receipts have appreciated annually by an average of 3.53 percent in the past five years. GCSD's forecast assumptions deviate from historical property tax collection increases. This is likely caused by GCSD's assessments of the affects of new housing developments and the end of tax exemptions under enterprise zone agreements. However, given current economic conditions and past economic development; a rate of 6.1 percent appreciation appears to be overly optimistic for property tax receipts. This opinion is confirmed by the county auditor, who expects annual increases of approximately 3 percent, consistent with the three-year average and a 3.36 percent increase from FY 2001-02 to FY 2002-03.

**Table 2-9** compares GCSD's property tax receipt assumptions against three year historic receipts for forecast funds.

**Table 2-9: Property Tax Receipt Forecasts**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>GCSD's Property Tax Receipt Forecast</b>	\$2,831,688	\$2,975,000	\$3,125,000	\$3,375,000	\$3,575,000
<b>AOS Revised Property Tax Receipt Forecast</b>	\$2,831,688	\$2,931,647	\$3,035,134	\$3,142,274	\$3,253,196
<b>Net Effect upon Forecast Fund Balance</b>	\$0	(\$43,353)	(\$89,866)	(\$232,726)	(\$321,804)

Source: GCSD five-year forecast

Property tax receipts comprise the second largest source of GCSD's revenues. Therefore, it is important to forecast property tax receipts with a high degree of accuracy. In this manner, GCSD can plan based upon likely resource constraints. Revising the assumptions for property tax receipts significantly decreases the General Fund balance. The effect of this revised assumption is reflected in the forecast shown in **Table 2-26**.

**R2.5 GCSD should adjust the Unrestricted Grants-in-Aid forecast line item to account for recent developments in state foundation funding. The forecast should attempt to project funding formula components to improve the level of detail employed to project funding. In this manner, the district's five-year forecast will better reflect expected receipts in a dynamic environment.**

GCSD's five-year forecast line item entitled Unrestricted Grants-in-Aid is primarily comprised of state foundation funding. GCSD forecasts these receipts by obtaining ODE projections for the upcoming year and then projecting these figures forward, assuming future receipts will be consistent with three year historical growth rates.

**Table 2-10** illustrates the district's projected state foundation funding and the assumed growth rates for each year.

**Table 2-10: GCSD's Forecasted State Foundation Receipts**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
<b>(1.035+ 1.040) Unrestricted &amp; Restricted Grants-in-Aid</b>	\$7,338,998	\$7,520,000	\$7,725,000	\$7,940,000	\$8,150,000
<b>% Change from prior year receipts</b>	2.14%	2.47%	2.73%	2.78%	2.64%

Source: GCSD's five-year forecast

For the remaining forecast period, GCSD assumes an average growth rate of 2.98 percent in the Unrestricted Grants-in-Aid line item. On a historical basis, GCSD's forecasts have underestimated this receipt source by an average of 1.89 percent. However, during periods of more positive economic conditions, as in FY 2000-01 and FY 2001-02, GCSD's forecast underestimated receipts by an average of 3.5% as this receipt line item has increased an average of 6.71 percent annually during FY 1998-99 through FY 2001-02. While this appears to indicate that GCSD is underestimating future state foundation funding receipts, recent state budget shortfalls has prompted a discussion by the state legislature to reduce funding levels and the basis of state foundation funding. Therefore, it is important to investigate the effects of proposed funding changes in state foundation receipts to ensure that GCSD's forecast accurately estimates the effects of funding changes.

According to a special advisory distributed by ODE, the following changes in state foundation funding are likely:

- The Ohio House of Representatives adopted budget language that would mandate using the current year Average Daily Membership (ADM), rather than a three year average as in the past when calculating base formula aid, thereby accelerating funding decreases due to declining attendance;
- The Ohio Department of Education's simulation assumptions would amend base cost funding figures to \$5,058 in FY 2003-04 and \$5,169 in FY 2004-05, which would be below historical increases in this formula funding component; and
- The FY 2002-03 budget receipts were reduced, with GCSD's expected receipts declining by \$88,634.

In addition, recent local developments will affect the forecast in a manner that is not included within forecast assumptions. For instance, in the past GCSD has lost a net of five to seven students to other school districts through open enrollment policies. The forecast assumes that these rates will remain flat throughout the forecast period. The forecast does not account for the new open enrollment policy of the nearby MacDonald school district, which the treasurer expects will result in the loss of an additional 12 students in the future.

**Table 2-11** presents a forecast of GCSD's state foundation receipts that incorporates recent local and state-wide developments impacting GCSD's state foundation receipts.

**Table 2-11: Revised State Foundation Receipt Forecast**

	Actual FY 2002-03	FY 2003- 04	FY 2004- 05	FY 2005- 06	FY 2006- 07
<b>GCSD's State Foundation Receipt Forecast</b>	\$7,338,998	\$7,520,000	\$7,725,000	\$7,940,000	\$8,150,000
<b>AOS Revised State Foundation Receipt Forecast<sup>1</sup></b>	\$7,338,998	7,283,707	7,577,959	8,063,039	8,610,838
<b>Net Affect upon Forecast Fund Balance</b>	\$0	(\$236,293)	(\$147,041)	\$123,039	\$460,838
<b>Revised Forecast's Percent Change from Prior Year Receipts</b>	2.1%	(0.8%)	4.0%	6.4%	6.8%

**Source:** GCSD's five-year forecast and AOS prepared forecast

**Note:** The AOS forecast is based upon ODE Simulations and historical SF-3 Reports, rather than GCSD financial records. On a historical basis, these figures do not reconcile with GCSD's historical five-year forecast line item 1.035. At the time of this report an explanation was not obtained from the district because this variance was immaterial, and therefore, was not pursued

<sup>1</sup> ODE simulations were used for FY 2003-04 and FY 2004-05. The assumptions for these simulations were employed in forecasting FY 2005-06 and FY 2006-07.

For the forecast period, GCSD is forecasting an average growth rate of 2.6 percent in the Grants-in-Aid line items, compared to the revised forecast average annual increase of 3.7 percent. However, based upon proposed changes to state foundation funding, it would appear that a temporary decrease in funding followed by higher percentage increases consistent with historical increases is more appropriate assuming an economic recovery during the forecast period. As a result of changes in state foundation funding, it is likely that GCSD's receipts will be less than previously forecasted in FY 2003-04 through FY 2004-05, but higher than forecasted in FY 2005-06 and beyond. The effect of this adjusted assumption is shown in **Table 2-26**.

**R2.6 The GCSD Board should pass a resolution to resolve an incorrect categorization of OSFC reimbursements deposited within the Classroom Facilities Fund. The receipts should be deposited in the Permanent Improvement Fund for the purpose of paying for the improvements related to the intermediate school facility. GCSD should also reimburse the General Fund, or any other fund, from the Permanent Improvement Fund for expenses that qualify as permanent improvement expenses related to the construction and capital improvement of the intermediate school.**

**In addition, GCSD should expense the portion of future maintenance costs associated with the intermediate school to an appropriate cost center within the Permanent Improvement Fund. In this manner, the forecasted general fund burden will be reduced as they relate to maintenance costs for this facility. Thereafter, if the project is closed, GCSD may consider a transfer of any remaining funds to the Debt Service Fund to service the outstanding bond obligations for the construction of the intermediate school. It is important to note that an adequate audit trail must be maintained to implement these recommendations. During the course of the**

**performance audit, the Board and administration took action to implement this recommendation.**

On May 4, 1999, GCSD passed a bond levy to finance the entire cost of replacing the Todd Woods Middle School. Following construction of the intermediate school building, GCSD retroactively sought partial reimbursement from the Ohio School Facilities Commission (OSFC). GCSD has received over \$2 million dollars to date within the Classroom Facilities Fund and expects approximately \$267,000 in additional reimbursements. The remaining funds are being held in escrow until the district submits a maintenance agreement to the OSFC.

In late FY 2000-01, the newly completed intermediate school building experienced air quality issues causing the facility to become unusable. To remedy the situation, capital improvement corrections, such as replacing duct work, were performed and thereby extended the project completion date. GCSD claims that the General Fund absorbed approximately \$289,823 in expenses related to the air quality issues.

ORC § 133.15 specifies the allowable uses of securities issued by subdivisions to finance permanent improvements. “Costs of permanent improvements that may be financed with, and paid from the proceeds of, securities include, without limitation as to other costs properly allocable to the permanent improvement, the costs of... the reimbursement of moneys advanced or applied by or borrowed from any person, whether to or by the subdivision or others, from whatever source provided, for the payment of any item or items of cost of the permanent improvements...”

ORC § 5705.01(E) defines permanent improvements as “any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.” Therefore, the Permanent Improvement Fund may reimburse the General Fund or any other fund that incurred qualifying permanent improvement expenses related to the construction and capital improvements to the intermediate school.

The General Fund was the only five-year forecast fund that incurred qualifying expenses as defined above. Based upon object code descriptions of costs related to the capital improvement corrections claimed by GCSD, the General Fund could potentially be reimbursed up to \$102,045 for permanent improvement costs related to the intermediate school building. However, this is a preliminary assessment of claimed expenses by the district. A proper audit trail indicating the purpose and amount of General Fund expenditures must be documented to make this reimbursement.

Although air quality monitoring continues in FY 2002-03, the capital improvement corrections have been completed. However, the issue of allowable uses of remaining and future OSFC reimbursements remains. An e-mail from an OSFC representative dated January 17, 2003 stated that the district had fulfilled any obligation to OSFC with respect to those reimbursements received, and therefore, no restrictions were placed on these monies by OSFC. A review of the bond contract and levy language also reveals no obligation on the part of GCSD to use the OSFC reimbursements for debt service as these reimbursements are retroactive in nature and were not considered at the time of these agreements.

GCSD's prior five-year forecast indicated that the remaining OSFC reimbursements would be recorded in the Permanent Improvement Fund with no limitations on appropriate uses. In a prior GCSD five-year forecast, supply and material costs were assumed to be partially absorbed by the Permanent Improvement Fund using future OSFC reimbursements. Using these funds for any supply and material costs, without specifying allowable functions and purposes is an inappropriate use of this funding. These assumptions are inconsistent with the allowable uses of OSFC funding; therefore, GCSD's current five-year forecast submitted May 28, 2003 has corrected this inappropriate use of future OSFC funds, but does not appear to address their use. In addition, past OSFC funding remains within the Classroom Facilities Fund.

GCSD's past and future OSFC reimbursements totaling \$2,454,432 could be placed within a special cost center of the Permanent Improvement Fund to be used only for maintenance and permanent improvement costs associated with the intermediate school building. These costs, limited by purpose and function, could include expenses incurred within the personal services, purchased services, supplies and materials, and capital outlay line items within the 2700 function code for the intermediate school building.

Assuming that future maintenance costs will be consistent with those costs incurred in FY 2002-03 and that those costs are distributed evenly among each building according to square footage, this analysis is able to estimate the future maintenance costs incurred due to the intermediate school building. In FY 2002-03, the General Fund incurred estimated costs of \$40,253 for maintenance personnel, \$21,148 for benefit expenses related to maintenance personnel, and \$69,958 for supplies related to the maintenance and capital improvement of district buildings. These are conservative estimates of maintenance expenses as they do not incorporate purchased services related to maintenance of buildings, capital outlay expenses related to permanent improvement of buildings, or personnel other than maintenance staff performing maintenance duties. These expenses could not be isolated with the financial data provided by the district.

The intermediate school accounts for 52,850 of 271,860 total square feet. Therefore, it could be assumed that the intermediate school will account for approximately 19.4

percent of maintenance costs. In FY 2002-03, maintenance costs associated with the intermediate school could have contributed approximately \$7,809 for salaries, \$3,968 for employee benefits, and \$13,572 for supplies and materials; for a total of \$25,349 in maintenance expenditures. **Table 2-12** illustrates the projected expenditures that could be absorbed by the special cost center within the Permanent Improvement Fund, and the net effect of these adjustments upon the five-year forecast. The effect of this adjusted assumption is shown in **Table 2-26**.

**Table 2-12: Net Effect of Revising Allowable Uses of OSFC Funding**

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Classified Salary Costs	\$7,809	\$7,887	\$7,966	\$8,125	\$9,019
Classified Employee Benefits	\$3,968	\$4,008	\$4,048	\$4,129	\$4,583
Supplies and Materials	\$13,572	\$13,979	\$14,398	\$14,830	\$15,275
<b>Total Maintenance Expenses to be Absorbed by the Permanent Improvement Fund</b>	<b>\$25,349</b>	<b>\$25,874</b>	<b>\$26,412</b>	<b>\$27,084</b>	<b>\$28,877</b>
Reimbursement of the General Fund <sup>1</sup>	\$0	\$102,045	\$0	\$0	\$0
<b>Net Effect on Forecast Fund Balance</b>	<b>\$0 <sup>2</sup></b>	<b>\$127,919</b>	<b>\$26,412</b>	<b>\$27,084</b>	<b>\$28,877</b>

**Source:** GCSD's Treasurer's Office; FY 2002-03 Statement P of the 4502 report

<sup>1</sup> The reimbursement figure is based upon GCSD disbursement records for the permanent improvement costs related to air quality issues at the intermediate school that are separated by fund, function, and object codes. This initial determination of reimbursement is based upon the District's categorization of these funds. Those function and object codes consistent with the definition of permanent improvement were assumed to be reimbursable without any further review of the expenses for consistency with the definition of permanent improvement expenses.

<sup>2</sup> These cost redistributions cannot be made on a retroactive basis, therefore, there is no net effect on the fund balance for FY 2002-03

**R2.7 GCSD should reassess its methodology and assumptions for projecting the personal services line item in its five-year forecast. The forecast should include detailed written explanations of increased COLAs, step increases, inflation increases, unusual increases or decreases, and plans for the forecasted period. In this manner, GCSD will be able to prepare forecasts that better represent future operations. GCSD should include step increases in its growth rates for projecting salary increases to more accurately represent future costs.**

The Personal Services line item (3.010) within the district's forecast is forecasted at an average annual growth rate that is 1.55 percentage points below the five year historical average. As a result of GCSD's practice of projecting personal service expenses using broad expenses and ignoring expected step increases, the district's five-year forecast does not accurately reflect the expenses likely to be incurred.

The treasurer maintains historical records at the individual level for personal services wages and salary expenses. However, only the total figures for certified employees, classified employees, and supplemental employees are projected. Substitute costs are based upon past expenses projected forward. The Personal Services line item was forecasted as an aggregate total and assumed 3 percent COLAs in accordance with the bargaining agreements. GCSD is forecasting that Personal Services will increase by an annual average of 3.55 percent for the remainder of the forecast period. However, this assumption does not consider step increases for individuals as specified in the certified and classified salary schedules. Furthermore, it does not assume any movement by employees into higher paying positions or classifications. **Table 2-13** shows GCSD forecasted amounts and AOS adjustments for the personal services line item.

**Table 2-13: Comparison of AOS Projected  
Personal Services and GCSD Projected Personal Services**

	<b>Actual FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>
AOS Classified Employee Salary Projections	\$1,052,205	\$1,099,476	\$1,151,170	\$1,199,367	\$1,251,461
AOS Certified Employee Salary Projections <sup>1</sup>	\$5,378,968	\$5,535,830	\$5,839,175	\$6,147,304	\$6,467,194
AOS Supplemental Contract Projections	\$356,059	\$366,740	\$377,743	\$389,075	\$400,748
AOS Over Time Cost Projections	\$33,246	\$35,272	\$36,330	\$37,419	\$38,542
AOS Substitute Cost Projections	\$156,142	\$160,826	\$165,651	\$170,620	\$175,739
<b>Total Personal Services AOS Projections <sup>2</sup></b>	<b>\$6,976,620</b>	<b>\$7,198,144</b>	<b>\$7,570,069</b>	<b>\$7,943,785</b>	<b>\$8,333,684</b>
AOS projected growth rate	(0.02%)	3.2%	5.2%	4.9%	4.9%
GCSD Personal Services Projections	6,976,620	\$7,325,000	\$7,575,000	\$7,825,000	\$8,250,000
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>\$126,856</b>	<b>\$4,931</b>	<b>(\$118,785)</b>	<b>(\$83,684)</b>

**Source:** GCSD employee rosters, labor agreements, and five-year forecast.

<sup>1</sup> Includes administration employees

<sup>2</sup> These projections will not perfectly match the revised forecast because of adjustments in **R2.3** and **R2.6**

Personal service expenditure projections prepared by AOS were estimated by adjusting salaries by the COLA amounts and estimating the effects of employee step increases for each individual employee provided by the district. A weighted average was determined for classified employee salary increases based upon expected COLAs and step increases. Supplemental, overtime, and substitute costs were projected to increase 3 percent annually based on inflation. A list of certified employees was obtained from the district along with their base salaries, classes, and step levels. Projections were prepared for an expected COLA increase of 3 percent annually and expected step increases for each employee over the forecast period. Overall, the projections are relatively consistent with

the five year historical annual growth rate of 5.1 percent. The effect of this adjusted assumption is shown in **Table 2-13**.

**R2.8 GCS D should revise its five-year forecast so that forecasted expenses reflect predicted increases in insurance and healthcare costs. In addition, this forecast should be revised so that those benefits based upon salary levels reflect revised salary projections outlined in R2.7. As this is a dynamic forecasting environment, GCS D should review and monitor its assumptions for benefit cost increases in the future and revise its five-year forecast as necessary.**

Over the past five years, the Employer's Retirement and Insurance Benefits line item has had an average annual growth rate of 10.56 percent, while the district is projecting average annual increases of 8.05 percent. This expense line item includes health insurance, early retirement incentives (ERI), severance pay, retirement contributions, Medicare, dental insurance, prescription insurance, vision insurance, life insurance, and workers' compensation. Certain items were projected by GCS D as a fixed percentage of salary costs. Retirement is projected at 14 percent of salaries (plus one-time expenses such as ERIs) and workers' compensation is currently projected at 1.559 percent of salaries. The remainder of these expenses is primarily comprised of health insurance costs. The current GCS D five-year forecast projects only minor increases in healthcare costs, rather than the double digit increases experienced by the industry as a whole.

The District participates in a health insurance consortium where cost increases are distributed among participants. A letter from the superintendent of the consortium indicated that for FY 2002-03 the consortium expects no rate increase for GCS D. Based upon this opinion, the district has forecasted an average annual increase of 8.05% for the Employer's Retirement and Insurance Benefits line item and an 11.14 percent increase in FY 2002-03. Contrary to this statement and GCS D's five-year forecast, FY 2002-03 historical benefit expense figures increased significantly more than forecasted.

**Table 2-14** illustrates the expense history of object code categories from FY 1999-00 through FY 2002-03.

**Table 2-14: Historical Employee Benefit Expenses**

<b>Object Code:</b>	<b>Actual FY 1999-00</b>	<b>Actual FY 2000-01</b>	<b>Actual FY 2001-02</b>	<b>Actual FY 2002-03</b>
Retirement (210 & 220)	\$957,930	\$1,186,981	\$1,115,207	\$1,266,922
Insurance (240 & 250)	749,131	1,064,486	1,107,850	1,408,309
Workers Comp (260)	65,404	78,227	93,060	94,916
Unemployment (280)	3	257	770	444
<b>Total Fringe Benefit Costs</b>	<b>\$1,772,467</b>	<b>\$2,329,951</b>	<b>\$2,316,887</b>	<b>\$2,770,591</b>
Total Fringe Benefit Cost Change from Prior Year	(9.0%)	31.5%	(0.6%)	19.6%
AOS Projected GCSD Salaries	6,280,511	6,647,647	7,005,979	6,976,622
Total Benefit Costs as % of Salaries	28.2%	35%	33%	39.7%
<b>Variable Costs as % of Salaries<sup>1</sup></b>	<b>16.3%</b>	<b>19%</b>	<b>17.2%</b>	<b>19.5%</b>

<sup>1</sup> Calculated as (Retirement + Workers' Compensation + Unemployment) / GCSD Salaries

In total, fringe benefits increased an average of 18.7 percent annually during this time period. Retirement expenses increased an annual average of 10.75 percent from FY 1999-00 to FY 2002-03. Workers Compensation increased an average of 15% annually from FY 1999-00 to FY 2002-03. Finally, insurance expenses increased an average of 29.3 percent annually from FY 1999-00 to FY 2002-03. Furthermore, insurance expenses increased 27.1 percent in FY 2002-03 from FY 2001-02 levels.

These historic benefit increases are not consistent with GCSD's five-year forecast. Furthermore, the projected insurance expenses are not consistent with price increases within the healthcare industry. A survey of Ohio's public employers indicates that family medical and ancillary benefit premiums increased 11.6 percent from 2000 to 2001 and single premiums increased 9.88 percent. An average of these increases would be 10.74 percent.

There appears to be no consistent historical trend for the district's fringe benefit costs; furthermore, the basis for determining health insurance costs appears to be in a state of change and uncertainty as the school insurance consortium changes its policies and practices. While the opinion from the insurance consortium appears to support GCSD's forecasted low cost increases in the health insurance component of the fringe benefit expense line item, the consortium's opinion is refuted by actual figures. Furthermore, the projected health insurance cost increases appear to be too low in comparison to state averages. As the consortium's costs are normalized through further participation and implementation of its changes, it is assumed that future medical and ancillary insurance expenses will approach state-wide increases of 10.74 percent. This rate increase is consistent with the five year average annual increase of 10.56 percent. In addition, it is assumed that those benefits whose employer contributions are derived from salaries -- workers' compensation, unemployment, and retirement contributions -- will be equal to

18 percent of the personal services line. This ratio was determined by averaging the ratio of variable benefits to personal service expenditures for the past four years.

**Table 2-15** shows AOS revised Employer's Retirement and Insurance line item projections and their effects upon GCSD's projected fund balances.

**Table 2-15: Revised Benefit Expenses**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Projected Personal Services Expenditures	\$6,976,620	\$7,198,144	\$7,570,069	\$7,943,785	\$8,333,684
Insurance Costs	\$1,408,309	\$1,559,561	\$1,727,058	\$1,912,544	\$2,117,952
Retirement, WC, & Unemployment Costs <sup>1</sup>	1,362,282	\$1,295,666	\$1,362,612	\$1,429,881	\$1,500,063
<b>Total AOS Revised Benefits Projections</b>	<b>2,770,591</b>	<b>\$2,855,227</b>	<b>\$3,089,670</b>	<b>\$3,342,425</b>	<b>\$3,618,015</b>
GCSD five-year benefits projection	N/A	\$2,675,000	\$2,875,000	\$2,995,000	\$3,250,000
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>(\$180,227)</b>	<b>(\$214,670)</b>	<b>(\$347,425)</b>	<b>(\$368,015)</b>

Source: GCSD five-year forecast & historical expenses

**R2.9 GCSD should revise its forecast so that sufficient resources are allocated to textbooks and instructional materials in an amount that meets or exceeds standards established by ORC § 3315.17. In this manner the district will maintain a high quality of education for its students.**

Historically, GCSD's supplies and material costs have decreased significantly from FY 2000-01 to FY 2001-02 with the greatest absolute dollar decrease in the general supplies and textbook object codes. Without adjusting for one-time expenses related to the air quality issues at the intermediate school, supply and material expenses decreased 24.5 percent from FY 2000-01 to FY 2001-02. Adjusting FY 2002 expenses for one-time expenses, this line item decreased 28.4 percent during the same time period. However, GCSD has experienced a further reduction of 14.9 percent in this line item from FY 2001-02 to FY 2002-03. **Table 2-16** presents GCSD's projected expenditures within the supplies and materials line item according to the forecast submitted on May 28, 2003.

**Table 2-16: GCSD's Projected Supply and Materials Expenditures**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
GCSD's Supply Forecast	\$192,680	\$225,000	\$250,000	\$250,000	\$275,000
Projected Growth Rate <sup>1</sup>	(14.9%)	16.77%	11.1%	0%	10%

<sup>1</sup> The FY 2002-033 projected growth rate is calculated with FY 2001-02 supply costs as the base after adjusting the actual figures for one time expenses of \$12,219 with the revised expense being \$226,619.

While GCSD's current forecast appeared to accurately project supply and material costs for FY 2002-03, this level of expense may not be sustainable. In three of four forecast years after FY 2002-03, GCSD is projecting increases of at least 10 percent. This may support the opinion that this level of expense is not tenable.

ORC §3315.17 establishes additional accountability standards for school districts to maintain a minimum level of spending in relation to its state funding formula amount for textbooks and instructional material. ORC §3315.17 establishes a minimum threshold of 3 percent of the preceding year's state funding formula amount. Typically, textbooks, library books, periodicals, filmstrips, and general supplies are considered to be instruction-related expenditures. However, the treasurer's forecast does not extend to the object code level so it is difficult to distinguish between qualifying expenditures. On a historical basis, expenditures for textbooks, library books, periodicals, film strips, and general supplies were \$240,471 in FY 2000-01, or 76 % of the total supplies and materials expenses of \$316,266. In FY 2001-02, adjusting for one-time expenses, qualifying expenses were \$146,632, or 64.7 percent of total supplies and materials expenses of \$226,619. In FY 2002-03, qualifying expenses were \$152,535 or 59.9 percent of the adjusted total supplies and materials expenses of \$254,691. In FY 2000-01, non-qualifying supply expenses for ORC §3315.17 were \$75,795, while in FY 2001-02 they were \$79,986, and in FY 2003 they were \$102,155. From FY 2000-01 to FY 2001-02, these non-qualifying expenses increased by 5.5 percent. However, these non-qualifying expenses increased by 27.7% in FY 2002-03.

This analysis assumes that future non-qualifying expenses will be consistent with FY 2002-03 at \$100,000. GCSD's current forecast projections for supplies and materials will be reduced by this amount to determine the portion of expenses that qualify for ORC §3315.17. The remaining portion of the projected figures will be compared to the ORC §3315.17 threshold in **Table 2-17**.

**Table 2-17: Comparison of GCSD Projected Expenditures against State Mandated Standards**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Prior year Projected State Foundation Receipts	\$8,570,314	\$8,786,198	\$8,934,023	\$9,119,077	\$9,308,791
<b>ORC §3315.17 instructional material &amp; supply Threshold</b>	<b>\$286,028</b>	<b>\$283,444</b>	<b>\$293,083</b>	<b>\$303,688</b>	<b>\$315,558</b>
GCSD's Projected Supply & Material Expenses	\$190,000	\$225,000	\$250,000	\$250,000	\$275,000
Projected Portion of Expenditures not qualifying for ORC §3315.17	\$102,155	\$100,000	\$100,000	\$100,000	\$100,000
<b>Portion of Projected Expenditures qualifying for ORC §3315.17</b>	<b>\$90,525</b>	<b>\$125,000</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$175,000</b>
<b>Meets ORC § 3315.17 Standards?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

**Source:** GCSD current five-year forecast; FY 2000-01, FY 2001-02, and FY 2002-03 4502 reports

Although the district's administration is attempting to meet challenging fiscal conditions through expenditure reductions, excessive reductions in instructional materials and supplies is not consistent with mandates established in ORC § 3315.17. This section of the ORC was based on the percentage of resources that model school districts spent on textbooks and instructional materials. The law indicates that base cost formula is sufficient to provide students the minimum number of academic units. Therefore, not meeting the standards included in ORC § 3315.17 may adversely affect the quality of the education services provided to students.

Using the minimum standard for textbooks and instructional materials expenditures in combination with estimated resources needed for non-qualifying supplies and materials expenses, the approximate minimum supply and maintenance expenditures for the district can be projected for the forecast period. **Table 2-18** illustrates a revised forecast for the supplies and materials line item, and the net effects upon GCSD's five-year forecasts fund balance.

**Table 2-18: Revised Supplies and Materials Expenditure Forecast**

	Actual FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Portion of Expenditures not qualifying for SB 345	\$102,155	\$100,000	\$100,000	\$100,000	\$100,000
SB 345 instructional material & supply Threshold	\$286,028	\$283,444	\$293,083	\$303,688	\$315,558
<b>AOS Revised Supplies and Materials Forecast</b>	<b>\$192,680<sup>1</sup></b>	<b>\$383,444</b>	<b>\$393,083</b>	<b>\$403,688</b>	<b>\$415,558</b>
GCS D Five-year Forecast	\$192,680	\$225,000	\$250,000	\$250,000	\$275,000
<b>Net Effect upon GCS D Five-year Forecast</b>	<b>\$0</b>	<b>(\$158,444)</b>	<b>(\$143,083)</b>	<b>(\$153,688)</b>	<b>(\$140,558)</b>

<sup>1</sup> \$192,680 is used because it is based upon actual historical figures for FY 2002-03. In addition, this is a historical figure and the district's spending cannot be revised.

**R2.10 GCS D should use a formal capital improvement plan as a basis for projecting future capital outlay expenses. Capital improvement plans should be detailed plans that assesses and plan for the infrastructure needs of the organization to achieve its long-term goals. Infrastructure refers to all facilities and equipment needed by the organization. The capital improvement planning process should include an analysis of potential funding source availability, as well as priorities and guidelines to choose between project proposals.**

GCS D's five-year forecast assumes that the school district will spend approximately \$55,000 for capital outlay purposes annually from FY 2002-03 through FY 2006-07. This level of expense has declined from a high in FY 1998-99 of \$239,103, for a decrease of 76.9 percent from FY 1998-99 levels. Capital outlay expenditures were at a higher level in prior years because the district added several computer labs. Going forward, the forecast does not assume purchases to expand computer facilities. Rather, computer equipment may or may not be maintained or replaced. While the projected outlay expenditures are generally consistent with the trend over the past three years, it is not clear whether this level of expense will meet GCS D's future capital outlay needs for the forecast period.

The capital outlay assumptions have changed considerably during the course of this performance audit. GCS D's five-year forecast, submitted December 5, 2002, indicated that one bus would be purchased annually with the remainder of the allocation being for computer and technology replacement needs. In total GCS D planned on committing \$375,000 during the forecast period.

During the course of this performance audit, the treasurer expressed revised capital outlay needs. The treasurer's revised expectations for capital outlay costs included the purchase of two buses in FY 2002-03 and one bus every other year, at a cost of \$50,000 to \$55,000. These costs will be primarily funded by state transportation funding deposited in the General Fund. Therefore, the General Fund will bear these expenses in their entirety. The treasurer stated that a custodial truck would require replacement due to age. In addition, a food van used for cafeteria operations would also be replaced. The treasurer estimated that these vehicles would cost approximately \$20,000 each to replace. Finally, it is assumed that computers will be replaced on a five-year cycle, or 20 percent annually. The district currently has 610 computers with an average replacement value of \$1,273. Assuming that 122 computers are replaced, consistent with the five-year replacement schedule, the district will incur an annual cost of approximately \$159,300 beginning in FY 2003-04. However, only \$25,000 of this amount would be paid from the General Fund. The remainder of this expense would be absorbed by grant funds not included in the forecast. Assuming that outside funding sources meet a portion of computer replacement costs, these stated capital outlay needs will require a total of \$352,000 during the forecast period.

Finally, GCSD's five-year forecast submitted on May 28, 2003 assumes the purchase of a bus in FY 2002-03, FY 2003-04, and FY 2005-06. In addition, this forecast assumes computer replacement in FY 2004-05 and FY 2006-07, for a total of \$275,000 in capital outlay costs during the forecast period.

While each revision to the capital outlay figure indicates the administration's efforts to meet challenging fiscal conditions, the changing nature of the capital outlay projections is also a concern because it may indicate a lack of a formal needs assessment. There is no existing documentation for capital outlay projection assumptions or a formal capital improvement plan other than the generally stated dollar commitments for new equipment and for replacement of equipment annually. The forecast appears to be based upon what the treasurer and superintendent believe the district can afford, rather than what the district needs.

A review of 21 urban school districts in Ohio revealed best practices for capital planning. These practices were formal processes that prioritized needs, specified potential costs, and identified available funding for these needs. While a certain amount of prioritization is necessary, the district should be sure that minimum operating needs are addressed. For instance, in the most current capital outlay plans, the maintenance truck is not scheduled to be replaced. Rather, the district plans to pay staff mileage to use their personal vehicles. This method appears to be problematic as it assumes that staff will possess a vehicle suitable to these duties and that they would be willing to use it in the maintenance function. However, determining the capital needs of the district is outside the scope of

this analysis. Rather, it remains the district's responsibility to conduct a formal needs assessment to ensure that minimum operating needs are addressed.

**R2.11 GCSD should charge all operating expenses associated with lunch room operations to the Lunch Room Fund. In this manner, operating expenses will be accurately represented. Based upon these figures, the district will be able to determine which functions or characteristics of their operations offer potential for additional revenue or cost reduction. Based upon this determination, the district should reassess its cafeteria operations against this standard. Furthermore, an accurate reflection of cafeteria operating expenses will allow the District to base its bonuses upon accurate fiscal data.**

According to GCSD financial statements for the Lunch Room Fund, the Fund has not received transfers from the General Fund in FY 2002-03, FY 2001-02, and FY 2000-01. Furthermore, this fund has a positive fund balance of \$19,482 at the end of FY 2002-03 and its operations do not have significant operating losses after considering grant funding.

However, the Lunch Room Fund does not accurately reflect the cafeteria operations. Girard categorizes lunch aide salaries as extracurricular salaries because teachers fulfill this position and are paid through supplemental contracts. These salaries are therefore not paid with Lunch Room Fund resources, but rather, with General Fund resources. In FY 2001-02, it is estimated that 20 teachers were employed as lunch aides for a cost of \$45,403. While these activities do not contribute toward insurance expenses as these expenses are of a fixed nature, they do contribute toward those variable expenses based upon salary levels such as retirement contributions and workers compensation expenses. Using a ratio of 17.2 percent of salaries as an estimate of the effect of these variable expenses, an additional \$7,809 would be attributed to cafeteria operations. In total, the Lunch Room Fund should bear an additional \$53,212 to accurately reflect the actual cost of operations.

This practice may be encouraged by the classified labor agreement which specifies that when cafeteria operations conclude a school year with a positive fund balance, that each cafeteria employee receives an additional bonus of 3 percent of their salaries paid on the second pay period of August. This clause in the contract provides an incentive for miscoding of cafeteria operating expenses into other funds other than the lunch room fund. In comparison, CLSD charged these expenses to Fund 006, the lunch room fund. This practice better reflects the true costs of operating a school cafeteria. In this manner, prices can be established and operating decisions can be made based upon accurate information. In addition, the payment of bonuses while GCSD is in fiscal caution is not a sound financial practice.

*Revenue & Expenditure Analysis*

**R2.12 GCSD should closely examine the spending patterns indicated in Table 2-20 and Table 2-21 and consider reallocating the District’s revenue toward those programs and priorities that have the greatest impact on improving the student’s education and proficiency test results.**

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. An analysis of the spending patterns between the various functions should indicate where the priorities of the school board and management are placed. In addition, examining the number of ODE’s 22 performance standards a school district meets should also correlate to the school district’s spending patterns. Ohio law requires that each school district receive a performance accountability rating based on 22 performance standards. These 22 standards are minimum performance goals for public education in Ohio. **Table 2-19** presents the number of performance standards met by GCSD and the peers in FY 1999-00, FY 2000-01 and FY 2001-02.

**Table 2-19: ODE Performance Standards Comparison**

	GCSD	BLSLSD	CLSD	LLSD	Peer Average
	<b>Number of 27 Performance Standards Met</b>				
<b>FY 1999-00</b>	18	16	21	19	18.7
<b>FY 2000-01</b>	24	18	25	21	21.3
	<b>Number of 22 Performance Standards Met</b>				
<b>FY 2001-02</b>	17	18	21	19	19.3

**Source:** ODE Report Cards

**Note:** The Ohio Department of Education (ODE) ceased administrating 12<sup>th</sup> grade proficiency tests in FY 2001-02, which was the basis of five performance standards. This table presents the districts’ performance against the relevant performance standards for each year.

As shown in **Table 2-19**, GCSD met ODE performance standards consistent with or surpassing the peer average in all years except FY 2001-02. GCSD met the most standards in FY 2000-01, passing 24 of 27 performance standards. However, GCSD’s performance regressed in FY 2001-02 when it passed 17 performance standards, compared to a peer average of 19.3 performance standards. Adjusting for changes in performance standards, GCSD passed 15 percent fewer performance standards in FY 2001-02 than in FY 2000-01, while the peer average increased by 15.6 percent during this time period. BLSLSD exceeded the number of ODE performance standards met by GCSD from FY 1999-00 to FY 2001-02 and is used as a best practice school district for further comparisons.

**Table 2-20** and **Table 2-21** illustrates the expenditures posted to the various USAS function codes for GCSD and for the peers. Function codes are designed to report expenditures by nature or purpose. **Table 2-20** and **Table 2-21** show the operational expenditures per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types.

**Table 2-20: Peer Comparison of Governmental Funds  
Operational Expenditures by Function**

USAS Function Classification	FY 2001--02 GCSD		FY 2001--02 BLSD		FY 2001--02 CLSD		FY 2001--02 LLSD		FY 2001--02 Peer Average	
	Per Pupil	% of Exp	Per Pupil	% of Exp						
<b>Instructional Expenditures:</b>	<b>\$4,560</b>	<b>60.9%</b>	<b>\$4,617</b>	<b>60.9%</b>	<b>\$4,723</b>	<b>61.7%</b>	<b>\$4,700</b>	<b>62.6%</b>	<b>\$4,683</b>	<b>61.7%</b>
Regular Instruction	\$3,556	47.5%	\$3,472	45.8%	\$3,492	45.6%	\$3,450	46.0%	\$3,473	45.8%
Special Instruction	\$582	7.8%	\$1,046	13.8%	\$903	11.8%	\$939	12.5%	\$959	12.6%
Vocational Education	\$51	0.7%	\$98	1.3%	\$97	1.3%	\$107	1.4%	\$100	1.3%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$372	5.0%	\$0	0.0%	\$231	3.0%	\$204	2.7%	\$151	2.0%
<b>Support Service Expenditures:</b>	<b>\$2,506</b>	<b>33.5%</b>	<b>\$2,757</b>	<b>36.3%</b>	<b>\$2,723</b>	<b>35.5%</b>	<b>\$2,638</b>	<b>35.2%</b>	<b>\$2,706</b>	<b>35.7%</b>
Pupil Support Services	\$384	5.1%	\$414	5.5%	\$371	4.8%	\$313	4.2%	\$366	4.8%
Instructional Support Services	\$124	1.7%	\$326	4.3%	\$207	2.7%	\$185	2.5%	\$237	3.1%
Board of Education	\$11	0.2%	\$9	0.1%	\$18	0.2%	\$29	0.4%	\$19	0.2%
Administration	\$677	9.1%	\$667	8.8%	\$689	9.0%	\$808	10.8%	\$720	9.5%
Fiscal Services	\$146	2.0%	\$188	2.5%	\$205	2.7%	\$166	2.2%	\$187	2.5%
Business Services	\$0	0.0%	\$47	0.6%	\$0	0.0%	\$0	0.0%	\$15	0.2%
Plant Operation & Maintenance	\$919	12.3%	\$826	10.9%	\$816	10.7%	\$654	8.7%	\$767	10.1%
Pupil Transportation	\$240	3.2%	\$281	3.7%	\$412	5.4%	\$430	5.7%	\$377	5.0%
Central Support Services	\$4	0.1%	\$0	0.0%	\$6	0.1%	\$51	0.7%	\$18	0.2%
<b>Non-Instructional Services Expenditures</b>	<b>\$110</b>	<b>1.5%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$307</b>	<b>4.1%</b>	<b>\$212</b>	<b>2.8%</b>	<b>\$214</b>	<b>2.8%</b>	<b>\$165</b>	<b>2.2%</b>	<b>\$198</b>	<b>2.6%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$7,483</b>	<b>100.0%</b>	<b>\$7,585</b>	<b>100.0%</b>	<b>\$7,660</b>	<b>100.0%</b>	<b>\$7,504</b>	<b>100.0%</b>	<b>\$7,587</b>	<b>100.0%</b>

**Source:** 4502 Report – Exhibit 2, FY 2001-02

**Note:** This analysis links financial allocations to education related functions to each districts' results in meeting ODE performance standards. FY 2001-02 financial data was used rather than FY 2002-03 because ODE performance standard data was unavailable for FY 2002-03 at the time of this analysis

**Table 2-21: Historical Comparison of Governmental Funds  
Operational Expenditures by Function**

USAS Function Classification	FY 2000-01 Girard		FY 2001-02 Girard	
	Per Pupil	% of Exp	Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$4,492</b>	<b>63.4%</b>	<b>\$4,560</b>	<b>60.9%</b>
Regular Instruction	\$3,608	50.9%	\$3,556	47.5%
Special Instruction	\$613	8.6%	\$582	7.8%
Vocational Education	\$0	0.0%	\$51	0.7%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%
Other Instruction	\$271	3.8%	\$372	5.0%
<b>Support Service Expenditures:</b>	<b>\$2,172</b>	<b>30.6%</b>	<b>\$2,506</b>	<b>33.5%</b>
Pupil Support Services	\$547	7.7%	\$384	5.1%
Instructional Support Services	\$132	1.9%	\$124	1.7%
Board of Education	\$6	0.1%	\$11	0.2%
Administration	\$517	7.3%	\$677	9.1%
Fiscal Services	\$125	1.8%	\$146	2.0%
Business Services	\$0	0.0%	\$0	0.0%
Plant Operation & Maintenance	\$603	8.5%	\$919	12.3%
Pupil Transportation	\$233	3.3%	\$240	3.2%
Central Support Services	\$9	0.1%	\$4	0.1%
<b>Non-Instructional Services Expenditures</b>	<b>\$128</b>	<b>1.8%</b>	<b>\$110</b>	<b>1.5%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$297</b>	<b>4.2%</b>	<b>\$307</b>	<b>4.1%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$7,089</b>	<b>100.0%</b>	<b>\$7,483</b>	<b>100.0%</b>

**Source:** 4502 Report – Exhibit 2, FY 2000-01 & FY 2001-02

**Note:** This analysis links financial allocations to education related functions to each districts' results in meeting ODE performance standards. FY 2001-02 financial data was used rather than FY 2002-03 because ODE performance standard data was unavailable for FY 2002-03 at the time of this analysis

According to **Table 2-20**, GCSD's FY 2001-02 instructional expenditures were lower than the peer average on both a funding dollar per student and on a percent of total operating expenses basis. GCSD spent \$4,560 per student for those expenses directly dealing with the teaching of pupils or the interaction between teacher and pupil compared to the peer average of \$4,683 per student. Peer schools spend 2.3 percent more per student than GCSD. Furthermore, the average peer school district funding structure allocated 61.7 percent of their operating funding dollars toward instructional expenditures compared to GCSD's 60.9 percent of their funding dollars in FY 2001-02.

**Table 2-21** illustrates that GCS D allocated a smaller portion of its operational funding to instructional expenditures in FY 2001-02 than in FY 2000-01. In FY 2000-01, GCS D spent 63.4 percent of its operating expenditures on instructional expenditures compared to only 60.9 percent in FY 2001-02. While instructional expenditures have decreased as a percentage of total operating expenditures from FY 2000-01 to FY 2001-02, support service expenditures have increased as a percentage of operating expenditures from 30.6 percent to 33.5 percent.

A closer examination of GCS D instructional expenditures reveals that in FY 2001-02 GCS D allocated more funding to optional instructional functions than the peer average. In FY 2001-02, GCS D spent \$51 per student for vocational education expenditures compared to \$0 in FY 2000-01. Furthermore, GCS D spent \$372 per student, or 5 percent of operating expenditures, for Other Instruction expenditures; compared to the peer average of \$151 per student, or 2 percent of operating expenditures. Furthermore, GCS D's other instruction expenditures increased in FY 2001-02 from \$271 per student (3.8 percent of operating expenditures) in FY 2000-01 to \$372 per student (5 percent of operating expenditures) in FY 2001-02.

While it is beyond the scope of this analysis to determine the value of these expenditures, vocational education expenditures and other instruction expenditures generally have less impact on ODE performance standards. ODE performance standards are primarily related to proficiency tests in the areas of citizenship, mathematics, reading, writing, and science administered to fourth graders, sixth graders, and ninth graders.

#### *Support Service Expenditures*

While instructional expenditures have decreased as a percentage of total operating expenditures from FY 2000-01 to FY 2001-02, support service expenditures have increased as a percentage of operating expenditures from 30.6 percent to 33.5 percent. The greatest increase from FY 2000-01 to FY 2001-02 was experienced in the plant operation and maintenance line item which increased approximately 52 percent from \$603 per student to \$903 per student. This is primarily explained by the air quality issues discussed in **R2.3**. For a further discussion of plant operation and maintenance expenditures refer to the **facilities** section of this performance audit.

Pupil Support Services decreased from \$547 per student to \$384 per student from FY 2000-01 to FY 2001-02. In addition, these expenditures decreased as a percentage of total operating expenditures from 7.7 percent in FY 2000-01 to 5.1 percent in FY 2001-02. More importantly, instructional support services expenditures decreased from \$132 per student in FY 2000-01 to \$124 (1.7 percent of operating expenditures) in FY 2001-02, a 6 percent decrease. In addition, the peer average for instructional support service

expenditures was \$237 per student in FY 2001-02 and 3.1 percent of the operating expenditures.

### *Overall Operational Expenditures*

Perhaps the largest overall discrepancy in GCSD's operational funding structure is its allocation to non-instructional services expenditures and extracurricular activities expenditures. Non-instructional services expenditures include line items such as food service operations, community services, enterprise operations, and other expenses. GCSD allocated approximately \$128 per student in FY 2000-01 and \$110 per student in FY 2001-02 to community service expenditures. In contrast, the peer average was \$0.31 per student for this purpose. Finally, GCSD spent 55 percent more for extracurricular activities than the peer average in FY 2001-02. While the peers allocate approximately 2.6 percent of operating expenditures for this purpose, GCSD allocates over 4 percent of its operating expenditures for this purpose.

**Table 2-22** shows the per pupil operational, facilities acquisition and construction, and debt service expenditures for all governmental funds. In addition, **Table 2-22** displays these expenditures as a percentage of GCSD's FY 2001-02 total governmental expenditures.

**Table 2-22: Total Governmental Fund Expenditures by Function**

USAS Function Classification	GCSD		BLSD		BLSD		BLSD		Peer Average	
	\$ Per Pupil	% of Exp								
Total Governmental Fund Operational Expenditures	\$7,483	88.1%	\$7,585	99.8%	\$7,660	99.3%	\$7,504	96.6%	\$7,587	98.6%
Facilities Acquisition & Construction Expenditures	\$469	5.5%	\$15	0.2%	\$4	0.1%	\$253	3.3%	\$87	1.1%
Debt Service Expenditures	\$545	6.4%	\$0	0.0%	\$54	0.7%	\$13	0.2%	\$24	0.3%
<b>Total Governmental Funds Expenditures</b>	<b>\$8,497</b>	<b>100.0%</b>	<b>\$7,600</b>	<b>100.0%</b>	<b>\$7,718</b>	<b>100.0%</b>	<b>\$7,770</b>	<b>100.0%</b>	<b>\$7,698</b>	<b>100.0%</b>

Source: 4502 Report – Exhibit 2, FY 2001-02

GCSD spends significantly more per student on a total expenditure basis, however it spends considerably less than the peer average for operating expenditures. In FY 2001-02, spent \$7,483 per student for operating expenditures, 1.3 percent less than the peer average of \$7,587 per student. Furthermore, GCSD allocates only 88.1 percent of its resources toward operating expenditures in comparison to the peer average of 98.6 percent. This is primarily explained by the construction of a intermediate school in FY 1999-00, resulting in higher construction and debt service expenditures.

*Financial Recovery Plan*

**R2.13** GCSD should follow through on its plans to place a 5.9 mill operating levy on the November 2003 ballot. If this levy passes, the District would receive approximately \$850,000 in additional revenue annually, with a half year's revenue being received in FY 2003-04. GCSD should demonstrate accountability by sharing information with the public concerning how the revenue will be spent and how the levy will benefit the District.

Table 2-23 presents the impact of a 5.9 mill operating levy on the district's ending fund balance.

**Table 2-23: Impact of New Levy Revenue (in 000's)**

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Ending Cash Fund Balance without New Levy Revenue	\$199,777	(\$382,115)	(\$1,052,032)	(\$1,730,883)	(\$2,479,354)
New 5.9 mill Levy Revenue		420,400	870,481	901,209	933,021
Adjusted Ending Cash Fund Balance	\$199,777	\$38,285	\$238,849	\$461,207	\$645,757

Source: AOS projections and Table 2-26.

As shown in Table 2-23, GCSD would begin reporting a negative fund balance beginning in FY 2003-04 if no new revenue was generated. The Ohio Department of Education does not allow school districts to display new revenue from proposed levies in their forecasts, only renewals or replacements. To remove itself from fiscal caution, it is estimated that a minimum levy of 5.2 mills would be required in conjunction with AOS identified cost savings to achieve an ending fund balance to prior year revenue ratio greater than 2 percent in FY 2006-07. In the context of an uncertain economic environment, the district's 5.9 mill levy appears to be reasonable.

If voters pass the 5.9 mill operating levy, the District would be able to mitigate large future operating deficits during the forecast period. Therefore, GCSD should strive to share information with the community about the affect that passing a 5.9 mill operating levy will have on the District's finances. By fully informing the public, GCSD will increase the likelihood of passing the levy. The impact of the District's proposed levy is shown in the last two lines of the proposed financial recovery plan detailed in Table 2-26.

**R2.14** GCSD should analyze and use the financial recovery plan outlined in Table 2-26 to evaluate the recommendations presented in this performance audit and to determine the impact of the related cost savings on the District's financial condition. Based on the forecast that GCSD is currently presenting, the District will have an ending fund balance in FY 2006-07 that is less than 2 percent of total revenues,

which could lead to it remaining in fiscal caution. Adjusted AOS assumptions place the ending fund balance in FY 2006-07 at a cumulative deficit of 29.6 percent of revenues. Therefore, GCSD should consider implementing the recommendations in this performance audit to help rectify its future financial difficulties. In addition, GCSD should update the financial recovery plan on an ongoing basis as critical financial issues are addressed or emerge.

GCSD's forecast, presented in **Table 2-5**, projects maintaining a positive fund balance at the end of FY 2002-03 and a negative fund balance at the end of each of the next five years without including additional operating levies. The forecasted fund deficits are the result of operating losses, which are generally increasing throughout the forecast period. As a result, the ending fund balance is expected to deteriorate to a \$1,680,548 deficit in FY 2006-07. However, the adjustments to GCSD's forecast, outlined in **Table 2-26** further reduces the fund balances presented in **Table 2-5**. **Table 2-24** presents the forecasted ending fund balance (based on adjusted assumptions) as a percentage of prior year total revenues compared to the peer average forecasted ending fund balances as a percentage of total revenues.

**Table 2-24: GCSD Fund Balance to Total Revenues**

Fiscal Year	Ending Fund Balance	Prior Year Total Revenues	Ending Fund Balance as Percentage of Total Revenues	Peer Average
FY 1999-00	\$1,421,360	\$9,798,902	14.5%	27.9%
FY 2000-01	\$925,998	\$10,226,337	9.1%	26.7%
FY 2001-02	\$473,603	\$10,785,631	4.4%	23.6%
FY 2002-03	\$199,777	\$11,372,915	1.8%	18.7%
FY 2003-04	(\$479,390)	\$11,513,425	(4.2%)	14.4%
FY 2004-05	(\$1,496,079)	\$11,585,354	(12.9%)	7.1%
FY 2005-06	(\$2,604,705)	\$12,013,093	(21.7%)	(4.7%)
FY 2006-07	(\$3,734,251)	\$12,630,313	(29.6%)	(19.0%)

Source: GCSD's five-year forecast with AOS revised assumptions without implementing recommendations

As shown in **Table 2-24**, GCSD's ending fund balance, as a percentage of total revenues, is consistently lower than the peer average. GCSD's ending fund balance as a percentage of total revenues is projected to steadily decrease through FY 2006-07. The effect of the AOS adjustments makes it unlikely that GCSD would be eligible to be removed from fiscal caution status any time during the five-year forecast period. Instead, if deficits are not immediately addressed, the District may face worsening financial conditions and an acceleration of fiscal oversight.

**Table 2-25** details the effect of the revised assumptions and recommendations presented throughout this report and the beginning fund balance for each year of the forecasted period as reported by GCS D. The beginning fund balances are affected by changes in assumptions and recommendations made throughout the GCS D report. The ending fund balances are reflected in **Table 2-26**.

**Table 2-25: Changes to GCS D Fund Balances**

	Actual FY 2002-03	Forecast FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07
<b>Increases/ (Decreases) Resulting from Revised Assumptions:</b>					
<b>R2.4</b> Real Property Tax Revenues	0	(43,353)	(89,866)	(232,726)	(321,804)
<b>R2.5</b> Unrestricted Grants-in-Aid	0	(236,293)	(147,041)	123,039	460,838
<b>R2.6</b> OSFC reimbursements	0	127,919	26,412	27,084	28,877
<b>R2.7</b> Personal Services	0	126,856	4,931	(118,785)	(83,684)
<b>R2.8</b> Employees' Retirement/Insurance Benefits	0	(180,227)	(214,670)	(347,425)	(368,015)
<b>R2.9</b> Supplies and Materials	0	(158,444)	(143,083)	(153,688)	(140,558)
<b>AOS Assumption Subtotal</b>	<b>(\$0)</b>	<b>(\$363,542)</b>	<b>(\$563,317)</b>	<b>(\$702,501)</b>	<b>(\$424,346)</b>
<b>Increases/ (Decreases) Resulting from Recommendations:</b>					
<b>R3.3</b> Reduction of 2.0 FTE of Clerical Positions	0	\$74,000	\$74,000	\$74,000	\$74,000
<b>R3.4</b> Reduction in Cost per Supplemental Position	0	55,000	55,000	55,000	55,000
<b>R3.5</b> Employee Insurance Premium Contribution	0	0	129,000	129,000	129,000
<b>R3.6</b> Classified Benefit Employee Contribution	0	0	0	39,000	39,000
<b>R3.7</b> Certificated Salary Adjustment <sup>1</sup>	0	0	101,000	110,000	65,000
<b>R3.8</b> Classified Salary Adjustment <sup>1</sup>	0	0	0	17,000	18,000
<b>R3.9</b> Bus Driver Salary Adjustment <sup>1</sup>	0	0	0	2,500	2,600
<b>R3.10</b> Administration and Treasurer Salary Adjustment <sup>1</sup>	0		11,000	13,500	8,700
<b>R3.12</b> Reduction of Paid Holidays	0	0	0	13,000	13,000
<b>R4.1</b> Hire an Additional Maintenance Employee	0	(40,000)	(40,000)	(40,000)	(40,000)
<b>R4.2</b> Implement Internet-based Work Order System	0	(3,000)	0	0	0
<b>R4.5</b> Implement Centralized Purchasing Agreement	0	23,700	23,700	23,700	23,700
<b>R5.2</b> Reduce Number of Pupils Transported	0	16,000	16,000	16,000	16,000
<b>R5.3</b> Reduction in Special Needs Transportation Reimbursement	0	(25,000)	(25,000)	(25,000)	(25,000)
<b>R5.5</b> Cooperative Fuel Purchasing Program	0	2,075	2,075	2,075	2,075
<b>R5.6</b> Preventive Maintenance Program	0	(5,500)	0	0	0
<b>Recommendation Subtotal</b>	<b>\$0</b>	<b>\$97,275</b>	<b>\$346,775</b>	<b>\$429,775</b>	<b>\$381,075</b>
<b>GCS D five-year forecast Ending Fund Balance</b>	<b>\$199,777</b>	<b>(\$115,848)</b>	<b>(\$569,223)</b>	<b>(\$975,348)</b>	<b>(\$1,680,548)</b>
<b>Adjusted Ending Fund Balance</b> <sup>2</sup>	<b>\$199,777</b>	<b>(\$382,115)</b>	<b>(\$1,052,032)</b>	<b>(\$1,730,883)</b>	<b>(\$2,479,354)</b>

**Source:** GCS D five-year forecast, AOS recommendations

<sup>1</sup> The summary of financial implications table in the **human resources** section presents a cumulative cost avoidance figure that includes FY 2007-08, and therefore, does not reconcile with the recommendation presented in this table.

<sup>2</sup> The Adjusted Fund Balance only reflects AOS recommendations that do not require voter approval, it does not reflect the potential passage of additional levies as recommended in **R2.13**. Furthermore, it was discovered that the actual figures for FY 2002-03 failed to include \$49,500 in debt service costs. This adjustment is not included in the changes to assumptions; however, it is reflected in the adjusted ending fund balance line.

**Table 2-26** presents a potential financial recovery plan for GCS D management to use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. The forecast includes additional lines showing financial implications and implementation costs associated with

the performance audit recommendations. Additionally, this forecast provides an updated version of GCSD's forecast, using the revised assumptions outlined in **R2.3** through **R2.9**. Also, certain adjustments were made to the financial projections in **Table 2-5** based upon analyses conducted in this report, which include the following changes in assumptions:

- Separating large one-time unusual expenditures as a separate line item (see **R2.3**);
- Projecting 3.53 percent property tax receipt increases in FY 2003-04 through FY 2006-07, rather than increases of 5.31 percent, 5.04 percent, 8.0 percent, and 5.93 percent in FY 2003-04, FY 2004-05, FY 2005-06, and FY 2006-07, respectively (see **R2.4**);
- Using proposed changes in funding legislation to forecast Unrestricted and Restricted Grants-in-Aid (see **R2.5**);
- Using OSFC retroactive reimbursements for intermediate school maintenance and reimbursement of the General Fund (see **R2.6**);
- Projecting increases of 4.9 percent, 5.2 percent, 4.9 percent, and 4.9 percent in FY 2003-03 FY 2004-05, FY 2005-06, and FY 2006-07, respectively for personal services expenditures so that COLA and step increases are considered (see **R2.7**);
- Increasing the Employees' Retirement/Insurance Benefits line item so that costs directly correlated with salary increases and statewide health insurance cost increases as illustrated in **R2.8**; and
- Adjusting the District's projected supplies and materials to meet statutory spending requirements (see **R2.9**),

**Table 2-26a**, **Table 2-26b**, and **Table 2-26c** summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, implementation costs and cost avoidances associated with the various recommendations are also summarized.

**Table 2-26a** details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-26**. These recommendations are separated by those that require contract renegotiation and those that do not require negotiation. **Table 2-26b** presents the implementation costs associated with various recommendations contained within the performance audit. **Table 2-26c** illustrates ending fund balances as a percentage of prior year total revenues for three scenarios; GCSD's financial condition without implementing AOS recommendations or passing a levy (see **R2.13**), GCSD financial condition after implementing AOS recommendations but without a levy, and GCSD financial condition after implementing AOS recommendations and passing a 5.9 mill operating levy.

For GCS D to maintain an acceptable level of financial stability, the District will need to continue to make difficult management decisions regarding further ways to increase revenue and reduce expenditures. This performance audit provides a series of recommendations which GCS D should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan. GCS D should strive to allocate more funds to the direct instruction of students rather than support services. The District should also focus on funding those programs that will specifically enhance each student's ability to meet proficiency testing minimum standards.

**Table 2-26: Proposed Financial Recovery Plan (in 000's)**

	Actual 1999-00	Actual 2000-01	Actual 2001-02	Actual 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07
Real Estate Property Tax	\$2,644	\$2,744	\$2,740	\$2,831	\$2,931	\$3,035	\$3,142	\$3,253
Tangible Personal Property Tax	588	546	663	467	575	575	575	575
Restricted / Unrestricted Grants-in-Aid	6,148	6,687	7,185	7,339	7,284	7,578	8,063	8,611
Property Tax Allocation	363	356	381	395	445	500	525	550
Other Revenues	483	453	404	481	350	325	325	300
<b>Total Operating Revenues</b>	<b>10,226</b>	<b>10,786</b>	<b>11,373</b>	<b>11,513</b>	<b>11,585</b>	<b>12,013</b>	<b>12,630</b>	<b>13,289</b>
Personal Services	6,281	6,648	6,989	6,953	7,190	7,562	7,936	8,325
Employee's Retirement & Insurance Benefits	1,772	2,330	2,148	2,771	2,851	3,086	3,338	3,613
Purchased Services	1,344	1,290	1,629	1,422	1,550	1,575	1,575	1,600
Supplies & Materials	292	295	230	191	369	379	389	400
Capital Outlay	183	137	82	55	55	55	55	55
Debt: Principal	45	45	45	45	45	45	45	0
Debt: Interest & Fiscal Charges	39	31	10	8	6	3	1	0
Other Objects	331	336	331	206	225	250	325	325
One-time Expenditures	0	0	198	90	0	0	0	0
<b>Total Operating Expenditures</b>	<b>10,287</b>	<b>11,112</b>	<b>11,662</b>	<b>11,741</b>	<b>12,291</b>	<b>12,955</b>	<b>13,664</b>	<b>14,318</b>
Operating Transfers-In	563	722	698	160	100	100	100	75
Operating Transfers-Out	833	891	861	206	175	175	175	175
All other Financing Sources / (Uses)	52	0	0	0	102	0	0	(0)
<b>Net Financing Sources/ (Uses)</b>	<b>(218)</b>	<b>(169)</b>	<b>(163)</b>	<b>(46)</b>	<b>27</b>	<b>(75)</b>	<b>(75)</b>	<b>(100)</b>
<b>Results of Operations (Loss)</b>	<b>(279)</b>	<b>(495)</b>	<b>(452)</b>	<b>(274)</b>	<b>(679)</b>	<b>(1,017)</b>	<b>(1,109)</b>	<b>(1,129)</b>
Beginning Cash Balance	1,700	1,421	926	474	200	(382)	(1,052)	(1,731)
AOS Recommendations <sup>3</sup>	N/A	N/A	N/A	N/A	97	347	430	381
<b>Ending Cash Balance (Adjusted in Forecast Years)</b>	<b>1,421</b>	<b>926</b>	<b>474</b>	<b>200</b>	<b>(382)</b>	<b>(1,052)</b>	<b>(1,731)</b>	<b>(2,479)</b>
Outstanding Encumbrances	125	44	81	0	0	0	0	0
<b>Ending Fund Balance (Adjusted in Forecast Years)</b>	<b>\$1,296</b>	<b>\$882</b>	<b>\$393</b>	<b>\$200</b>	<b>(\$382)</b>	<b>(\$1,052)</b>	<b>(\$1,731)</b>	<b>(\$2,479)</b>
<i>Effect of District Proposed 5.9 mill Levy</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>420</i>	<i>870</i>	<i>\$901</i>	<i>\$933</i>
<b>Ending Cash Fund Balance with Levy Proposal <sup>1</sup></b>	<b>\$1,296</b>	<b>\$882</b>	<b>\$393</b>	<b>\$200</b>	<b>\$38</b>	<b>\$239</b>	<b>\$461</b>	<b>\$646</b>

**Source:** Actual figures – Treasurer's Office; Forecasted Figures – AOS projections

**Note:** Forecast line items are as **Table 2-5** restated with changes in assumptions outlined in **R2.3** through **R2.9**

<sup>1</sup> The affects of the 5.9 mill levy are not included within the beginning fund balance figures. Therefore, when calculating the ending fund balance in a scenario that includes the passage of a levy, the prior year's ending cash fund balance with the levy proposal should be used as the beginning cash balance figure.

As shown in **Table 2-26**, the financial recovery plan is projecting larger final ending fund balances than those presented in the District's forecast in **Table 2-5**. The positive ending fund balances are largely dependent upon passing a 5.9 mill operating levy in the November 2003 elections.

**Table 2-26a** details those performance audit recommendations reflected in the financial recovery plan in **Table 2-26**.

**Table 2-26a: Summary of Performance Audit Recommendations <sup>1</sup>**

<b>Recommendations</b>	<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>
<b>Recommendations Not Subject to Negotiation:</b>					
<b>R3.3</b> Clerical Staff Reduction of 2.0 FTEs		\$74,000	\$74,000	\$74,000	\$74,000
<b>R4.5</b> Implement Centralized Purchasing Agreement		\$23,700	\$23,700	\$23,700	\$23,700
<b>R5.2</b> Reduce Number of Pupils Transported		\$16,000	\$16,000	\$16,000	\$16,000
<b>R5.5</b> Cooperative Fuel Purchasing Program		\$2,075	\$2,075	\$2,075	\$2,075
<b>Total Recommendations Not Subject to Negotiation</b>	<b>\$0</b>	<b>\$115,775</b>	<b>\$115,775</b>	<b>\$115,775</b>	<b>\$115,775</b>
<b>Recommendations Subject to Negotiation:</b>					
<b>R3.4</b> Reduction in Cost per Supplemental Position		\$55,000	\$55,000	\$55,000	\$55,000
<b>R3.5</b> Employee Insurance Premium Contribution			\$129,000	\$129,000	\$129,000
<b>R3.6</b> Classified Benefit Employee Contribution				\$39,000	\$39,000
<b>R3.7</b> Certificated Salary Adjustment			\$101,000	\$110,000	\$65,000
<b>R3.8</b> Classified Salary Adjustment <sup>2</sup>				\$17,000	\$18,000
<b>R3.9</b> Bus Driver Salary Adjustment <sup>2</sup>				\$2,500	\$2,600
<b>R3.10</b> Administration and Treasurer Salary Adjustment			\$11,000	\$13,500	\$8,700
<b>R3.11</b> Reduction of Paid Holidays				\$13,000	\$13,000
<b>Total Recommendations Subject to Negotiation</b>		<b>\$55,000</b>	<b>\$296,000</b>	<b>\$379,000</b>	<b>\$330,300</b>
<b>Total Recommendations Included in Forecast</b>	<b>\$0</b>	<b>\$170,775</b>	<b>\$411,775</b>	<b>\$494,775</b>	<b>\$446,075</b>

**Source:** Financial Implications Summaries for all sections of this performance audit report

<sup>1</sup> This table does not include adjustments to forecast assumptions in **R2.3** through **R2.9** that will impact the forecast.

<sup>2</sup> The summary of financial implications table in the **human resources** section presents a cumulative cost avoidance figure that includes FY 2007-08, and therefore, does not reconcile with the recommendation presented in this table.

**Table 2-26b** summarizes the implementation costs associated with various recommendations contained within the performance audit. Preventative maintenance costs are dependent on GCSD's decision to implement the associated recommendation and the timing of that implementation.

**Table 2-26b: Implementation Costs**

<b>Recommendation Implementation Costs</b>	<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>
<b>R4.1</b> Hire an Additional Maintenance Employee		(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
<b>R4.2</b> Implement an Internet-based, Electronic Work Order System		(\$3,000)			
<b>R5.3</b> Reduction in Special Needs Transportation Reimbursement		(\$25,000)	(\$25,000)	(\$25,000)	(\$25,000)
<b>R5.6</b> Implement VMP Software		(\$5,500)			
<b>Total Recommendations Implementation Costs</b>	<b>\$0</b>	<b>(\$73,500)</b>	<b>(\$65,000)</b>	<b>(\$65,000)</b>	<b>(\$65,000)</b>

**Source:** Financial Implications Summaries for all sections of this performance audit report

If GCSD implements the recommendations made in this performance audit in conjunction with updating its five-year forecast based on the assumptions used to create the financial recovery plan presented in **Table 2-26**, the District will realize a lower ending fund balances as a percentage of total revenue than it is currently forecasting. This is partially explained by the optimistic forecasting assumptions employed by GCSD. The revised financial recovery plan will more accurately reflect the District's future financial condition.

**Table 2-26c** shows the ending fund balance as a percentage of the previous year's total revenue based on the forecast presented in this section. As fiscal oversight designations are based on the ending fund balance as a percentage of the previous year total revenue, the scenarios presented depict the likelihood of GCSD being placed in fiscal watch or emergency during the forecast period. The three scenarios presented (no levy and no AOS recommendations, no levy with AOS recommendations, and with levy and AOS recommendations) provide a clear picture of the importance of passing the levy and implementing AOS recommendations.

**Table 2-26c: Fund Balance to Previous Year Total Revenue**

Ending Fund Balance as Percentage of Previous Year Total Revenues			
Fiscal Year	<u>Scenario One</u>	<u>Scenario Two</u>	<u>Scenario Three</u>
	No Levy No AOS Recommendations	No Levy With AOS Recommendations	With Levy and AOS Recommendations
FY 1999-00	14.5%	14.5%	14.5%
FY 2000-01	9.1%	9.1%	9.1%
FY 2001-02	4.4%	4.4%	4.4%
FY 2002-03	1.8%	1.8%	1.8%
FY 2003-04	(4.2%)	(3.3%)	0.3%
FY 2004-05	(12.9%)	(9.1%)	2.1%
FY 2005-06	(21.7%)	(14.4%)	3.8%
FY 2006-07	(29.6%)	(19.6%)	5.1%

**Source:** District financial forecasts, AOS analyses

As shown in **Table 2-26c**, the District's ending fund balance as a percentage of total revenues decreases each year during the forecast period. In scenario one and two, GCSD's ending fund balance as a percentage of prior year's revenues decreases significantly in FYs 2003-04 through 2006-07. In addition, the ending fund balances as forecasted in **Table 2-26** are significantly higher than the ending fund balances that are currently forecasted in GCSD's five-year forecast (**Table 2-5**). GCSD should strongly consider the recommendations included in this performance audit to ensure that, in conjunction with the passage of the levy, the District maintains a positive fund balance through the end of the forecast period.

GCSD's ending fund balances are projected to steadily decrease through FY 2006-07 despite significant cost savings identified in this performance audit. Therefore, additional funding in the form of an operating levy is necessary to project a positive fund balance in FY 2006-07. A combination of funding increases and cost savings have the potential to remove GCSD from fiscal caution status.

# Human Resources

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## Background

This section of the report focuses on various human resources operations within Girard City School District (GCSD). Best practice data from ODE, the State Employment Relations Board (SERB) and other school districts is used for additional comparisons.

### *Organizational Function*

GCSD does not have a separate department dedicated to performing human resource functions. The primary human resource responsibilities are completed by the superintendent which include the following: coordinating the activities and programs for the recruitment and selection of employees; monitoring compliance with minimum employment standards (criminal background checks and teaching certifications); facilitating employee performance evaluations; administering and monitoring disciplinary hearings; maintaining personnel files; placing selected substitutes and participating in new employee orientations. The Treasurer's Office also assists in some human resource functions by administering the health insurance plans for all employees within GCSD.

### *Staffing*

**Table 3-1** illustrates the actual staffing levels at GCSD and the peer districts during FY 2002-03 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with the appropriate district personnel in an effort to ensure the proper classification of staff. All positions are shown as full-time equivalents (FTEs).

**Table 3-1: FTE Staffing Levels for FY 2002-03**

Category	Girard CSD	Brookfield LSD	Champion LSD	La Brae LSD	Peer Average
<b>Administrators: Subtotal</b>	<b>9.3</b>	<b>10.7</b>	<b>9.2</b>	<b>8.7</b>	<b>9.5</b>
Central Based Administrators	2.8	2.0	2.0	2.7	2.2
Site Based Administrators	6.5	8.7	7.2	6.0	7.3
<b>Professional Education: Subtotal</b>	<b>106.2</b>	<b>100.5</b>	<b>116.2</b>	<b>102.0</b>	<b>106.2</b>
Counseling	3.0	4.0	4.0	3.0	3.7
Librarian / Media	1.0	3.0	3.0	1.0	2.3
Regular Education Teachers	82.1	75.5	81.4	74.1	77.0
Special Education Teachers	12.0	9.0	19.0	11.9	13.3
Vocational Education Teachers	1.4	2.0	2.0	2.0	2.0
Tutor / Small Group Instructor	1.0	1.0	0.0	0.0	.3
Educational Service Personnel <sup>1</sup>	5.1	6.0	6.8	10.0	7.6
Other Professional	.6	0.0	0.0	0.0	0.0
<b>Professional – Other</b>	<b>3.6</b>	<b>3.0</b>	<b>4.2</b>	<b>2.0</b>	<b>3.1</b>
<b>Technical: Subtotal</b>	<b>1.4</b>	<b>0.5</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>
Computer Operator	0.8	0.0	0.0	0.0	0.0
Printer	0.0	0.5	0.0	0.0	0.2
Library Aide	0.6	0.0	1.8	1.5	1.1
<b>Office / Clerical: Subtotal</b>	<b>10.3</b>	<b>20.1</b>	<b>22.7</b>	<b>11.8</b>	<b>18.2</b>
Bookkeeping	2.0	2.0	2.0	1.6	1.9
Clerical	7.1	4.1	6.7	5.2	5.3
Teaching Aide	1.2	14.0	14.0	5.0	11.0
<b>Crafts / Trades</b>	<b>1.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Transportation</b>	<b>7.0</b>	<b>6.0</b>	<b>10.3</b>	<b>10.2</b>	<b>8.8</b>
<b>Custodial</b>	<b>11.5</b>	<b>16.0</b>	<b>13.0</b>	<b>12.0</b>	<b>13.7</b>
<b>Food Service</b>	<b>7.2</b>	<b>9.0</b>	<b>14.0</b>	<b>11.0</b>	<b>11.3</b>
<b>Other Service Worker / Laborer</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Total FTEs</b>	<b>156.5</b>	<b>167.8</b>	<b>194.4</b>	<b>161.2</b>	<b>174.4</b>

Source: FY 2002-03 EMIS Staff Summary Report and School Enrollment from Girard GCSD and the peer districts

<sup>1</sup> The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 Average Daily Membership (ADM) at GCSD and the peer districts for FY 2002-03. ADM serves to represent the average number of students who will be present at each of the district's facilities on a given day during the school year.

**Table 3-2: FTE Staffing Levels for FY 2002-03 per 1,000 ADM**

Category	Girard CSD	Brookfield LSD	Champion LSD	LaBrae LSD	Peer Average
<b>ADM</b>	<b>1,767</b>	<b>1,493</b>	<b>1,699</b>	<b>1,534</b>	<b>1,575</b>
<b>Administrators: Subtotal</b>	<b>5.4</b>	<b>7.1</b>	<b>5.4</b>	<b>5.7</b>	<b>6.0</b>
Central Based Administrators	1.7	1.3	1.2	1.8	1.4
Site Based Administrators	3.7	5.8	4.2	3.9	4.6
<b>Professional Education: Subtotal</b>	<b>60.3</b>	<b>67.3</b>	<b>68.5</b>	<b>66.6</b>	<b>67.4</b>
Counseling	1.7	2.7	2.4	2.0	2.4
Librarian / Media	0.6	2.0	1.8	0.7	1.5
Regular Education Teachers	46.5	50.6	47.9	48.3	48.9
Special Education Teachers	6.8	6.0	11.2	7.8	8.3
Vocational Education Teachers	0.8	1.3	1.2	1.3	1.3
Tutor / Small Group Instructor	0.6	0.7	0.0	0.0	0.2
Educational Service Personnel <sup>1</sup>	2.9	4.0	4.0	6.5	4.8
Other Professional	0.4	0.0	0.0	0.0	0.0
<b>Professional – Other</b>	<b>2.0</b>	<b>2.0</b>	<b>2.5</b>	<b>1.3</b>	<b>1.9</b>
<b>Technical: Subtotal</b>	<b>0.8</b>	<b>0.3</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>
Computer Operator	0.5	0.0	0.0	0.0	0.0
Printer	0.0	0.3	0.0	0.0	0.1
Library Aide	0.3	0.0	1.1	1.0	0.7
<b>Office / Clerical: Subtotal</b>	<b>5.8</b>	<b>13.4</b>	<b>13.3</b>	<b>7.7</b>	<b>11.5</b>
Bookkeeping	1.1	1.3	1.2	1.0	1.2
Clerical	4.0	2.7	3.9	3.4	3.3
Teaching Aide	0.7	9.4	8.2	3.3	7.0
<b>Crafts / Trades</b>	<b>0.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>
<b>Transportation</b>	<b>4.0</b>	<b>4.0</b>	<b>6.1</b>	<b>6.6</b>	<b>5.6</b>
<b>Custodial</b>	<b>6.5</b>	<b>10.7</b>	<b>7.7</b>	<b>7.8</b>	<b>8.7</b>
<b>Food Service</b>	<b>4.1</b>	<b>6.0</b>	<b>8.2</b>	<b>7.2</b>	<b>7.1</b>
<b>Other Service Worker / Laborer</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>0.2</b>
<b>Total FTEs</b>	<b>88.9</b>	<b>112.1</b>	<b>114.6</b>	<b>105.2</b>	<b>110.5</b>

Source: FY 2002-03 EMIS Staff Summary Report and School Enrollment from Girard GCSD and the peer districts

<sup>1</sup> The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

As illustrated in **Table 3-2**, GCSD has a higher FTE per 1,000 ADM staffing allocation as compared to the peers in the classifications of central administrators, tutor/small group instructor (special education), technical- computer operating, and office/clerical- clerical (**R3.4**). The following *staffing* assessments were conducted and did not warrant any changes or yield any recommendations:

- Central-based administrator staffing level:** Although the overall central based administrator subtotal is lower than the peer average, the central administrative assistant classification is higher as a result of two peers that classify the position differently in EMIS. The administrative assistant position at GCSD currently performs duties similar to those duties performed by the assistant principal position at both Brookfield Local School District (BLSD) and Champion Local School District (CLSD). LaBrae Local School District (LLSD) also has an administrative assistant who conducts similar duties.

- *Site-based administrator staffing level:* GCSD employs 0.2 FTE coordinator per ADM. Although that is higher than the peer average for this classification, this position is a part of a three school consortium, including Mathews Local School District (MLSD) and Niles Local School District (NLSD). The position is divided among the three schools and GCSD is only responsible for benefits and salary equal to 30 percent to cover the time dedicated to GCSD-related activities. The remainder of the position's salary and benefits are the responsibility of NLSD and MLSD. According to GCSD and the Trumbull County Education Service Center (ESC), it is more cost effective to use the consortium. LLSD also uses a consortium with five other districts for the district's gifted coordinator position.
- *Tutor/small group instructor (special education):* GCSD provides tutor services to a non public school located within the District as required by the Federal Code of Regulations 34 CFR – Chapter III – Part 300, 300.452-462. GCSD is required to use public funds proportionately between the non-public and public schools within the District, based on child counts.
- *Computer operating:* GCSD employs a technical coordinator who is responsible for all GCSD computers, distance learning labs, learning boards, and its internal computer network system during 12 out of 15 periods (.80 FTE) per trimester year. The remaining three out of 15 periods (.20 FTE) per trimester year are spent teaching regular education classes. The peers conduct computer operating activities in a different manner. CLSD pays the salary and benefits for a County Educational Service Center (ESC) employee to conduct computer coordination and repair, which is not included in EMIS.
- *Education service personnel (ESP):* This category consists of ESP teachers, counselors, librarian/media specialists, and registered nurses. The analysis that was conducted on ESP Personnel concluded that GCSD was staffed at a lower level than each of the peer totals and did not warrant further consideration.
- *Crafts and Trades:* (see the **facilities** section).

The staffing level of regular education teachers was analyzed during this performance audit. As a result of the analysis, regular education teachers' staffing levels were adequate when compared to the peers and state benchmarks, and did not warrant any staffing changes. Staffing analyses were also conducted on vocational education teachers and no recommendations were warranted.

### *Collective Bargaining Agreements*

Certificated and classified personnel within GCSD are governed by negotiated agreements. During the performance audit, certain contractual and employment issues were assessed and compared to the peer districts. The implementation of any recommendations concerning contractual issues would require further good faith negotiations with the collective bargaining units. **Tables 3-3 and 3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

**Table 3-3: GCSD & Peer Certificated Contractual Comparison**

	<b>Girard CSD</b>	<b>Brookfield LSD</b>	<b>Champion LSD</b>	<b>LaBrae LSD</b>
<b>Length of work day</b>	7 hours 5 minutes	7 hours 15 minutes	7 hours	7 hours 30 minutes
<b>Maximum class size</b>	Ohio Minimum Standards K-12: 25:1	K-12: 30:1	K-2: 25:1 3-5: 27:1 6-8: 28:1 9-12: 28:1	K-4: 26:1 5-6: 28:1 7-12: 25:1
<b>Number of contract days</b>	<b>182 days</b>	<b>183 days</b>	<b>183 days</b>	<b>183 days</b>
<b>Instructional</b>	178 days	178 days	178 days	178 days
<b>In-Service</b>	2 days <sup>1</sup>	3 days	3 days	3 days
<b>Parent/Teacher Conferences</b>	2 days <sup>1</sup>	2 days	2 days	2 days
<b>Maximum # of sick days accrued</b>	Unlimited	380 days	Unlimited	435 days
<b>Maximum # of sick days paid upon retirement</b>				
<b>10 years</b>	53 days	50 days	65 days <sup>2</sup>	68 days <sup>3</sup>
<b>More than 30 years</b>	65 days			
<b>Personal days received</b>	4 days	3 days	4 days	3 days
<b>Required notice</b>	24 hours	24 hours	72 hours	48 hours
<b>Number of leave days for association business</b>	14 days <sup>4</sup>	2 days <sup>5</sup>	13 days <sup>6</sup>	4 days <sup>7</sup>
<b>Sabbatical leave</b>	Maximum of 1 year allowed after 5 years of service, with requirement to return for 1 year	Maximum of 1 year allowed after 5 years of service, with requirement to return for 1 year	Maximum of 1 year allowed after 5 years of service, with requirement to return for 1 year	At the discretion of the Superintendent and the Board
<b>District pick-up of employee STRS contribution</b>	None	None	None	None
<b>Annual cost of living increases</b>	2001-02: 2.0% 2002-03: 3.0% 2003-04: 3.0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: 4.0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: 0.0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: 4.0%

**Source:** GCSD and peer school districts negotiated agreements and interviews.

<sup>1</sup> The negotiated agreement does not specify how two days will be used by the District; however, according to the treasurer's office, 2 days are normally used for in-service and 2 days are used for parent/teacher conferences.

<sup>2</sup> CLSD employees are eligible for severance pay after five years of employment with the district.

<sup>3</sup> LLSD employees are eligible for severance pay after seven years of employment with the district.

<sup>4</sup> GCSD pays for 14 days of substitute costs and five days of association leave for the president.

<sup>5</sup> BLSD pays for the total cost of 2 days of association leave including substitutes.

<sup>6</sup> CLSD pays for the total cost of 13 days of association leave including substitutes.

<sup>7</sup> LLSD pays for the total cost of 4 days of association leave.

**Table 3-4: GCSD and Peer Classified Contractual Comparison**

	<b>Girard CSD</b>	<b>Brookfield LSD</b>	<b>Champion LSD</b>	<b>LaBrae LSD</b>
<b>Minimum call-in hours paid for emergencies<sup>1</sup></b>	1 hour	1 hour	2 hours	2 hours
<b>Paid vacation accumulation schedule</b>	1 year: 5 days 4 years: 10 days 9 years: 15 days 14 years: 18 days 19 years: 20 days 24 years: 25 days	1 year: 5 days 2 years: 6 days 3 years: 7 days 4 years: 8 days 5-9 years: 12 days 10-14 years: 17 days 15+ years: 20 days	1 year: 10 days 9 years: 15 days 16+ years: 20 days	1-7 years: 10 days 8-14 years: 15 days 15-21 years: 20 days 22+ years: 25 days
<b>Sick and personal leave use incentives</b>	Up to \$1,000 if no sick leave is used <sup>2</sup>  Up to \$75 for each day of unused personal leave <sup>2</sup>	\$350 if no sick and personal leave is used	1 days wages for employees with perfect attendance	\$100 if no sick or personal leave is used <sup>3</sup>
<b>Maximum # of sick days accrued</b>	Unlimited	355 days	Unlimited	420 days <sup>4</sup>
<b>Maximum # of sick days paid upon retirement</b>				
<b>10 years</b>	53 days	55 <sup>5</sup> days	65 days <sup>6</sup>	68 days <sup>7</sup>
<b>More than 30 years</b>	65 days			
<b>Personal days received</b>	4 days	3 days	4 days	3 days
<b>Required notice</b>	24 hours	24 hours	72 hours	48 hours
<b>Number of holidays for 12-month employees</b>	12	11 <sup>8</sup>	13 <sup>8</sup>	11 <sup>8</sup>
<b>Number of holidays for less than 12-month employees</b>	10	9	10	7
<b>Number of leave days for association business</b>	12 days paid by the association	2 days paid by the district	4 days paid by the district	4 days paid by district
<b>District pick-up of employee SERS contribution</b>	None	None	9%	None
<b>Annual cost of living increases</b>	2001-02: 5.0% 2002-03: 2.0% 2003-04: 3.0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: n/a	2001-02: 4.0% 2002-03: 4.0% 2003-04: 0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: 4.0%

Source: GCSD and peer school districts negotiated agreements and interviews.

<sup>1</sup> All districts pay time and a half for call in hours. GCSD increases the pay to double time on Sundays and holidays.

<sup>2</sup> \$500 if no sick leave is used from September 1 to December 1 and again from January 2 to the end of the school year in June. 12 month employees are eligible for \$75 a day for unused personal leave, and employees working less than 12 months per year are eligible for \$50 a day.

<sup>3</sup> LLSLSD offers an additional \$50 per year of service if personal and sick leave use is reduced by 15 percent for all classified employees from 2000-2001 level.

<sup>4</sup> The number of sick days accrued for LLSLSD is scheduled to increase to 435 days in FY2003-04.

<sup>5</sup> For an appropriate comparison, the number of sick days has been recalculated by AOS assuming an average classified employee cost is \$95 per day. BLSLSD pays classified employees between 20 dollars and 30 dollars per day, depending on the number of hours worked per week, for up to 220 days.

<sup>6</sup> CLSD employees are eligible for severance pay after five years of employment with the district.

<sup>7</sup> LLSLSD employees are eligible for severance pay after seven years of employment with the district.

<sup>8</sup> Applies to 11 and 12-month employees.

The following *contractual* assessments were conducted and did not warrant any changes or yield any recommendations because these areas were commensurate with either the peers or the Ohio Revised Code (ORC):

- *Length of certificated workday:* GCSD teachers spend approximately 86 percent of the workday in direct contact with students, while the remaining time is used for one planning period and a lunch. Based on assessments in other AOS audits, this is a reasonable workday.
- *Number of certificated contract days:* Although GCSD certificated employees are contractually required to work one less day per year (182 days) than the peer districts (183 days), the employees spend an equal amount of time instructing students and communicating with parents through one-on-one conferences.
- *Maximum number of sick days accrued:* GCSD employees are able to accumulate unlimited sick leave. Since the FY 2001-02 sick leave usage was lower than the peer average (see **page 3-10**) and the number of sick days paid out for severance pay for employees with less than 30 years of service is lower than the peers.
- *Sick leave usage:* In FY 2001-02, GCSD employees used an average of 7.0 sick days per FTE when excessive users of 20 days or more (13 percent) were extracted from the AOS analysis. The District's average sick leave usage is less than the peer average of 7.7 days, and comparable to the state average of 6.9 for Ohio Education Association (OEA) employees, according to the Ohio Department of Administrative Services.
- *Sick leave incentive:* GCSD offers a \$500 incentive per six months to any classified employee that does not use any sick leave. The total amount an employee may receive in one year is \$1000. In FY 2001-02, five employees were eligible for the incentive that received a total of \$2,500. Although this sick leave incentive is more generous than the peer districts, AOS analysis showed the District's cost is higher when an employee is not working.
- *Special education staffing:* GCSD currently employs 12 special education teachers, who are responsible for 175 special education students. GCSD is operating close to Ohio Administrative Code (OAC) §3301-51-09 standards and this area is primarily based on student individual education plans (IEPs).

## Recommendations

- R3.1 GCS D should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS) managed by the Ohio Department of Education (ODE). GCS D should ensure that someone independent of the data gathering process reviews the information to ensure its accuracy. GCS D should consistently use the EMIS Definitions, Procedures, and Guidelines, produced annually by ODE, to help ensure the accuracy of data entered. If it is necessary, GCS D should seek the necessary training and assistance to meet these objectives. During the course of the performance audit, the District began implementation of this recommendation**

During a review of various EMIS reports for this performance audit, it was discovered that GCS D had classified some employees incorrectly when entering information into EMIS. The incorrect classifications were in the clerical and administrative categories.

ODE developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel data. All schools are required to provide specific student, staff and financial data to ODE for processing. Entering data correctly helps to ensure comparability between school districts. The various data entered into EMIS can be used by school districts when making decisions, including required staffing levels. The effect of a district improperly entering employee classifications and FTE counts can cause it to over or under-state the number of actual employees as well as the hours worked per employee.

### *Staffing*

- R3.2 GCS D should closely monitor grant funding to ensure the federal grant for the professional education (other professional) Drug Abuse Resistance Education (DARE) coordinator pays for the salary and benefits of this position. If the grant is not received or reduced, then GCS D should reflect those changes in its staffing levels, and either eliminate or reduce the time spent on the DARE coordinator's position. DARE activities should still be conducted, but transferred to an existing position such as a teacher, principal, or counselor in a manner similar to the peer districts that do not receive additional benefits for the activities.**

GCS D employs 0.6 other professional FTEs to coordinate the DARE program. This DARE coordinator conducts drug safety activities five out of eight periods per teaching day, and teaches physical education for the remaining three periods. A federal grant fully funds the amount of time spent conducting DARE activities, while the physical education teaching periods are funded from the General Fund. Unlike GCS D, the peer districts do

not receive federal funding for DARE activities, however the districts still provide DARE programming. BLSD coordinates its DARE activities through a regular education teaching position for no additional salary or benefit. CLSD coordinates its DARE activities through its middle school principal for no additional salary or benefit. LLSD coordinates its DARE activities through a counseling position for no additional salary or benefit.

**R3.3 GCSD should assess clerical staffing levels to determine if resources are being used efficiently and effectively in relation to the needs of the District. The District could reduce 2.0 FTE clerical positions and still maintain clerical staffing levels in relation to administrative and total personnel that are comparable to the peer districts.**

**Table 3-5** illustrates some key ratios in regards to the clerical personnel at GCSD and the peer districts. All staffing numbers are illustrated in FTE's.

**Table 3-5: Clerical Personnel Ratio Comparison**

	<b>GCSD</b>	<b>BLSD</b>	<b>CLSD</b>	<b>LLSD</b>	<b>Peer Average</b>
<b>Total Clerical Personnel<sup>1</sup></b>	9.1	6.1	8.7	6.8	7.2
<b>Total Administrative Personnel</b>	7.0	8.0	7.0	8.0	7.7
<b>Clerical Personnel to Administrative Personnel</b>	1.3 to 1.0	0.8 to 1.0	1.2 to 1.0	0.9 to 1.0	0.9 to 1.0
<b>Total District Personnel</b>	<b>156.5</b>	<b>167.8</b>	<b>194.4</b>	<b>161.2</b>	<b>174.4</b>
<b>Total District Personnel to Clerical Personnel</b>	17.2 to 1.0	27.5 to 1.0	22.3 to 1.0	23.7 to 1.0	24.2 to 1.0

Source: FY 2002-03 EMIS Staff Summary Report and School Enrollment Report from GCSD and peer districts

<sup>1</sup> The only employees that were included in the total clerical personnel category were the bookkeeping and clerical EMIS classifications.

**Table 3-5** indicates that GCSD maintains more clerical FTE's per administrative FTE, and per total school personnel, than any of the peer districts. Likewise, **Table 3-2** indicates GCSD's clerical levels per 1,000 ADM are 5.1, compared to a peer average of 4.5. A lower ratio of total district personnel to clerical personnel would indicate that GCSD is overstaffed in its clerical personnel classification.

A reduction of 2.0 clerical FTEs would increase GCSD's clerical personnel to administrative personnel ratio to 1.0:1.0, which is comparable to the peer average. In addition, the total district personnel to clerical personnel ratio will increase to 22.0:1.0, which is also more comparable to the peer average.

*Financial Implication:* Assuming an average annual salary of \$27,650 for clerical personnel and benefits equal to 33 percent of annual salaries, GCSD could generate estimated annual cost savings of \$74,000 by reducing its clerical personnel by 2.0 FTEs.

- R3.4 GCSD should reduce its supplemental contracts to a level proportionate to the peer districts. Likewise, GCSD should review supplemental payments and negotiate a decrease in the rates of supplemental contracts to a level closer to the peer average. The District should seek a 30 percent reduction in the total cost for supplementals. In addition, GCSD should make the athletic director position part-time, compensated through a supplemental payment. It should shift the current athletic director's primary duties to back to classroom instruction.**

Currently, GCSD spends approximately \$245,000 annually for all extra curricular activities, whereas the peer average is approximately \$190,000. GCSD appears to have a higher payment per position for most of its extracurricular activities and a high number of assistants. **Table 3-6** compares the type and total amount paid in supplemental contracts at GCSD with the peer districts during FY 2001-02.

**Table 3-6: Type and Cost of Supplemental Payments**

	Girard CSD	Brookfield LSD	Champion LSD	LaBrae LSD	Peer Average
<b>FY 2001-02 ADM</b>	1,767	1,493	1,699	1,534	1,575
<b>Academic &amp; Subject-Oriented</b>	\$50,340	\$23,064	\$21,137	\$20,354	\$21,518
<b>Occupation-Oriented</b>	\$0	\$788	\$0	\$0	\$263
<b>Sports-Oriented</b>	\$166,073	\$145,061	\$191,279	\$133,589	\$156,643
<b>Co-Curricular</b>	\$28,577	\$16,370	\$17,284	\$1,878	\$11,844
<b>Total Supplemental Payments</b>	<b>\$244,990</b>	<b>\$185,283</b>	<b>\$229,700</b>	<b>\$155,821</b>	<b>\$190,268</b>
<b>Supplemental Expenditures Per ADM</b>	<b>\$139</b>	<b>\$124</b>	<b>\$135</b>	<b>\$102</b>	<b>\$121</b>

Source: GCSD and peer districts

**Table 3-6** indicates that GCSD's total supplemental payments were 29 percent higher than the peer average. The supplemental expenditure per ADM was also higher than any of the peers. Supplemental contracts are used to help school districts offer programs outside the scope of regular classroom instruction. **Table 3-7** compares the amounts paid and number of positions for some common supplemental contract positions at GCSD and the peer districts.

**Table 3-7: Comparison of Selected Supplemental Contract Amounts<sup>1</sup>**

	Girard CSD <sup>2</sup>		Brookfield LSD <sup>3</sup>		Champion LSD <sup>4</sup>		LaBrae LSD <sup>5</sup>		Peer Average	
	Number of Eligible Positions	Cost to District	Number of Eligible Positions	Cost to District	Number of Eligible Positions	Cost to District	Number of Eligible Positions	Cost to District	Number of Eligible Positions	Average Cost per District
Head Football Coach	1.0	\$5,971	1.0	\$4,781	1.0	\$4,621	1.0	\$4,352	1.0	\$4,585
Asst. Football Coaches	9.0	\$29,775	7.0	\$20,468	14.0	\$23,489	8.0	\$19,496	9.7	\$21,151
Head Boys Basketball Coach	1.0	\$5,971	1.0	\$4,781	1.0	\$4,621	1.0	\$4,352	1.0	\$4,585
Asst. Boys Basketball Coaches	6.0	\$18,609	4.0	\$11,696	10.0	\$17,071	5.0	\$10,545	6.3	\$13,104
Head Baseball Coach	1.0	\$3,722	1.0	\$2,111	1.0	\$3,209	1.0	\$2,394	1.0	\$2,571
Asst. Baseball Coaches	2.0	\$4,394	1.0	\$1,322	1.0	\$2,439	1.0	\$1,449	1.0	\$1,737
Head Track Coach (Boys and Girls)	1.0	\$4,523	2.0	\$4,221	2.0	\$6,418	1.0	\$2,394	1.7	\$4,344
Asst. Track Coaches	8.0	\$10,467	3.0	\$3,966	4.0	\$9,058	3.0	\$3,264	3.3	\$5,429
Jr. Class Sponsor	1.0	\$1,163	1.0	\$915	1.0	\$1,027	2.0	\$1,652	1.3	\$1,198
Senior Class Advisor	1.0	\$1,163	1.0	\$915	1.0	\$1,027	1.0	\$740	1.0	\$894
Total Number of Eligible Positions	90	N/A	88	N/A	100	N/A	84	N/A	91	N/A
Total FY2001-02 Payments	\$244,990	N/A	\$185,283	N/A	\$229,701	N/A	\$155,821	N/A	\$190,268	N/A
Average Cost per Eligible Position	\$2,722	N/A	\$2,105	N/A	\$2,297	N/A	\$1,855	N/A	\$2,091	N/A

Source: Negotiated certificated agreements

<sup>1</sup>All amounts indicated are the base amounts for each position. The payments for some positions may increase the longer an individual is in the same position.

<sup>2</sup>GCSD base salary \$25,847

<sup>3</sup>BLSD base salary \$25,430

<sup>4</sup>CLSD base salary \$25,673

<sup>5</sup>LLSD base salary \$25,601

As illustrated in **Table 3-7**, the average supplemental payment per eligible position is 30 percent more than the peer average. A further review of common supplemental payments indicates that GCSD pays more per eligible position, and the number of assistant coaches exceeds the peer average by 4.7 positions. These additional 4.7 positions cost the District approximately \$22,000 per year.

Currently, GCSD employs a full-time athletic director. Although this individual is also a certificated mathematics teacher, he functions only as an athletic director. GCSD pays the athletic director a full time certificated salary and a supplemental payment of \$7,500

to perform these duties. The peer districts employ individuals that spend most of their day teaching or supervising students. These employees are compensated for performing athletic director activities in addition to their teaching duties through supplemental contracts. BLSD employs a vocational education teacher who is responsible for conducting athletic directing activities after school hours. CLSD employs a regular education teacher that is responsible for conducting the athletic directing activities 57 percent of his time, while 43 percent of his time is spent teaching. LLSLSD employs an assistant principal who conducts athletic directing activities after school hours.

*Financial Implication:* If Girard is able to reduce the total cost for supplemental positions by 30 percent, the result would be annual savings of approximately \$55,000. Although there will be no direct financial savings by shifting the primary duties of the athletic director back to teaching, this would increase the regular teaching FTEs and decrease the student to teacher ratio.

### *Benefits Administration*

**R3.5 During future contract negotiations, GCSD should seek changes to the health insurance coverage so that all employees pay a portion of the monthly premium costs for health insurance. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs. GCSD should seek a 10 percent employee contribution from employees working seven hours or more, which is in line with the costs shared by employees state-wide.**

GCSD's employees do not contribute toward their health insurance premiums. **Table 3-8** compares the FY 2002-03 health insurance monthly premiums for GCSD, the peer districts, and the SERB averages for similarly-sized school districts.

**Table 3-8: Health Insurance Premiums in FY 2002-03**

School	Type of Plan	Monthly Premium for Single Plan	Full-time Employee Share for Single Plan		Monthly Premium for Family Plan	Full-time Employee Share for Family Plan	
			Certificated	Classified		Certificated	Classified
GCSD	Traditional Plan	\$383.39	\$ -	\$ -	\$1,022.97	\$ -	\$ -
	PPO Plan	\$357.92	\$ -	\$ -	\$929.68	\$ -	\$ -
	HMO Plan	\$357.31	\$ -	\$ -	\$928.22	\$ -	\$ -
BLSD	Traditional Plan	\$435.80	\$ -	\$ -	\$1,100.55	\$ -	\$ -
	PPO Plan	\$360.36	\$ -	\$ -	\$908.29	\$ -	\$ -
	HMO Plan	\$434.09	\$ -	\$ -	\$987.83	\$ -	\$ -
CLSD	Traditional Plan	\$472.32	\$ -	\$ -	\$980.81	\$ -	\$ -
	PPO Plan	\$374.50	\$ -	\$ -	\$757.36	\$ -	\$ -
	HMO Plan	\$434.09	\$ -	\$ -	\$987.83	\$ -	\$ -
LLSD <sup>1</sup>	Traditional Plan	\$378.97	\$18.95	\$ -	\$977.76	\$30.00	\$ -
	PPO Plan	\$357.92	\$17.90	\$ -	\$929.68	\$30.00	\$ -
	HMO Plan	\$434.09	\$21.70	\$ -	\$987.83	\$30.00	\$ -
<b>SERB Average (1,000-2999 students)<sup>2</sup></b>		\$289.32	\$21.50	\$21.50	\$726.57	\$78.12	\$78.12

Source: Interviews, Negotiated contracts, Trumbull County Educational Service Center

<sup>1</sup>LLSD certificated employees contribute 5 percent (up to \$30/month) toward the total premium cost in accordance with the negotiated agreement. Classified employees working less than 7 hours per day pay a percentage of the premium based on the hours worked per day. Bus Drivers normally pay approximately 35 percent of the cost because they work an average of 4.5 hours per day.

<sup>2</sup>The SERB average is for schools with between 1,000 and 2,499 students. This was obtained from the 2001 Report on the Cost of Health Insurance in Ohio's Public Sector. It has been adjusted for an increase of 14 percent for FY2002-03. SERB does not differentiate between certificated and classified employees.

As shown in **Table 3-8**, GCSD's premium cost per employee is the second highest among the peers for traditional plans and PPOs, which currently comprise nearly 90 percent of its employees. All of the districts participate in the Trumbull Education Service Center (TESC) Consortium for health care benefits. In FY 2002-03, the rates differed based on the initial District claim rate assessment, and have not been adjusted. Instead, the participants agreed to absorb any increases as a group. However, starting on January 1<sup>st</sup>, 2004, all districts participating in the TESC program will be required to use the same plan, the One Plan, and to pay the same premium costs. Therefore, GCSD will have premium costs comparable to the peers in January 2004. The future rate is not yet known by the TESC.

**Table 3-9** demonstrates the key medical insurance benefits of the One Plan policy that all TESC consortium districts will have starting January 1, 2004.

**Table 3-9: Health Insurance Benefits FY 2003-04**

Description	One Plan		
	Traditional	PPO (in network)	HMO
Office Visits	90%	100% after \$10 co-pay	100% after \$10 co-pay
Employee annual deductible	\$ 200 (S)/ \$ 400(F)	N/A	N/A
Out-of-Pocket maximum	\$500 (S)/ \$1,000 (F)	N/A	N/A
Prescription plan included	Generic: \$5 co-pay; Brand Name: \$10 co-pay	Generic: \$5 co-pay; Brand Name: \$10 co-pay	Generic: \$5 co-pay; Brand Name: \$10 co-pay
Need to choose primary physician	No	No	Yes
Maternity	100%	100%	100%
Well-child care	90% limited to \$500 per child	100% after \$10 co-pay	100% after \$10 co-pay
Inpatient hospital care	100% 180 days	100%	100% after \$100 annual co-pay

Source: GCSD and peer negotiated contracts

As indicated in **Table 3-9**, the potential cost to the employee for out of pocket expenses are minimal with the traditional plan. Additionally, participants in the PPO and HMO plans, who receive services within the network, are covered at 100 percent after co-pays, and do not pay annual deductibles or out of pocket maximums. Of the 145 employees enrolled in the District's health care plans, 93 (64 percent) are enrolled in the traditional plan, 35 are enrolled in the PPO (24 percent) and 17 (12 percent) are enrolled in the HMO. Considering that none of the plans require an employee contribution and the traditional plan provides more flexibility than the other plans, employees are more likely to participate in the traditional plan.

In addition to GCSD not requiring employee healthcare contributions, certain GCSD certificated and classified staff are well compensated in comparison to the peers (see **Tables 3-11, 3-12, 3-13, 3-14, 3-15, 3-16 and 3-17, as well as R3.7, R3.8, R3.9 and R3.10** for an assessment of the salary schedule for certificated and classified staff). As a result, GCSD employees could contribute towards the cost of their medical insurance and still maintain overall compensation packages comparable to the peer districts.

For FY2002-03, GCSD will pay approximately \$1,381,000 for health care benefits without an employee contribution. Additionally, the rates for the family coverage plan are approximately 32 percent more than the SERB average for school districts of similar size. Although only one peer district requires an employee contribution, LLSA, the SERB annual Report on the Cost of health insurance in Ohio's Public Sector states that seventy percent of public employees contribute to their health care costs and the average contribution is approximately 13 percent.

*Financial Implication:* Assuming that GCSD required an employee contribution equal to 10 percent for single and family coverage, the District would save approximately \$129,000 annually, excluding employees working less than seven hours per day (see **R 3.6**).

- R3.6 GCSD should implement a graduated benefits scale according to the number of hours worked by employees. Currently, every District employee is eligible to receive full benefits at no cost. If the District used a prorated scale based on the number of hours worked for those employees working less than seven hours per day, each employee would contribute up to 62.5 percent of the monthly premium. Using a graduated benefits scale would decrease GCSD's direct health care premium costs.**

GCSD does not require its employees to contribute to the cost of health care. **Table 3-12** demonstrates a prorated scale for the health care premium cost per employee based on the number of hours worked per day.

**Table 3-10: Prorated Health Care Premium Cost Scale**

Number of hours worked	Percent of Health Care Premium Responsibility for Employee	Cost to GCSD Employee per Month <sup>1</sup>
3	62.5	\$278.06
4	50.0	\$222.48
5	37.5	\$166.84
6	25.0	\$111.22

**Source:** Interviews with GCSD and Trumbull County ESC.

<sup>1</sup>The scale is based on the average cost of FY 2002-03 health care insurance premiums of \$444.90 for part time classified coverage.

GCSD provides health care for 17 classified employees working less than seven hours per day (the average number of hours worked per day is 5.1 hours). Using the health care premium cost per employee as defined in **R3.6**, the cost of health care for the part time employees alone is approximately \$91,000 per year.

*Financial Implication:* If Girard used a prorated insurance benefit scale for its classified staff working less than seven hours per day, the annual cost savings would be approximately \$39,000 based on the number of hours worked for its 17 part-time classified employees.

### Salaries

**R3.7 During the next certificated contract negotiations, GCSD should seek reduced cost of living allowance (COLA) increases of 1, 1, and 2 percent for its next three-year contract and continue step increases for certificated staff for the three years of the contract starting in FY 2004-05. The associated costs should be reflected in the five-year forecast. Reducing the impact of COLA increases on the District will bring the GCSD certificated salary schedule more in line with the peer district's salary schedules and reduce the financial burden of personnel costs to the District.**

Certificated staff at GCSD received COLA increases of 2 percent for FY 2001-02, and 3 percent for FY 2002-03 and FY 2003-04. **Table 3-11** compares GCSD's certificated salary schedule to the peer districts' certificated salary schedules.

**Table 3-11: FY 2002-03 Certificated Salary Schedules**

	Girard CSD	Brookfield LSD	Champion LSD	LaBrae LSD	Peer Average
<b>Bachelor</b>					
Step 0	\$25,306	\$25,430	\$26,700	\$26,625	\$26,252
Step 12	\$41,097	\$38,654	\$43,040	\$43,188	\$41,627
<b>Percent Change</b>	<b>62.4%</b>	<b>52.0%</b>	<b>61.2%</b>	<b>62.2%</b>	<b>58.6%</b>
<b>Average Step Increase</b>	<b>4.13%</b>	<b>3.55%</b>	<b>4.06%</b>	<b>4.11%</b>	<b>3.91%</b>
<b>Master</b>					
Step 0	\$27,837	\$27,973	\$28,836	\$30,289	\$29,033
Step 12	\$46,057	\$45,520	\$48,701	\$50,588	\$47,676
<b>Percent Change</b>	<b>65.5%</b>	<b>62.7%</b>	<b>68.9%</b>	<b>67.0%</b>	<b>64.2%</b>
<b>Average Step Increase</b>	<b>4.29%</b>	<b>4.14%</b>	<b>4.47%</b>	<b>4.37%</b>	<b>4.33%</b>

**Source:** District certificated negotiated agreements

As illustrated in **Table 3-11**, GCSD's bachelor salary schedule provides a higher total salary increase from Step 0 to Step 12 than the peer average. GCSD's total salary increase on the Bachelor schedule is 62.4 percent, which is 6 percent higher than the peer average. On the Master schedule, GCSD's total salary increase of 65.5 percent is 2 percent higher than the peer average.

**Table 3-12** compares the total salaries for the professional education EMIS classification group at GCSD with the peers.

**Table 3-12: Comparison of Certificated Staff Salaries**

	Girard CSD		Brookfield LSD		Champion LSD		LaBrae LSD		Peer Average <sup>1</sup>		% Difference
	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	Avg. Salary
<b>Prof. Education<sup>2</sup></b>	106.2	\$47,377	100.5	\$43,351	116.2	\$44,983	102.0	\$46,398	106.2	\$44,911	5.5%

**Source:** District EMIS Staff Summary Reports, Staff Demographics Reports, and interviews

<sup>1</sup> The peer average is determined by the total number of FTEs and the total salary for each classification.

<sup>2</sup> Certificated employees include counselors, librarians/media, regular teachers, special education teachers, vocational education teachers, tutors, educational service personnel teachers, and other professionals.

As illustrated in **Table 3-12**, GCSD professional education salaries are approximately 5 percent higher than the peer average. Causal factors for these differences include the high number of service years within GCSD and the overall level of education for several certificated staff members.

Reducing the certificated staff's COLA increases in the next contractual period would assist GCSD in gaining financial stability and bring salaries more in line with the peer average.

*Financial Implication:* Based on FY 2002-03 total certificated salaries of approximately \$5 million, GCSD could achieve a cost avoidance of approximately \$101,000 in FY 2004-05, \$110,000 in FY 2005-06 and \$65,000 in FY 2006-07 if the District reduced the certificated staff's COLA increases in each year of the next negotiated agreement. The cost avoidance was derived by assuming certificated salaries would have increased 3 percent each year of the contract.

**R3.8 During the next classified contract negotiations, GCSD should seek reduced COLA increases of 1, 1 and 2 percent for its next three year contract and continue step increases for classified staff for the three years starting FY 2005-06. This would reduce the financial impact of classified wages on the District and move wages to a level more commensurate with the peer districts. Also, GCSD should continue to periodically review salaries for professional education, professional/other, technical, office/clerical, crafts/trades, custodians (see facilities section), food service, and service/other to ensure they are set at a competitive but reasonable level.**

Classified staff at GCSD received a 5 percent, 2 percent and 3 percent COLA increase during the past three fiscal years. **Table 3-13** compares the total salaries within each EMIS classification group at GCSD with the peers.

**Table 3-13: Comparison of Classified Staff Salaries**

	Girard CSD		Brookfield LSD		Champion LSD		LaBrae LSD		Peer Average <sup>1</sup>		% Difference
	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	Avg. Salary
<b>Technical</b>	.6	\$13,086	0.5	\$8,122	1.8	\$17,256	1.5	\$12,272	1.3	\$9,654	35.6
<b>Office/Clerical</b>	10.3	\$29,367	20.1	\$15,271	22.7	\$21,599	11.8	\$21,513	18.2	\$19,251	52.5
<b>Crafts/Trades</b>	1.0	\$40,248	2.0	\$28,277	2.0	\$31,537	2.0	\$30,472	2.0	\$31,004	29.8
<b>Custodians</b>	11.5	\$32,483	16.0	\$21,624	13.0	\$28,418	12.0	\$27,503	13.7	\$25,437	27.7
<b>Food Service</b>	6.2	\$18,892	9.0	\$13,292	14.0	\$8,976	11.0	\$10,707	11.3	\$10,710	76.4
<b>Service Other</b>	0.0	\$0 <sup>2</sup>	0.0	\$0 <sup>2</sup>	1.0	\$29,745	0.0 <sup>2</sup>	\$0 <sup>2</sup>	0.3	\$33,050	N/A
<b>Totals</b>	<b>29.6</b>	<b>\$30,148</b>	<b>47.6</b>	<b>\$17,589</b>	<b>54.5</b>	<b>\$20,101</b>	<b>38.3</b>	<b>\$17,078</b>	<b>46.8</b>	<b>\$19,285</b>	<b>56.3</b>

**Source:** District EMIS Staff Summary Reports, Staff Demographics Reports, and interviews

<sup>1</sup> The peer average is determined by the total number of FTEs and the total salary for each classification.

<sup>2</sup> Salary data is not available.

<sup>3</sup> CLSD's classified employee salaries were adjusted to reflect the 9 percent district's pick-up of the employee's portion of SERS.

As illustrated in **Table 3-13**, GCSD's average salary for classified positions is higher than the peer average in every category by an average of 56.3 percent. Individually, technical salaries are 35.6 percent higher, office/clerical are 52.5 percent higher, crafts/trades are 29.8 percent higher, custodians are 27.7 percent higher, and food service are 76.4 percent higher than the peer average. Contributing factors for these differences include the high number of service years within GCSD and the overall level of experience for several classified staff members. Negotiating a 1, 1, 2 percent COLA and step increase in the next contractual period would assist GCSD in adjusting its salaries downward to be more comparable with the peer average.

*Financial Implication:* Based on FY 2002-03 total classified salaries of approximately \$850,000, GCSD could achieve a cost avoidance of approximately \$17,000 in FY 2005-06, \$18,000 in FY 2006-07 and \$10,000 in FY 2007-08 if the District reduced the certificated COLA increases in each year of the next negotiated agreement. The cost avoidance was derived by assuming classified salaries would have increased 3 percent each year of the contract.

**R3.9 Due to its fiscal crisis, GCSD should seek reduced COLA increases of 1, 1 and 2 percent for its next three-year contract and continue step increases for its bus drivers. The 1, 1, 2 percent COLA should be negotiated into the contract for the three year period beginning in FY 2005-06. Minimal COLAs should be continued until bus driver salaries are closer to the peer district average.**

GCSD's bus driver salaries are notably higher than the peers. **Table 3-14** illustrates the salary step schedules for GCSD and its peers.

**Table 3-14 Bus Driver Salary Comparison FY 2002-03**

Step	Girard CSD		Brookfield LSD		Champion LSD		LaBrae LSD		Peer Average		Difference	
	Salary	% Chg	Salary	% Chg	Salary	% Chg	Salary	% Chg	Salary	% Chg	Salary	% Diff.
0	\$11.66	N/A	\$12.65	N/A	\$12.47	N/A	N/A	N/A	\$12.56	N/A	(\$0.90)	N/A
1	\$12.36	6.00	\$12.82	1.34	\$12.57	0.80	\$12.19	N/A	\$12.53	(0.24)	(\$0.17)	(1.38)
2	\$12.94	4.69	\$13.00	1.40	\$12.67	0.80	\$12.44	2.05	\$12.70	1.38	\$0.24	1.89
3	\$13.53	4.56	\$13.16	1.23	\$12.77	0.79	\$12.68	1.93	\$12.87	1.32	\$0.66	5.12
4	\$14.11	4.29	\$13.34	1.37	\$12.87	0.78	N/A	N/A	\$13.11	1.86	\$1.00	7.62
5--9	\$14.69	4.11	\$13.50	1.20	\$13.02	1.17	N/A	N/A	\$13.26	1.14	\$1.43	10.78
10--14	\$15.27	3.95	N/A	N/A	N/A	N/A	\$13.17	3.86	N/A	N/A	N/A	N/A
15-19	\$15.62	2.29	N/A	N/A	N/A	N/A	\$13.41	1.82	N/A	N/A	N/A	N/A

Source: Girard and Peer Contract Salary Schedule FY 2002-03

As illustrated above in **Table 3-14**, GCSGD has the lowest starting salary for its bus drivers when compared to the peers and the peer average. However, starting with step 2, GCSGD's salaries are approximately 2 percent higher than the peer average and the difference increases with each step.

**Table 3-15** compares the average annual salaries for bus drivers and transportation employees.

**Table 3-15: Comparison of Bus Driver Classified Staff Salaries**

	Girard CSD		Brookfield LSD		Champion LSD		LaBrae LSD		Peer Average <sup>2</sup>		% Difference
	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	Avg. Salary
<b>Bus Drivers</b>	5.4	\$22,916	5.0	\$13,668	7.5	\$19,013	7.9	\$20,642	6.8	\$18,334	25.0%

Source: District EMIS Staff Summary Reports, Staff Demographics Reports, and interviews

<sup>1</sup> CLSD's classified employee salaries were adjusted to reflect the 9 percent district's pick-up of the employee's portion of SERS

<sup>2</sup> The peer average is determined by the total number of FTEs and the total salary for each classification.

As illustrated above in **Table 3-15**, GCSGD bus driver salaries are 25.0 percent higher than the peer average, which is due, in part, to higher step increases and the number of years of experience.

*Financial Implication:* Negotiating a reduction in COLAs and continuing merit increases for classified bus drivers in the next contract period would assist GCSGD in gaining financial stability by reducing the financial impact of transportation salaries on the District. Based on FY 2002-03 total classified salaries of approximately \$124,000 GCSGD could save approximately \$2,500 in FY 2005-06, \$2,600 in FY 2006-07 and \$1,500 in FY 2007-08 if the District reduced the classified staff's COLA increases in each year of the next negotiated agreement. The cost avoidance was derived by assuming certificated salaries would have increased 3 percent each year of the contract.

**R3.10 GCSGD should seek to negotiate reduced COLA increases of 1, 1 and 2 percent for the following three year contract for its administrative employees and the treasurer. The District should monitor administrative and treasurer salaries to ensure that they are commensurate with the peer average.**

GCSGD is currently higher than the peer average in its administrative salaries. **Table 3-16** illustrates the FY 2002-03 annual salaries for GCSGD and its peers.

**Table 3-16: Comparison of Administration Staff Salaries**

	Girard CSD		Brookfield LSD		Champion LSD		LaBrae LSD		Peer Average <sup>6</sup>		% Difference
	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	Avg. Salary
<b>Superintendent</b>	0.8	\$65,580 <sup>1</sup>	1.0	\$78,000	1.0	\$101,050 <sup>2</sup>	1.0	\$99,653 <sup>5</sup>	1.0	\$92,901	(29.0)
<b>Administrative Assistant</b>	1.0	\$74,500	0.0	\$0	0.0	\$0	0.7	\$53,547	0.2	\$76,495	(3.0)
<b>Principal</b>	3.9 <sup>3</sup>	\$68,211	4.0	\$65,713	3.0	\$74,938 <sup>2</sup>	4.0	\$70,065	3.7	\$69,812	(2.3)
<b>Assistant Principal</b>	0.0	\$0	2.0	\$55,640	2.0	\$42,316	1.0	\$65,234	1.7	\$52,229	N/A
<b>Coordinator</b>	0.3	\$15,212	0.0	\$0	0.0	\$0	0.0	\$0	0.0	\$0	N/A
<b>Supervising Managing, Directing<sup>4</sup></b>	2.3	\$42,529	2.7	\$37,223	2.2	\$29,405	1.0	\$45,234	2.0	\$35,666	19.0
<b>Total</b>	8.3	\$63,438	9.7	\$56,973	8.2	\$58,163	7.7	\$70,640	8.5	\$61,469	3.0

Source: Girard and Peer Contract Salary Schedule FY 2002-03

<sup>1</sup> GCSGD's Superintendent's salary was adjusted to reflect the 9.3 percent district's pick-up of the employee's portion of STRS. Also a reduction of 20 percent of the superintendent's time and salary was transferred into the supervising, managing and directing line item due to conducting transportation supervising duties.

<sup>2</sup> CLSD's Superintendent salary was adjusted to reflect the 9 percent district's pick-up of the employee's portion of STRS. Also, CLSD's Principal's salaries were adjusted to reflect the 5 percent district's pick-up of the employees portion of STRS.

<sup>3</sup> A portion of the GCSGD High School Principal's time was transferred out of the Principal classification and into the supervising, managing, and directing category due to conducting maintenance supervision.

<sup>4</sup> The supervising, managing, and directing category includes transportation, maintenance, and food service supervisors. Also, the category includes athletic directors, funded separately other than a supplemental contract, for providing management duties.

<sup>5</sup> LLSD superintendent's salary was adjusted to reflect the 9.3 percent district pick-up of the employee portion of STRS.

<sup>6</sup> The peer average is determined by the total number of FTEs and the total salary for each classification.

As illustrated above in **Table 3-16**, GCSGD has the second highest annual salary for its administrative personnel. GCSGD's administrative salaries are approximately 3 percent higher than the peer average. **Table 3-17** compares the average annual salaries for the treasurer's position at GCSGD and its peers.

**Table 3-17: Comparison of Treasurer Salaries**

	Girard CSD <sup>1</sup>		Brookfield LSD		Champion LSD <sup>2</sup>		LaBrae LSD		Peer Average		% Difference
	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	# FTEs	Avg. Salary	Avg. Salary
<b>Treasurer</b>	1.0	\$74,665	1.0	\$53,992	1.0	\$64,275	1.0	\$54,315	1.0	\$57,527	29.8%

Source: Girard and Peer Contract Salary Schedule FY 2002-03

<sup>1</sup>GCS D's Treasurer's salary was adjusted to reflect the 9 percent district's pick-up of the employee's portion of SERS

<sup>2</sup>CLSD's Treasurer's salary was adjusted to reflect the 9 percent district's pick-up of the employee's portion of SERS.

As illustrated in **Table 3-17**, GCS D has the highest annual salary for its treasurer's position. GCS D's treasurer's salary is approximately 30 percent higher than the peer average. The effect of having high total administration salaries reduces funds available to provide education to GCS D students.

*Financial Implication:* Providing 1, 1 and 2 percent COLA increases for the next three-year contract for its administrative employees and treasurer, would assist GCS D in gaining financial stability by reducing the impact of salaries on its General Fund. Based on its FY 2002-03 total administrative salaries of approximately \$525,000, GCS D could save approximately \$11,000 in FY 2004-05, \$12,000 in FY 2005-06, and \$7,000 in FY 2006-07 if it offered administrators no salary increases in each of the next three years. Also, based on its FY 2002-03 treasurer salary of approximately \$74,665, GCS D could save approximately \$1,500 in FY 2005-06, \$1,700 in FY 2006-07, and \$1,000 in FY 2007-08 if the District offered reduced COLAs in each of the next three years.

### *Contractual Issues*

**R3.11 During the next contract negotiation, GCS D should consider reducing the number of paid holidays for classified employees. GCS D should align its number of paid holidays with ORC §3319.08.04 and reduce the number of paid holidays for 11 and 12 month employees to 10 days, and all employees working less than 11 months to 8 days. Reducing the number of paid holidays will help the District's efforts to improve its financial condition.**

As shown in **Table 3-4**, the current GCS D negotiated contract provides 12 month classified employees 12 paid holidays per year and all other classified employees are paid for 10 holidays. Although GCS D is comparable to the peer average for 12 month employees, it provides employees working less than 12 months an extra holiday per year. Providing additional holidays increases the District's costs for personnel in certain categories.

ORC §3319.08.04 requires 11 and 12 month employees be paid a minimum of 7 holidays and 9 and 10 month employees must be paid a minimum of 6 holidays. GCSD's current contract provides holidays in excess of ORC minimums which contributes to the District's high staffing costs. If Girard is able to negotiate a reduction in the excessive number of holidays to be more comparable to the peer average and the ORC, it will decrease the District's overall expenses.

*Financial Implication:* Using the average daily rate of classified employees, based on the number of months worked per year, the District should be able to save approximately \$13,000 annually by reducing the number of paid holidays days for its classified employees.

**R3.12 During the next contract negotiation, GCSD should to review its Early Retirement Incentive (ERI) and ensure the cost to the District is less than the cost of retaining the eligible employees. GCSD should ensure that replacement teachers are hired at step 0. If the ERI is more costly than retaining eligible teachers, then the benefit should either be eliminated or changed to a retirement incentive that is financially advantageous to the District.**

GLSD's certificated negotiated agreement contains an early retirement incentive provision for teachers with 27 to 29 years of experience. Employees may be credited with up to three years toward their total years of service with the State Teachers Retirement System (STRS Ohio). The cost for purchasing years of credit is based on the age and salary of the employee, the year of retirement, and the number of years of service.

**Table 3-18** shows the cost to GCSO for the ERI, if all employees eligible for retirement with 27 years of service use the incentive during the next contract period.

**Table 3-18: Cost to District for Early Retirement Incentive**

	FY05	FY06	FY07
<b>Number of Eligible ERI Teachers</b>	7	6	5
<b>Average Salary for ERI Eligible Teachers</b>	\$76,140	\$78,497	\$76,658
<b>Total Cost to District to retain ERI eligible teachers for three years</b>	\$1,598,940	\$1,412,946	\$1,149,870
<b>STRS Estimate<sup>1</sup> to purchase three years of credit</b>	\$735,234	\$624,261	\$483,869
<b>Number of Replacement Teachers</b>	7	6	5
<b>Cost to District of Step 0 Replacement Teachers<sup>2</sup> for three years</b>	\$824,789	\$706,962	\$589,135
<b>Cost to District for ERI and Replacement Teachers</b>	\$1,560,023	\$1,331,223	\$1,073,004
<b>Cost (Savings) to District for Retirement Incentive</b>	\$(38,910)	\$(81,718)	\$(76,866)
<b>Cost to District for Step 4 Bachelor's or Step 2 Master's Level Replacement Teachers<sup>3</sup></b>	\$1,009,064	\$864,912	\$720,760
<b>Cost to District for ERI and Higher Level Replacement Teachers</b>	\$1,744,298	\$1,489,173	\$1,204,629
<b>Cost (Savings) to District for Retirement Incentive with higher level teachers</b>	\$145,365	\$76,232	\$54,759

**Source:** Girard certificated negotiated agreement, district interviews, STRS, AOS financial analysis

<sup>1</sup> The STRS estimate is based on the tables provided by STRS. It is a good faith estimate and subject to change for any of the years analyzed.

<sup>2</sup> Assuming a base salary of \$26,065, with step schedule increases of 5.2 percent per year of the contract and cost of living increases of one percent in FY 2004-05, one percent in FY 2005-06 and two percent in FY 2006-07 (see R3.7). Also includes 33 percent of salaries for benefits.

<sup>3</sup> Assuming an average of the FY 2003-04 Step 4 Bachelor's schedule (\$31,487) and the Step 2 Master's step schedule (\$31,800), with annual step increases of 5.2 percent per year of the contract for Bachelor's degree teachers and 6.0 percent for Master's Degree teachers, and cost of living increases of one percent in FY 2004-05, one percent in FY 2005-06 and two percent in FY 2006-07 (see R3.7).

As shown in **Table 3-18**, the cost to offer the ERI is less than the cost to continue employing the teachers until they have 30 years of service. In fact, the savings to the District is over \$100,000 per year with the ERI. However, this analysis assumes the District will hire entry level teachers. If Girard hires higher level teachers starting with a step 4, Bachelor's Degree or a step 2 Master's Degree, it will cost the District more to offer the ERI in each of the three years of the contract. The average cost will be \$17,000 per year.

CLSD includes a retirement incentive in its certificated negotiated agreements. CLSD pays eligible teachers a bonus depending on how soon they retire once they are eligible. If an employee retires the first year of eligibility, the bonus is \$20,000; for employees retiring the second year of eligibility, the bonus is \$17,500; and for employees retiring in

the third and fourth year of eligibility, the bonus is \$15,000. Also, BLSD offered a one time retirement incentive of \$10,000 to teachers that retired at the end of FY 2001-02; however the current negotiated agreement does not offer any type of early retirement incentive or retirement bonus.

If GCSD decides to keep the ERI, the District should analyze the cost and benefits of the incentive to ensure there is not a cost to the District. Furthermore, GCSD should ensure that vacated positions are filled with entry level teachers in order to maximize the financial benefit of the ERI.

## Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in the section of the report. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
<b>R3.3</b> Reduce 2.0 clerical positions	\$74,000
<b>Total</b>	<b>\$74,000</b>

### Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Cumulative Cost Avoidance
<b>R.3.4</b> Reduction in cost per supplemental position	\$55,000	
<b>R3.5</b> Require employee contribution towards medical monthly premium	\$129,000	
<b>R3.6</b> Classified Benefit employee contribution	\$39,000	
<b>R3.7</b> Certificated Salary Adjustment		\$276,000
<b>R3.8</b> Classified Salary Adjustment		\$45,000
<b>R3.9</b> Bus Driver Salary Adjustment		\$6,600
<b>R3.10</b> Administration and Treasurer Salary Adjustment		\$34,200
<b>3.11</b> Reduction of paid holidays	\$13,000	
<b>Totals</b>	<b>\$236,000</b>	<b>\$361,800</b>

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# Facilities

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## Background

This portion of the performance audit will focus on Girard City School District's (GCSD) maintenance and operations of its facilities. These operations are evaluated against best practice and operational standards from the Ohio Department of Education (ODE), American Schools & University (AS&U) *Maintenance & Operations (M&O) Cost Study*, and other school districts.

### *Organizational Structure and Function*

GCSD consists of two school buildings: one housing both elementary (grades K-3) and intermediate grades (grades 4-6), and one housing junior (grades 7-8) and senior high school grades (grades 9-12). GCSD is also undergoing renovations and constructing three classroom additions to the elementary school building, which will open in FY 2003-04. In addition, GCSD maintains a field house for several sports activities.

The custodial and maintenance departments are responsible for the operation and upkeep of GCSD's facilities. The custodial staff is responsible for cleaning the buildings and completing minor repairs using simple tools. The maintenance employee completes the more extensive work such as plumbing, painting, carpentry, and electrical work. Final administrative authority resides with the superintendent who spends approximately 5 percent of his time managing and overseeing the operation of these departments. He also decides which maintenance projects are to be completed and how many custodial staff are needed at GCSD.

The custodial staff is responsible for providing a clean and safe environment for the students, staff, and public who use GCSD facilities. The custodial staff consists of 12 employees, which equates to 10.2 full-time equivalents (FTEs). The head custodians open and prepare the buildings for operation each day. Head custodians report directly to building principals, who are responsible for the day-to-day management of the custodial staff. Head custodians provide guidance and oversight to the custodians assigned to the school buildings, and perform minor repairs. Custodians complete the majority of the cleaning tasks after school hours.

During the winter, the two custodians assigned to the stadium/field house remove snow and ice from the GCSD's walkways. The plowing of parking lots is contracted to a company located in Girard. During the summer, the custodians assigned to the field house care for the grounds surrounding the buildings, mow the stadium, power wash the bleachers, clean the press box and prepare and maintain the playing fields and playgrounds. The custodians assigned to the field

house are considered a mobile staff; they travel from building to building, preparing the gyms for after school activities.

The number of custodians assigned to a building ranges from 0.70 to 5.5 full-time equivalent employees (FTEs). When the superintendent is determining custodial staffing levels, he considers the following factors: building size, usage, and student population. The number of custodial staff at GCSD has remained steady over the last five years despite significant changes in buildings and facilities due to closures and newly constructed facilities.

The maintenance department consists of one full-time employee who reports directly to the superintendent as well as the building principals, and is responsible for overseeing building maintenance operations. While GCSD assigns custodians to specific buildings, the maintenance employee travels from building to building as needed. The maintenance employee purchases necessary supplies for maintenance projects, and inspects and directs all building repairs. He also responds to emergency repair needs, and delivers equipment and supplies to the buildings.

**Table 4-1** illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintaining GCSD's facilities.

**Table 4-1: Number of Positions and Full-Time Equivalents for FY 2002-03**

Classification	Total Number of Positions	Number of Full-Time Equivalents
Superintendent	1	0.05
<b>Total Administration</b>	<b>1</b>	<b>0.05</b>
Maintenance	1	1.00
<b>Total Maintenance</b>	<b>1</b>	<b>1.00</b>
Head Custodian	2	2.00
Custodian	10	8.20
<b>Total Custodial</b>	<b>12</b>	<b>10.20</b>
<b>Total</b>	<b>14</b>	<b>11.25</b>

Source: GCSD's Superintendent's office.

## Key Statistics

Key statistics related to facility maintenance and operations are presented in **Table 4-2**. In addition, results from the 32<sup>nd</sup> Annual American Schools & University (AS&U) Maintenance & Operations (M&O) Cost Study, which was released in April 2003, are included in **Table 4-2** and throughout the facilities section of the report. The AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. This year's report provides the median and mean number for each category on a national level and by district enrollment.

According to the AS&U study, the reason the median and mean scores dropped in each category from prior years is because "The economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations funding."

**Table 4-2: Key Statistics and Indicators**

<b>Number of School Buildings</b>	<b>3</b>
- Elementary & Intermediate Schools	1
- Junior & SR High Schools	1
- Field House	1
<b>Total Square Feet Maintained</b>	<b>271,860</b>
- Elementary School <sup>1</sup>	61,712
- Intermediate School <sup>1</sup>	52,850
- Junior & Senior High School	151,159
- Field House	6,139
<b>Square Feet Per FTE Custodial Staff Member (10.20 FTE)</b>	<b>26,652</b>
- Elementary Schools (2.0 FTE)	30,856
- Middle Schools (2.0 FTE)	26,425
- Junior & SR High School (5.5 FTE)	27,483
- Field House (0.70 FTE) <sup>2</sup>	8,770
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey 1,000 – 3,499 Students</b>	<b>24,900</b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey National Mean</b>	<b>24,167</b>
<b>Peer District Average</b>	<b>20,276</b>
<b>Square Feet Per FTE Maintenance Employee (1.0 FTE)</b>	<b>271,860</b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey 1,000 – 3,499 Students</b>	<b>116,660</b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey National Median</b>	<b>95,120</b>
<b>Peer District Average<sup>3</sup></b>	<b>193,493</b>
<b>FY 2002-03 Maintenance and Operations Expenditures Per Square Foot</b>	<b>\$3.03</b>
- Custodial and Maintenance	\$2.61
- Utilities	\$0.42
<b>Peer District Average</b>	<b>\$3.82</b>

**Source:** GCSD and peer districts; AS&U 32<sup>nd</sup> Annual Maintenance & Operations Cost Survey

<sup>1</sup> Square footage for each building is separate but the two schools are attached.

<sup>2</sup> There are two custodial employees that work 0.70 FTE's of their time at the field house, the other 1.30 FTE is spent on grounds work and gym preparation for after school activities.

<sup>3</sup> LaBrae Local School District (LLSD) is not included in the peer district average for square feet per FTE maintenance employee, because it outsources its maintenance functions.

## Financial Data

**Table 4-3** illustrates the General Fund expenditures incurred to maintain and operate GCSD's facilities for FYs 2000-01, 2001-02, and 2002-03..

**Table 4-3: Maintenance and Operations Expenditures**

Accounts	FY 2000-01 Total	FY 2001-02 Total <sup>1</sup>	FY 2001to FY 2002 Percentage Change	FY 2002-03 Total	FY 2002to FY 2003 Percentage Change
Salaries	\$415,000	\$440,265	6.1%	\$455,926	3.6%
Benefits	\$171,244	\$178,661	4.3%	\$210,962	18.1%
Purchased Services	\$45,628	\$114,064	150.0%	\$85,560	(25.0)%
Utilities <sup>2</sup>	\$115,840	\$114,315	(1.3)%	\$290,075	153.8%
Supplies/ Materials	\$45,644	\$55,129	20.8%	\$68,385	24.0%
Capital Outlay	\$7,208	\$0	(100)%	\$0	0.0%
Other	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$800,564</b>	<b>\$902,434</b>	<b>12.7%</b>	<b>\$1,110,,908</b>	<b>23.1%</b>

**Source:** GCSD's Treasurer's Office; Function 2700 for FY 2001-03, 4502 P&Q statement..

<sup>1</sup>FY 2001-02 and FY 2002-03 include expenses accrued for work that was completed at the intermediate school regarding the air quality issues.

<sup>2</sup>Utility expenses were paid from the Permanent Improvement Fund for FY 2000-01 and FY 2001-02, however this table only reflects General Fund expenses. Total utility costs for FY 2000-01 including those charged to the Permanent Improvement Fund equal \$258,524 and total costs for FY 2001-02 including charges to the Permanent Improvement Fund equal \$270,737.

Explanations for some of the more significant variances in **Table 4-3** are as follows:

- *A 3.6 percent increase in salaries for FY 2002-03:* In FY 2001-02 an increase in overtime created additional costs in this line item. The salary costs were incurred in order to bring the intermediate school building on-line for the following school year. There was also an increased need for custodial substitutes to help cover shifts of the regular custodial staff busy working overtime at the intermediate school. The following year, FY 2002-03, overtime charges decreased. This was likely caused by the work at the intermediate school being completed and the school made ready for use.
- *A 150.0 percent increase for purchased services in FY 2000-01 to FY 2001-02 and a 25.0 percent decrease in purchased services for FY 2002-03:* In FY 2000-01 purchased services increased because of the post-construction air quality issues that took place at the

intermediate school. The District issued air quality monitoring contracts to ensure the air quality in the building is safe. The District issued additional contracts for testing the air quality, and the completion of ductwork in FY 2000-01. The decrease in purchased services in FY 2002-03 could be attributable to completion of the intermediate school building ductwork.

- *A 1.3 percent decrease in utility costs from FY 2000-01 to FY 2001-02 and a 153.8 percent increase from FY 2001-02 to FY 2002-03:* The decrease in utility costs from FY 2000-01 to FY 2001-02 resulted when electricity charges were paid out of the Permanent Improvement Fund. FY 2002-03 utilities are high in comparison with FY 2000-01 and FY 2001-02 because in those years GCSD used permanent improvement funds to supplement the General Fund for utility costs. Furthermore, the increase in utility charges for FY 2002-03 is due to an increase in natural gas costs. Although these expenditures are questionable, this practice has been discontinued.
- *A 20.8 percent increase in supplies and materials from FY 2000-01 to FY 2001-02 and a 24.0 percent increase in FY 2002-03.* The increases from FY 2000-01 to FY 2001-02 are reflective of follow-up costs associated with cleaning the new intermediate school's construction areas to resolve air quality issues. The increases in purchases of supplies was attributed to the extra materials needed for cleaning the new intermediate school while contractors conducted monitoring and air quality tests, and making capital improvement fund corrections. In addition, the District made a bulk purchase of supplies to take advantage of discounted pricing.

### *Facilities-Related Expenditures*

Revenue from the General Fund supports the maintenance and operation of GCSD's facilities. **Table 4-3** shows that in FY 2001-02, the General Fund provided \$902,434 for building operation expenses, including custodial and maintenance employees' salaries and benefits, purchased services, utilities, supplies and materials, and capital outlay. **Table 4-4** illustrates GCSD's and the peer districts' FY 2001-02 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

**Table 4-4: FY 2001-02 General Fund Expenditures per Square Foot**

Expenditure	GCSDFY 2001-02 Adjusted <sup>1</sup>	Brookfield LSD (BLSD)	Champion LSD (CLSD)	LaBrae LSD (LLSD)	Peer Average	AS&U National Mean
Custodial and Maintenance Salaries and Benefits <sup>1</sup>	\$2.23	\$3.05	\$2.62	\$1.83	\$2.50	\$2.33
Purchased Services <sup>1</sup>	\$0.22	\$0.20	\$0.64	\$0.42	\$0.42	\$0.17
Utilities <sup>2</sup>	\$0.42	\$1.26	\$0.11	\$0.72	\$0.70	\$1.43
Supplies/ Materials <sup>1</sup>	\$0.16	\$0.24	\$0.00	\$0.18	\$0.14	\$0.46
Capital Outlay	\$0.00	\$0.02	\$0.07	\$0.05	\$0.04	N/A
Other	N/A	\$0.01	\$0.01	\$0.03	\$0.02	\$0.09
<b>Total General Fund Expenditures</b>	<b>\$3.03</b>	<b>\$4.79</b>	<b>\$3.44</b>	<b>\$3.22</b>	<b>\$3.82</b>	<b>\$4.48</b>

**Source:** GCSDFY 2001-02 actual expenditures, and the peer district treasurers' offices 2001-02 expense budget worksheets for the General Fund, 2700 Function.

<sup>1</sup>The FY 2001-02 expenditures were adjusted by subtracting the one-time expense of \$79,328 that the district incurred due to the air quality issues at the newly constructed intermediate school.

<sup>2</sup>Utility cost figures per square foot for GCSDF and CLSD do not include charges to the permanent improvement fund.

GCSDF experienced problems with air quality at its newly constructed intermediate school in FY 2000-01 and FY 2001-02. As a result, GCSDF redistributed students into the high school and the old Todd Woods Middle School. These events resulted in abnormal operating costs in FY 2001-02 and FY 2002-03. In order to compare typical GCSDF operations to the peers, adjustments were made to the FY 2001-02 costs by subtracting the one-time expense of \$79,328 associated with the air quality issues for the intermediate school. The adjusted GCSDF FY 2001-02 operating costs show the costs of a normal fiscal year for the district. GCSDF also subtracted the additional one-time costs from totals for salaries, purchased services and supplies/materials in order to convey a typical year's expenditures for GCSDF.

Based upon the information in **Table 4-4**, GCSDF's FY 2001-02 overall total General Fund Expenditures per square foot of \$3.03 is \$1.45 lower than the AS&U National Mean (\$4.48) and \$0.79 lower than the peer average (\$3.82). The District's General Fund expenditures per square foot are less than the peer average in all areas except supplies and materials. GCSDF's custodial and maintenance salaries and benefits are higher than LLSD because LLSD contracts for the completion of major maintenance projects and does not have a maintenance staff on their payroll. GCSDF's supplies and materials expenditure (\$0.16) is lower than Brookfield Local School District (BLSD) (\$0.24) and LLSD (\$0.18), and lower than the AS&U average (\$0.46). **Table 4-5** was adjusted to include Permanent Improvement Fund costs associated with District facility operations. These totals include facilities related expenditures for GCSDF and the peers by square foot, including permanent improvement funds.

**Table 4-5: FY 2001-02 Total Facilities Related Expenditures per Square Foot**

	GCSDFY 2001-02	BrookfieldLSD	ChampionLSD	La BraeLSD	Peer Average
Total Permanent Improvement funds used to finance facilities related expenditures	\$156,422	\$51,906	\$470,504	N/A	N/A
Permanent Improvement funds used for purchased services expenses per square foot	\$0.02	\$0.00	\$0.00	N/A	N/A
Permanent Improvement funds used for utility expenditures per square foot	\$0.55	\$0.00	\$1.14	N/A	N/A
Other facilities related expenditures per square foot	N/A	\$0.22	\$0.61	N/A	\$0.00
Total General Fund Maintenance & Operations expenditure per square foot	\$3.03	\$4.79	\$3.44	\$3.22	\$3.82
Total Facilities related expenditures per square foot	\$3.60	\$5.01	\$5.19	\$3.22	\$4.47

Source: GCSDF; peer districts P & Q statements.

In addition to the analyses presented in this section, assessments were conducted on other areas within the **facilities** section which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Building use policy and fee schedule:** GCSDF uses a fee schedule to determine costs of building usage by the community and the student body. According to the treasurer, all costs attributed to the use of the district facilities are written down. The party using the facilities is responsible for all charges for custodial staff overtime, and rental fees for the building.
- **Custodial and maintenance overtime usage:** GCSDF uses substitute employees to keep overtime usage to a minimum. However, in FY 2001-02 overtime costs increased to approximately 8.5 percent of regular maintenance salaries because GCSDF used its existing staff to bring the new school up to acceptable operational standards.
- **Building Capacity:** The elementary school utilization rate is 50.1 percent. The intermediate school capacity utilization rate is 77.7 percent and the junior/senior high school capacity utilization rate is 84.1 percent. These rates are below the target rate of 85 percent typically used by facility planners, but GCSDF only uses two buildings for all classes. Therefore, increasing utilization through building closures would be impractical.

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## Recommendations

### *Maintenance Operations*

- R4.1 GCSO should increase maintenance staff by 1.0 FTE. The additional maintenance FTE will help GCSO keep up with the demands of additional building maintenance when the new school addition opens in FY 2004-05. The increase of 1.0 FTE may help GCSO avoid future costs for major repairs. Also, custodians should take on some light preventive maintenance duties, such as changing light bulbs. This would allow the maintenance employee to focus on skilled maintenance work.**

Currently, GCSO has 1.0 FTE maintenance worker who is in charge of all maintenance work orders except for some HVAC work which the district has contracted out. He completes work on the boilers, air circulation fans, and heating systems; repairs major plumbing problems; and conducts preventive maintenance.

The GCSO maintenance worker currently cares for 271,860 square feet, which is significantly higher than the AS&U figure of 116,660 square feet per maintenance worker for similarly sized school districts. See **Table 4-2** for additional information. The maintenance staff has not been increased because of GCSO's current financial situation. In some cases, needed repairs may be neglected and equipment may suffer as the maintenance worker must prioritize projects.

For efficient and timely work, GCSO should consider hiring one additional FTE. This will bring the square footage per worker down to a more manageable 135,930 square feet per FTE. Although this square footage is higher than the AS&U average, GCSO has one newer building that requires less maintenance. The increase in staffing should allow GCSO to maintain its current facilities better. Finally, custodians should take a more active role in preventive maintenance such as changing filters, light bulbs, and other light maintenance work to reduce the workload on the maintenance employee.

***Financial Implication:*** The addition of 1.0 FTE would result in an annual cost of approximately \$40,000 for salary and benefits. The initial cost outlay would be offset over the long term by helping the District maintain the quality of the current facilities and by reducing the amount of work done by outside contractors. In addition, GCSO will need to make reductions in other areas to fund this position.

- R4.2 GCSO should purchase a computerized work-order system. A comprehensive system would allow GCSO to track work orders, materials used, personnel information and productivity statistics. In addition, the facility maintenance department would be able to track the status of outstanding work orders, monitor open work orders, forecast workload and staffing needs, and analyze the cost of**

**specific work assignments. Using accurate cost data and time-to-complete information will result in better resource allocation decisions.**

Currently one maintenance employee services the entire school district. The maintenance employee is responsible for all work order requests submitted by teachers, custodians, and principals. Once filled out, work order requests pass through the inter-office mail to the maintenance employee. The maintenance employee prioritizes the requests with the approval of the superintendent and completes the work as time permits.

The current work order process is manual and paper driven, making it slow and inefficient. The manual nature of the system makes it difficult to determine the number of work orders submitted compared to those that are completed. Work orders for routine maintenance and minor repairs are addressed only after high priority issues such as boilers, heating, and plumbing are completed.

There are no easily accessible building repair records because of the manual nature of the work order and repair process. With a computerized system, the superintendent could access a database and identify the most pressing projects. Likewise, the maintenance employee could check assignments online rather than waiting to receive the requests through inter-office mail.

In addition, GCSD is unable to use work order processing as a measure of staff productivity. Incomplete repair histories also hinder the identification of the cause of system breakdowns and can impede troubleshooting efforts. In contrast, completing daily logs using a computer-based system would increase accountability and potentially increase productivity. In addition, instituting the use of a computerized method for completing work order forms and daily work order logs online will significantly reduce time spent on paper work and allow more time for completing tasks. Sources for computerized work order systems are available online.

*Financial Implication:* The cost of an online work order system would be approximately \$3,000, based on the start-up costs for a common online system. GCSD already has in place the infrastructure needed to run the system. However, the District could create an email based system internally within its existing technology.

- R4.3 GCSD should reallocate the workloads of the 2 FTE custodians assigned to the stadium. The responsibilities of the custodians assigned to the stadium should occupy only about 7 hours for one employee per day. The second employee's time and workload should be reallocated as follows: 0.5 FTE for maintenance work, and 0.5 FTE for custodial work at the elementary school. This recommendation is in the process of being implemented by GCSD with a target completion date of November 2003.**

GCS D currently assigns 2 FTE custodians to the stadium that are responsible for cleaning the field house / weight room and locker room, mowing the grounds at the schools, and maintaining the playing fields. In addition, they also assist the maintenance employee, as time permits. Currently 0.70 FTE of their combined time is dedicated to cleaning 6,139 square feet which is very low when compared to AS&U's 24,900 square feet per custodian average. Despite duties including grounds keeping and snow removal, there is insufficient work at the field house to occupy two custodians.

Reallocating the workload of the custodians will increase efficiency for GCS D because additional staff time can be dedicated to maintaining and caring for the district's facilities. By moving 0.5 FTE to the elementary school, GCS D will reduce the square footage per custodian at that building from 30,856 to a more manageable 24,684 square feet per custodian. Assigning 0.5 FTE to maintenance would decrease the number of square feet maintained per employee from 271,860 to 181,240 square feet.

Reallocating the field house custodian's time will help GCS D improve the upkeep of its buildings and help reduce the immediate need for an additional full time maintenance employee (See **R4.1**).

**R4.4 GCS D should consider limiting salary increases for custodians. GCS D salaries are above the AS&U median salary figure of \$25,972 and above the peers. Reducing future increases will gradually bring GCS D's custodial salaries in line with the national and peer averages.**

GCS D has a veteran staff which contributes to its high overall salaries. However, the high salaries are also attributable to the District's bargaining agreements which have starting salary figures set above peer and national averages. The AS&U study states the median salary for a custodian is \$25,975. GCS D's average salary is \$32,483, a difference of a more than \$6,000.

GCS D should limit future cost of living increases. As step increases are already approximately 3 percent, reducing the gap between national and peer median salaries will require GCS D to hold custodial salary cost of living increases to a minimum. For a further discussion of salaries and benefits see the **human resources section** of this report.

**R4.5 GCS D should participate in a centralized purchasing cooperative. Participation in a cooperative would allow GCS D to purchase supplies and materials at more competitive prices. Consolidated purchasing through a cooperative would also help prevent duplication of orders. The District has implemented this recommendation.**

Currently GCSD's custodial staff submits requests to building principals to purchase needed cleaning supplies. However, if there are missing supplies, the custodians purchase supplies off the shelf from local merchants. This practice results in increased costs and represents a more expensive method for making purchases. Because there is not a formal system for compiling requests and making bulk purchases, disorganized purchasing processes lead to higher supplies and material costs for each building. Likewise, the absence of a formal inventory tracking system at the school buildings creates conditions where cleaning material shortages may exist, necessitating emergency purchases.

Participation in a cooperative program, such as the Ohio Department of Administrative Services' (DAS), General Services Administrative pricing (GSA) program, would help GCSD obtain supplies at lower prices through volume purchasing. GSA members reported that they saved a combined total of \$7 million in FY 1999-00 on \$28 million in orders, and \$8 million in FY 2000-01 on \$32 million in orders, by using the DAS's GSA pricing. This translates into 25 to 27 percent discounts off the amounts members reported that they would have spent without using the State's contracts. In FY 2002-03, GCSD budgeted \$95,994 in facilities related goods which could translate to a savings of approximately \$24,000. However, it should be noted that the State's cooperative purchasing program may not always provide the lowest prices for specific equipment or supplies. Yet, as a member, GCSD would have the option to bid locally or use the State program to get the best price.

**Financial Implication:** The cost to join the state cooperative is approximately \$300 annually. GCSD could realize up to \$24,000 in savings based on average savings reported by cooperative members and the budgeted amounts for supplies and materials in FY 2002-03.

**R4.6 GCSD should review building operating practices and develop an energy conservation plan. Building staff should be encouraged to participate in energy conservation efforts. Incorporating energy conservation efforts into the everyday operation of the building could also teach students about the importance of using limited natural resources wisely.**

GCSD does not have a formal energy conservation program. The treasurer stated that the District tries to monitor building temperatures. However, the District has not developed a written policy for energy management.

Typical energy management programs are encompassed in formal written policies and used district-wide. Although several companies offer services to assist districts in developing plans, GCSD could develop its own plan in house. The plan should include elements such as the following:

- Median temperatures for the building to be set for summer and winter.
- Parameters indicating that when a classroom is not in use, lights should be turned off.
- Instructions that when a room is being cooled, the door should remain closed, and exit and entry should be kept to a minimum. Also, on hot sunny days, the window blinds should be lowered to reduce the room's temperatures.
- Policies indicating that in the restrooms, water should not be kept running.

When implementing these practices most districts can recognize a cost savings of up to 25 percent. However, because the district utility costs are already low, GCSD may not realize dramatic cost savings from implementing a formal energy conservation plan. However, using an energy conservation plan will help the District ensure that energy management policies are consistently followed.

**R4.7 GCSD should develop and implement a formal, planned preventive maintenance program for each building in the District that includes heating, cooling, and plumbing systems. After determining which components will be included, preventive maintenance checklists, including task frequency, should be developed for each building. Most preventive maintenance tasks should be scheduled according to manufacturers' suggestions.**

**After a task is completed, it should be recorded on the checklist or in a log book. A preventive maintenance log should also be created for each building to record when each task is performed. The logbook should be reviewed by the maintenance employee to ensure the work is being completed in a timely manner.**

Currently, GCSD does not have a formal, planned preventive maintenance program for each building in the District. The maintenance employee regularly checks most operating systems, but a formal written plan has not been developed. An effective preventive maintenance program can extend equipment life, decrease energy consumption, reduce maintenance and capital expenditures, reduce the number of work orders, and improve work productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. The absence of a comprehensive preventive maintenance program increases the risk of incurring high emergency repair costs.

The State of Minnesota identified seven key practices to effectively manage preventive maintenance for local governments. The seven steps for effective preventive maintenance are as follows:

- Inventory building components and assess their condition.
- Build the capacity for ranking maintenance projects and evaluating their costs.
- Plan strategically for preventive maintenance in the long- and short-term. This should be linked to the strategic plan and capital improvement plan. In addition, all costs should be included in the yearly operating and capital budgets.
- Structure a framework for operating a preventive maintenance program. Yearly timelines should be set for preventive maintenance activities.
- Use tools to optimize the preventive maintenance program, such as incorporating preventive tasks into the work-order system.
- Enhance the competence of maintenance workers and managers. Maintenance employees should receive appropriate training to competently complete their tasks.
- Involve appropriate maintenance personnel in decision-making and in communicating building needs. The appropriate personnel should be involved in the early stages of the decision-making process when purchasing major components.

GCSD could benefit from a district wide preventive maintenance plan. The plan would help in tracking current projects and planning for regular maintenance rather than haphazardly performing maintenance operations. Tracking all maintenance will assist GCSD in forecasting expenditures and help in the planning of capital improvements.

## Financial Implications Summary

The following table represents a summary of implementation costs and annual cost savings. For the purposes of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications

<b>Recommendation</b>	<b>Annual Cost Savings</b>	<b>Annual Implementation Costs</b>	<b>One-time Implementation Costs</b>
<b>R4.1</b> Hire an additional maintenance employee		\$40,000	
<b>R4.2</b> Implement an Internet-based, electronic work order system for maintenance requests.			\$3,000
<b>R4.5</b> Implement a centralized purchasing agreement	\$24,000	\$300	
<b>Total</b>	<b>\$24,000</b>	<b>\$40,300</b>	<b>\$3,000</b>

# Transportation

## Background

Girard City School District (GCSD) provided transportation to 1,605 regular needs students in 2001-02 using District-owned yellow buses. GCSD provided transportation to public school students attending school in the District, as well as to students attending two different non-public schools. The District provides transportation services to all district students, regardless of distance, to facilitate a safe, efficient and economical method of getting students to and from school in a manner that serves the best educational interests of the students. GCSD has adopted an unwritten transportation policy to transport all students who live within the school district; however, the GCSD school board has not adopted a formal written transportation policy. The majority of the District is comprised of residential neighborhoods that contain concrete sidewalks, paved streets and stop signs. Surface streets have reduced vehicle speed limits. **Table 5-1** identifies the ridership levels for GCSD and the peer districts.

**Table 5-1: Total Regular & Special Needs Riders**

	Girard CSD (GCSD)	Brookfield LSD (BLSD)	Champion LSD (CLSD)	LaBrae LSD (LLSD)	Peer Average
<b>Public Riders</b>	1,391	1,266	1,697	1,453	1,472
<b>Non-Public Riders</b>	214	50	45	39	45
<b>Total Regular Needs Riders</b>	<b>1,605</b>	<b>1,316</b>	<b>1,742</b>	<b>1,492</b>	<b>1,517</b>
<b>Total Special Needs Riders</b>	12	8	4	12	8
<b>Payment-in-Lieu</b>	<b>29</b>	<b>16</b>	<b>16</b>	<b>11</b>	<b>14</b>
<b>Total Students Served</b>	<b>1,646</b>	<b>1,340</b>	<b>1,762</b>	<b>1,515</b>	<b>1,539</b>

Source: FY 2001-02 District's T-1 and T-11 Forms

GCSD transports the second highest number of regular public students and the highest number of non-public students when compared with the peers. The Trumbull County Educational Service Center (TCESC) reports special needs transportation services for Girard and the peers. However, only GCSD duplicates the reporting of special needs ridership to the Ohio Department of Education (ODE). See **R5.3** for additional information on special needs pupil transportation.

### Organizational Structure and Function

Supervision and management of the District's transportation program falls under the direction of the superintendent who estimates he spends approximately 30 minutes of his time daily for transportation functions. The superintendent's transportation related duties include staff supervision and managing transportation operations. The superintendent delegates many of the duties related to administration of the transportation function to the district administrative assistant.

The transportation coordinator performs functions that include reviewing annual bus routing schedules prepared by the drivers, securing substitute drivers when needed, scheduling bus safety drills and driver physicals, and collecting staff time sheets. The transportation coordinator is also a full-time regular bus driver.

Collectively, these individuals manage 10 drivers, 1 bus mechanic helper, and 6 substitute drivers. **Table 5-2** shows the number of transportation department staff and full-time equivalents (FTE) by position for GCSD and each of the peer districts in FY 2001-02.

**Table 5-2: District Staffing Levels**

Staffing	GCSD		BLSD		CLSD		LLSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor <sup>1</sup>	1.0	0.2	1.0	1.0	1.0	0.3	1.0	.3	1.0	0.5
Driver/Coordinator <sup>2</sup>	1.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bus Driver <sup>3</sup>	10.0	5.4	10.0	4.9	15.0	7.5	14.0	7.9	13.0	6.8
Mechanic	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	0.7	0.7
Bus Mechanic Helper	1.0	1.0	0.0	0.0	1.0	1.0	1.0	1.0	0.7	0.7
Secretary <sup>4</sup>	0.0	0.0	0.0	0.0	1.0	0.4	0.0	0.0	0.3	0.1
<b>Total</b>	<b>13.0</b>	<b>7.0</b>	<b>11.0</b>	<b>5.9</b>	<b>19.0</b>	<b>10.2</b>	<b>17.0</b>	<b>10.2</b>	<b>15.7</b>	<b>8.8</b>
<b>Total Number of Students Transported</b>	<b>1,605</b>		<b>1,316</b>		<b>1,742</b>		<b>1,492</b>		<b>1,517</b>	
<b>Students Transported per Bus Driver FTE</b>	<b>297</b>		<b>269</b>		<b>232</b>		<b>189</b>		<b>223</b>	
<b>Students Transported per Total FTE</b>	<b>229</b>		<b>223</b>		<b>171</b>		<b>146</b>		<b>172</b>	
<b>Square Miles in District</b>	<b>5</b>		<b>25</b>		<b>25</b>		<b>38</b>		<b>29</b>	
<b>Square Miles per Total FTE</b>	<b>0.7</b>		<b>4.2</b>		<b>2.5</b>		<b>3.7</b>		<b>3.4</b>	
<b>Number of Annual Miles Traveled</b>	<b>114,840</b>		<b>117,036</b>		<b>126,360</b>		<b>192,780</b>		<b>145,392</b>	
<b>Annual Miles Traveled per FTE</b>	<b>16,406</b>		<b>19,837</b>		<b>12388</b>		<b>18,900</b>		<b>16,522</b>	

Source: District Transportation Departments

<sup>1</sup> CLSD's transportation supervisor also serves as the maintenance supervisor, and BLSD's transportation supervisor serves as the transportation mechanic.

<sup>2</sup> The Girard transportation coordinator is assigned 3.0 hours daily for coordinator duties and 5.0 hours daily for bus driving duties.

<sup>3</sup> LLSD has one vacant bus driver position that is not included in driver total noted in the above table.

<sup>4</sup> CLSD's transportation secretary also serves as the maintenance secretary.

**Table 5-2** indicates that GCSD has the highest number of students per bus driver FTE and per total FTE. This is the result of the District having higher population densities along its bus routes than the peers. GCSD is also about one-sixth the size of the peers on a square mileage basis but exceeds the peer average for miles traveled per FTE. Higher population densities and the practice of providing transportation to all students lead to more extensive coverage of district territory.

### *Operational Statistics*

In FY 2001-02 GCSD used a fleet of 10 active and 5 spare buses to provide transportation to its regular needs students attending public, non-public and community schools. GCSD transported 1,605 regular needs students, traveling 114,840 miles. Additionally, GCSD provided 29 non-public students with payment-in lieu of transportation. The District's FY 2001-02 payment-in lieu cost per student was \$65. This was 78 percent less than the peer average cost per pupil of \$291. Overall, transportation services were provided for approximately 1,605 regular needs students at a cost of \$355,977, of which \$277,681 (78 percent) was reimbursed by the State.

Transportation for special needs pupils is outsourced to the Trumbull County Educational Service Center. (See **R.5.2** for additional information related to special needs transportation.) GCSD and 18 other Trumbull County school districts entered into a service agreement with TCESC July 1, 1998 to provide special education transportation for eligible children with disabilities, ages 3 through 21. The agreement terminates on June 30, 2003, and can be extended for an additional five years at an annual 3.8 percent increase in cost. According to the superintendent, the agreement will be extended. As noted in **Table 5-3**, GCSD reported total special needs transportation costs of \$107,802 and received \$61,158 (57 percent) in reimbursements from the State for special needs transportation.

Table 5-3 presents basic operating statistics and ratios for GCSD and the peer districts.

**Table 5-3: Basic Operating Statistics**

	GCSD	BLS D	CLS D	LLS D	Peer Average
<b>Operational Statistics:</b>					
Students Transported					
- Regular students	1,605	1,316	1,742	1,492	1,517
- Special needs	12	8	4	12	8
- Total	1,617	1,324	1,746	1,504	1,525
Miles Traveled					
- Regular students	114,840	117,036	126,360	192,780	145,392
- Mile per regular bus	11,484	11,704	8,424	12,852	10,993
Square Miles in district	5	25	25	38	29
Expenditures					
- Regular students	\$355,977	\$250,189	\$527,984	\$500,525	\$426,232
- Special needs	\$107,801	69,165	31,198	103,015	67,793
- Total	\$463,778	\$318,354	\$559,182	\$603,540	\$494,025
State Reimbursements					
- Regular students	\$277,681	\$251,543	\$265,231	\$302,920	\$273,231
- Special needs	\$61,158	\$22,278	\$10,049	\$33,181	\$21,836
- Total	\$338,839	\$273,821	\$275,280	\$336,101	\$295,060 <sup>7</sup>
-Percentage of reimbursement	73%	86%	49%	56%	60%
- Bus replacement	\$31,100	\$31,450	\$32,950	\$35,200	\$33,200
<b>Operational ratios:</b>					
Regular students: Yellow Bus					
- Cost per mile	\$3.08	\$2.08	\$4.16	\$2.58	\$2.90
- Cost per bus	\$35,409	\$24,318	\$35,055	\$33,165	\$32,474
- Cost per student	\$222	\$190	\$303	\$335	\$281
- Students per bus	158	130	115	99	116
<b>Special Needs Students:</b>					
- Cost per student all methods	\$8,983 <sup>1</sup>	\$8,646 <sup>1</sup>	\$7,799 <sup>1</sup>	\$8,584 <sup>1</sup>	\$8,343 <sup>1</sup>
<b>School Sites:</b>					
- Public	4	6	3	4	4
- Non-public	2	1	5	5	4
Active buses	10	10	15	15	13
Spare buses	5	5	6	4	5

**Source:** District T-1, T-2 and T-11 Forms and foundation settlement reports

<sup>1</sup> Special needs costs as reported to ODE by TCESC for FY 2001-02.

GCSD's cost per mile ratio (\$3.08) is higher than the peer average by 6.2 percent. In addition, GCSD had the highest cost per bus of any peer. However, GCSD had the second lowest cost per student ratio and has the highest bus utilization rate of the peers with 158 students per bus. The high costs per mile and per bus may be attributable to GCSD's older buses and frequent stops in a densely populated area.

In addition to the analyses in this report, assessments were conducted on several areas within the transportation section that did not warrant changes or yield recommendations. These areas include the following:

- **Staffing:** Staffing within GCSD’s transportation department appears to be adequate and appropriate (see **Table 5-2**).
- **Routing:** GCSD operates with a three-tier bell schedule. GCSD does not use routing software but performs routing manually. The size of the district and proposed reduced scope of operations would not result in a substantial benefit from automated routing.

## Recommendations

- R5.1 GCS D should adopt a formal written transportation policy under the parameters of Ohio Revised Code (ORC) §3327.01. The District transportation policy should be documented and formally approved by the school board. Additionally, the policy should be reviewed annually and amended as necessary. Changes in GCS D's enrollment and pupil residence should be included as part of the annual review of the policy.**

GCS D does not have a written transportation policy. Historically, GCS D has transported all students who indicate a desire to receive yellow bus transportation. The District transports pupils regardless of the distance the pupil resides from their assigned school. GCS D's past practices contribute to the high ridership within the district, but also drive the high transportation costs for the District.

ORC §3327.01 does not require a district to transport pupils in grades kindergarten through eight that live within two miles from their assigned school. Although school districts can offer transportation beyond state minimum requirements, using the ORC minimum transportation guidelines as a basis for policy can help address both student service needs and a district's financial needs. Within the peer districts, CLSD enforces a one-mile walking distance restriction while BLSD and LLSD do not have distance restrictions.

Without a documented policy, the district has no basis for providing transportation on a more limited basis (see **R5.2**). In addition, the public does not have access to the formal written school board policy. Formalizing the district's transportation policy is an important step in increasing the structure and potential for oversight within GCS D's transportation function.

- R5.2 GSCD should review its transportation policy regarding eligible distances to determine the appropriate level of service and associated costs. GSCD should adjust its transportation policy to more closely reflect State minimum standards as identified in ORC §3327.01. The savings realized through a reduction of transportation could be reallocated to support direct instructional activities. The District could realize annual cost savings of approximately \$16,000 by implementing the student transportation proposal shown in Table 5-4. Before implementing any transportation service reductions, GSCD should ensure that student safety is not impacted.**

GCSD currently transports 90 percent of District pupils to and from their assigned schools. GCSD has traditionally transported a large percentage of its regular needs pupils regardless of their residence location within the district. As noted in **Table 5-4**, 124 students reside within one mile of their assigned school, and an additional 1,143 students live between one and two miles from their assigned schools.

GCSD is five square miles in size and the district contains established residential neighborhoods. The majority of neighborhoods have sidewalks and the surface streets have restricted vehicle speed limits. GCSD uses a cluster pickup methodology to reduce the number of stops by establishing locations for pupils to gather. The GCSD transportation practice is more generous than minimum state standards, and therefore, presents an opportunity to reduce operating expenses.

The CLSD transportation policy establishes a one-mile walking distance restriction while BLSD and LLSD do not enforce a resident mileage restriction. Although BLSD and CLSD do not report those students residing within one mile of their schools, LLSD reported 4.9 percent of its students living within a one-mile radius from their assigned schools. In each case, the peer districts are larger and have lower population densities, which reduces the percentage of children living within two miles of their assigned schools. The composition of the peer districts also indicates a higher incidence of potential road hazards as the peers are more rural than GCSD. ORC §3327.01 generally requires a school district to provide transportation for resident elementary students (Grades K-8) who live more than two miles from their assigned school, or who have physical or mental disabilities that make walking impractical or unsafe. The transportation of high school students or inter-district open enrollment students is optional.

**Table 5-4** provides detail regarding the current number of students transported and a proposal to reduce the number of students transported.

**Table 5-4: Transportation Service Comparison**

Grades Transported	Current Students Transported				Proposed Students Transported			
	0-1 Miles	1-2 Miles	>2 Miles <sup>1</sup>	Total	0-1 Miles	1-2 Miles	>2 Miles <sup>1</sup>	Total
K-3	43	406	59	508	43	406	59	508
4-6	54	384	71	509	0	384	71	455
7-12	11	278	0	289	0	54 <sup>1</sup>	0	54
Non-Public	16	75	50	141	16	75	50	141
Total	124	1143	180	1447	59	919	180	1158

Source: GCSD

<sup>1</sup> The proposed number of students to be transported between 1 and 2 miles includes only 7<sup>th</sup> and 8<sup>th</sup> grade students. Grades 9 through 12 are excluded. The number of students is based on a GCSD transportation coordinator estimate.

If transportation services were provided to all students in grades K to 3 and those students in grades 4 to 8 who live more than one mile from their assigned school, while discontinuing bussing for all high school students, the District could achieve annual savings of approximately \$16,000.

Furthermore, a reduction in the number of pupils transported would also reduce the need to plan for the annual replacement plan of one bus per year. This would allow the District to apply the estimated net District bus replacement cost of \$22,000 to other district needs (see **R5.5**).

*Financial Implication:* Based on the FY 2002-03 transportation figures reported to ODE, the cost per bus, number of students per bus and state reimbursement percentage, GCSD could save approximately \$16,000 annually by providing bussing to all students grade K-3, all students living more than one mile from their assigned schools in grades 4-6 and discontinuing bussing for high school students.

**R5.3 GCSD should not submit T-11 forms to ODE for special needs reimbursement costs while TCESC is reporting services and collecting reimbursements for the same students. GCSD should prepare and file the T-11 form according to the established ODE guidelines. GCSD should contact ODE and request information for correcting the inappropriate reimbursements received in FY 2001-02. GCSD should review the procedures used to prepare the T-11 form to ensure appropriate reimbursements in the future. The District implemented this recommendation during the course of the performance audit.**

GCSD received duplicate reimbursements in FY 2001-02 for transportation costs associated with special needs transportation. In total, GCSD received reimbursements in the amount of \$61,121 for FY 2001-02. This occurred because GCSD and TCESC both filed a special education transportation reimbursement claim (T-11 form) for FY 2001-02.

ODE requires that Form T-11 be filed by each school district claiming reimbursement for special education transportation for eligible children with disabilities aged 3 through 21. T-11 forms are used by school districts to report the actual costs of transporting children with disabilities.

GCSD claimed 12 eligible students with actual costs of \$69,600 during FY 2001-02. The District received approximately \$26,400 directly from ODE as part of its monthly settlement reimbursement amounts. However, GCSD has contracted with TCESC and Community Bus Services, Inc., to provide and coordinate transportation services for its special needs pupils. TCESC submitted to ODE one T-11 form for FY 2001-02 for GCSD and 18 other Trumbull County school districts. TCESC receives reimbursements

directly from ODE and distributes portions of the reimbursement to the participating districts. TCESC forwarded a reimbursement for \$34,721 to GCSD for its portion of the total FY 2001-02 reimbursement. In effect, GCSD received reimbursement directly from ODE and from TCESC for the same special needs students. The peers also contract with TCESC for transporting eligible pupils with disabilities. However, the peers did not file a separate T-11 form with ODE to receive reimbursements.

Last year, ODE was alerted to a similar incident of duplicate T-11 filing through another school district audit. ODE has removed the T-11 form and instructions from its Web site while this situation is reviewed. ODE has not announced a decision regarding the resolution of duplicate T-11 filings and the associated payments that have been received by school districts.

*Financial Implication:* Although GCSD was reimbursed approximately \$26,400 in FY 2001-02 in addition to TCESC's reimbursement, a conservative projection of future ODE reimbursement reductions would be approximately \$25,000 annually.

**R5.4 GCSD should purchase its fuel through a cooperative purchasing program. The District should consider becoming a member of the Ohio Department of Administrative Services (DAS) Cooperative Purchasing Program or a similar cooperative purchasing program. The state program offers members the opportunity to purchase diesel fuel and other goods and services through state contracts at a discounted price. These terms can provide a lower pricing structure than GCSD might receive for diesel fuel purchased independently.**

**If GCSD decides not to become a member of the cooperative purchase program, it should develop a competitive bid process for the purchase of diesel fuel. A competitive bid process would document that the District solicited and reviewed pricing to determine the best terms and conditions for purchasing diesel fuel.**

GCSD is not a member of a cooperative purchasing program. The state cooperative purchasing program provides members the benefits and costs savings associated with buying goods and services through state contracts. Members are able to purchase goods in limited quantity at bulk rates. The annual membership cost for Ohio school districts is \$125.

Also, GCSD does not use a competitive bid process for purchasing diesel fuel and has not done so for several years. The current fuel supplier has been the district supplier for approximately five years. Additionally, GCSD has not executed a formal written contract with its fuel supplier.

Performance auditors analyzed diesel fuel prices for a randomly selected 22-week period from August 27, 2002 to February 25, 2003. The comparison of state contract diesel fuel prices and GCSD fuel supplier prices showed that they averaged 13.3 percent, or \$0.144, less per gallon than the price paid by GCSD. GCSD purchased approximately 15,500 gallons of diesel fuel in FY 2001-02. Paying \$0.144 cents less per gallon would have provided GCSD a cost savings of approximately \$2,200 annually.

Similarly, negotiating and executing a fuel purchase contract could decrease the potential financial impact of increases in future fuel prices. Since diesel fuel prices fluctuate on a daily basis, a contract can provide GCSD assurance of set delivery and pricing terms and conditions. A competitive bid process will allow GCSD to compare multiple supplier offers and select the terms and conditions that are most favorable.

*Financial Implication:* GCSD can become a member in the state cooperative purchasing program for \$125. However, GCSD could reduce its annual fuel costs by up to \$2,200 by purchasing fuel through the state cooperative program.

**R5.5 GCSD should formally document and approve its bus replacement plan. Criteria, such as mileage and chronological age should be included in the replacement plan to guide decision making when purchasing replacement buses. The plan should also take into consideration the potential reduction in the required number of buses if the District chooses to implement R5.2.**

GCSD does not have a formal, documented bus replacement plan. Bus replacement is managed through the District treasurer's office and the District usually purchases one new bus each year. GCSD uses the services of the TCESC to procure district buses. GCSD advises TCESC what type of bus they wish to purchase and the approximate cost they wish to pay. TCESC prepares the bid advertising and collects the submitted bids. When all of the bids have been received, TCESC forwards the bids to the District for review and final processing. GCSD purchased one bus in December 2002 and ordered one new bus in March 2003. The average cost per bus was approximately \$53,500.

The current bus fleet is comprised of eight buses that were all manufactured prior to 1995; the oldest four buses were manufactured in 1988. GCSD is unable to provide the average bus mileage for each bus in its fleet inventory. Insufficient information on individual bus mileage can affect replacement plans, as well as vehicle maintenance.

There are no state guidelines for bus replacement beyond the requirement that the bus must be able to pass inspection. So long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. However, a consensus among ODE, private bus contractors and school transportation departments is that a bus should be replaced at 12 years of age or 200,000 miles for diesel buses and

150,000 miles for gasoline buses. Bus replacement costs are shared by the State and the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. In FY 2001-02, GCSD was granted a \$31,000 purchase allowance. However, the cost of a new bus is approximately \$53,000 thereby requiring the District to cover the difference of \$22,000.

GCSD should formalize its bus replacement process in a written plan that is updated as needed. The plan should include criteria for replacement and take into account the ridership within the District. By formalizing the replacement plan, GCSD will be able to plan for future costs while maintaining its current fleet.

**R5.6 GCSD should develop a formal preventative maintenance (PM) program for its bus fleet. A documented PM program will provide the transportation department and GCSD administrators a written management tool for monitoring and scheduling bus maintenance.**

**GCSD should incorporate the use of up-to-date computer software to record and track all bus maintenance activities and individual bus mileage. Recording the use of all parts, supplies, and associated labor information will provide a detailed maintenance history for each bus. Replacing the current manual log system with a computerized recording system will provide school administrators real-time information and will help GCSD better monitor transportation expenditures.**

GCSD does not use an up-to-date, automated vehicle maintenance program (VMP) to record, schedule and monitor bus maintenance and mileage. Currently, the transportation department uses an outdated VMP with limited capabilities. This software application is used only for tracking, changing, deleting, entering, and sorting data for in-house transportation routing.

Additionally, GCSD does not have a formal preventative maintenance program for its buses. The bus mechanic helper schedules and records completed maintenance using a manual log system. The use of service parts and supplies, total job labor time and cost, and the frequency of vehicle repairs is not adequately documented. The current process does not capture individual bus maintenance information. Without well-documented bus maintenance records, school administrators have greater difficulty analyzing transportation expenditures and bus performance for fleet maintenance.

Fleet maintenance software can be obtained for between \$2,000 and \$4,000. However, due to the size of the bus fleet, an in-house computer application could be used to establish and maintain individual bus records for all service work scheduled and completed. Individual computer files could be created for each bus and all maintenance activity could be recorded and monitored more effectively.

*Financial Implication:* If the District purchases VMP software, the one time cost would be approximately \$5,500 including training. Additional costs would be incurred in future years to ensure that the system remains up-to-date.

## Financial Implications Summary

The following table represents a summary annual cost savings, annual implementation costs, one-time implementation costs, and one-time loss of revenues. For the purposes of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications for Transportation

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated Annual Implementation Costs</b>	<b>Estimated One-Time Implementation Costs</b>	<b>Loss of Revenue (one-time)</b>
<b>R5.2</b> Reduce number of pupils transported	\$16,000			
<b>R5.3</b> Reduction in special needs transportation reimbursement				\$25,000
<b>R5.4</b> Fuel purchase savings/costs resulting from participation in ODAS cooperative	\$2,200	\$125		
<b>R5.6</b> Implement VMP software			\$5,500	
<b>Total</b>	<b>\$18,200</b>	<b>\$125</b>	<b>\$5,500</b>	<b>\$25,000</b>

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