



**Auditor of State
Betty Montgomery**

WINDHAM
EXEMPTED VILLAGE SCHOOL DISTRICT
PERFORMANCE AUDIT

NOVEMBER 20, 2003



**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Windham Exempted Village School District:

On December 31, 2002, Windham Exempted Village School District (Windham EVSD) was placed in fiscal caution because of the possibility of ending the 2003 fiscal year in a deficit as well as the potential for deficits in future years. Pursuant to ORC §3316.031 and ORC §3316.042, my office initiated a performance audit of the Windham EVSD. 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 Windham EVSD 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 Windham EVSD'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 Windham EVSD 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, Windham EVSD 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 Windham EVSD 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

November 20, 2003

Executive Summary

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 a 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. Windham Exempted Village School District (Windham EVSD) was placed in fiscal caution on December 31, 2002 because of the possibility of ending the 2003 fiscal year in a deficit as well as the potential for deficits in future years.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit on Windham EVSD. Based on a review of Windham EVSD 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.

District Overview

Windham EVSD is a suburban/rural school district in Portage County. The District encompasses 14 square miles. In FY 2001-02, Windham EVSD had an ADM of 1,096 students and had a total of 126.5 FTE employees, including 52.0 regular teacher FTEs. Windham EVSD has four school buildings: two elementary schools, one junior high school (grades 7 – 8), and one high school (grades 9 – 12). In FY 2001-02, Windham EVSD met 14 of the Ohio Department of Education's (ODE) 27 performance standards, resulting in a designation of continuous improvement. Windham EVSD's total per pupil operating expenditures including governmental funds, facilities acquisition and construction expenditures, and debt service expenditures of \$9,200 in FY 2001-02 was higher than all three of the peer school districts used in this performance audit. The total

pupil operating expenditures exclude building acquisition and construction costs attributed to the capital project fund.

During the course of this performance audit, Windham EVSD has attempted to address its financial difficulties by making numerous cost reductions and adjusting its five-year forecast to better project future revenues and expenditures. Windham EVSD also decided to close East Elementary School, resulting in cost savings. In addition, the District will be leasing this building to the Portage County Education Service Center (PCESC), which will generate additional revenue. Windham EVSD is also considering placing an emergency operating renewal levy on the 2003 fall ballot to replace the current five year operating levy passed in November, 1999.

The current treasurer joined the Windham EVSD in August 2002, and filed her first five-year forecast with ODE in October 2002. The forecast showed negative ending fund balances in FY 2002-03 through FY 2006-07, with a negative ending fund balance of slightly over \$3.0 million in FY 2006-07. The treasurer filed a new forecast in May 2003 to include reductions the District has implemented or is anticipating implementing. Although the forecast is showing a positive fund balance in FY 2003-04 and a reduction in the negative ending fund balance in FY 2006-7 of over \$2.0 million, the District is still projecting a negative ending fund balance of approximately \$441,000 in FY 2006-07. As a result, Windham EVSD should consider implementing the recommendations in this performance audit to avoid future financial difficulties. See **R2.3** and **Table 2-6** 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 Windham EVSD in identifying cost savings, with the objective of eliminating 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 Windham EVSD 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. Windham EVSD'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 Windham EVSD, and assessed requested information from selected peer districts. Felicity-Franklin Local School District (Felicity-Franklin LSD), Leetonia Local School District (Leetonia LSD) and Osnaburg Local School District (Osnaburg LSD) were identified as peers based on comparable districts identified by ODE, a review of various demographic information, and input from Windham EVSD 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 Windham EVSD and with groups of individuals involved internally and externally with the District.

Noteworthy Accomplishments

The performance audit report and executive summary contain noteworthy accomplishments made by Windham EVSD while in fiscal caution. The following are key noteworthy accomplishments:

- Windham EVSD worked with the Board to decrease expenditures in various areas, thereby increasing ending fund balances and improving its financial condition. For instance, the Board approved 18.9 FTE staff reductions (see **human resources**).
- The current treasurer has worked diligently to update previous forecasts to present more reliable and accurate projections of Windham EVSD's current and future financial condition.
- As recommended in the **facilities** section, Windham EVSD closed East Elementary School at the end of the FY 2002-03 school year, reduced staff, and leased the facility to the PCESC for several years.
- Windham EVSD has joined the Ohio Schools Council (OSC) to take advantage of group purchasing agreements and consortiums to help reduce operating costs, which is also recommended in the **facilities** section. Natural gas will be purchased through OSC's program and electricity for all facilities will be purchased from an existing electric cooperative.

Key Recommendations

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

- Windham EVSD should analyze and use the proposed financial forecast outlined in **Table 2-6** to evaluate the recommendations presented in this performance audit and to determine the impact of the related cost savings on its financial condition. Windham EVSD should also consider implementing the recommendations in this performance audit to better manage its financial condition and avoid future financial difficulties.

- During future contract negotiations, Windham EVSD should either reduce benefit levels or require all employees to pay 10 percent of the monthly premium costs for health insurance, which would result in annual savings of approximately \$45,000. Furthermore, the employee contribution should remain stated as a percentage rather than a fixed dollar amount to help the District offset annual increases in health care costs.
- Windham EVSD should review and update its current energy conservation policy to include building and room temperature guidelines that reflect the *Facilities Management Handbook*. Windham EVSD should also electronically block all room temperature settings from being manually adjusted. The system should be controlled only by assigned maintenance staff. Implementing this recommendation would generate annual savings of approximately \$63,000. At the post audit exit conference, the superintendent stated that measures have been implemented to reduce utility costs.
- Windham EVSD should strive to make as many purchases as possible through consortiums and group purchasing agreements. Group purchasing could help reduce overall purchasing costs by taking advantage of already negotiated pricing. For instance, Windham EVSD should consider joining the Ohio Schools Council (OSC) to take advantage of group purchasing for commodities such as electricity, natural gas, diesel and gasoline fuel, and other materials and supplies. Purchasing from state contracts should also be considered. Finally, Windham EVSD should also consider designating one person to coordinate these activities in accordance with existing District policy. This will ensure that all purchase requests are adequately screened for budget authority, proper supplier selection and pricing. Annual savings of approximately \$38,000 could be achieved by joining OSC. Windham EVSD implemented this recommendation during the audit.
- Based on the capacity and utilization analysis, Windham EVSD should consider closing East Elementary and moving grades four through six to Katherine Thomas Elementary. Doing so would improve the building utilization rate for Katherine Thomas and reduce overall operating expenses. In addition to the savings already identified by the District and subsequently reflected in the forecast, Windham EVSD should reduce 1.0 FTE principal position to save an additional \$75,000 annually. Windham EVSD implemented this recommendation during the course of the audit and closed East Elementary by transferring grades four and five to Katherine Thomas Elementary, and grade six to the junior high school.
- Windham EVSD should explore the following options to lower special needs transportation costs: promoting the formation of parent/guardian contracts with the District, exploring contracted services to transport its special needs students, and establishing agreements with neighboring school districts that may have compatible bus runs for its special needs students. If Windham EVSD entered into four parental contracts, annual savings of approximately

\$24,000 could be achieved. Conversely, if Windham EVSD entered into an agreement with the Portage County Regional Transit Authority to transport special needs students, there could be annual savings of approximately \$35,000. At the post audit exit conference, the treasurer stated that two parent/guardian contracts have been established.

- Transportation routing software can be used to evaluate scheduling alternatives more efficiently. Consequently, Windham EVSD should consider using PARTA to perform an annual routing analysis for the District. If the routing analysis allows Windham EVSD to reduce one bus, it could save approximately \$37,000 annually.

Additional Recommendations

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

Financial Systems

- Windham EVSD's five-year forecast and the accompanying assumptions or notes should provide enough information to allow a reader a full understanding of the forecast, by using detailed historic and projected information and explanatory comments. In addition, the District 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 Board and the public will better understand the financial condition of Windham EVSD.
- Windham EVSD should closely examine its spending patterns and consider reallocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the student's education and proficiency test results.

Human Resources

- During future negotiations, Windham EVSD should seek to reduce the number of Association business days provided for Association related activities each year, from nine days to five days. In addition, Windham EVSD should share the costs of providing a substitute with the Association, similar to peer districts, and ultimately reduce the amount of financial responsibility for the District. Reducing the number of days and sharing substitute costs could save the District about \$2,400 annually.
- The District should seek to eliminate or reduce the number of sick days paid out at retirement for staff in future contract negotiations, thereby saving the District approximately \$11,500

annually. Currently, Windham EVSD pays for a higher number of sick days at retirement than the peers.

Facilities

- With the increased operating costs attributed to the new facilities, the District needs to identify all potential sources of revenue and consider earmarking revenue for capital and maintenance issues. This will ensure that funds are available to meet the increased operating costs resulting from the facilities overhaul that was completed in 2001 and help to protect the overall investment in the new buildings.

Transportation

- The District's maintenance and repair costs per bus are higher than the peers. Therefore, Windham EVSD's transportation supervisor should more actively manage bus maintenance and repairs and keep a detailed record for each bus, either in electronic or hard copy. By better monitoring costs and implementing a competitive bidding process for contracting out repair work, Windham EVSD could save approximately \$5,000 annually.
- Windham EVSD should review its current fuel purchases and either renegotiate the price per gallon to be similar to the State of Ohio Department of Administrative Services (ODAS) cost per gallon or purchase the fuel directly from the ODAS contract. Renegotiating fuel prices could result in savings of \$900 annually.
- Windham EVSD should develop policies and procedures to ensure that accurate reports are prepared and reconciled before being submitted to the Ohio Department of Education (ODE). The Treasurer should also ensure that proper classifications are being used when reporting the data to ODE to ensure the District has been compensated appropriately for its expenses to transport students.
- Windham EVSD should include bus replacement in its capital planning. Included in this plan should be the number of buses to be replaced each fiscal year, along with the average age at the time of replacement and the estimated cost of replacement. Further, the District should investigate and analyze potential funding methods for bus purchases.

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 Windham EVSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (**R3.1 – R3.3**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref No.	Recommendations from all Sections	Estimated Annual Cost Savings	Estimated Annual Implementation Costs	Estimated One-Time Implementation Costs
	<i>Human Resources</i>			
R3.1	Increasing FTE monthly health premium contribution	\$45,000		
R3.2	Reduce the number sick days paid at retirement	\$11,500		
R3.3	Reduce the number of Association leave days and share the cost with the Association	\$2,400		
	<i>Facilities</i>			
R4.1	Adjust temperature settings	\$63,400		
R4.2	Use cooperative purchasing	\$39,000	\$350	\$800
R4.3	Close East Elementary	\$75,000		
	<i>Transportation</i>			
R5.2	Track and competitively bid maintenance and repairs	\$5,000		
R5.3	Renegotiate fuel purchases	\$900		
R5.4	Explore options to reduce costs for special needs transportation	\$24,000		
R5.5	Reduce one bus	\$37,000		
	Total Financial Implications	\$303,200	\$350	\$800

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

Background

This section focuses on the financial systems within the Windham Exempted Village School District (Windham EVSD). The objective is to analyze the current financial condition of Windham EVSD and develop recommendations for improvements and efficiencies.

The Auditor of State's Office (AOS) recommended the establishment of fiscal oversight laws for school districts to create predetermined monitoring systems 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, watch, and emergency is the severity of the school district's financial condition.

Windham EVSD was placed into fiscal caution on December 31, 2002 because the District's ending fund balance for FY 2002-03 was forecasted to be a negative \$161,903, which was more than two percent of the current year projected revenue. As a result, in accordance with Ohio Revised Code (ORC) Section 3316.031(C), Windham EVSD is required to provide a written proposal to ODE after being placed in fiscal caution that presents plans for discontinuing or correcting the practices and conditions that led to fiscal caution status.

The treasurer is working with the superintendent, the school board, and ODE to create a fiscal recovery plan to help Windham EVSD remove itself from fiscal caution status. The District is studying potential cost reductions and changes to its staffing levels and operating expenses to improve its financial situation. Windham EVSD has also been in regular contact with ODE and has supplied ODE with its plan for financial recovery.

In an effort to improve the financial situation of Windham EVSD, the District's voters approved a \$200,000 emergency levy in November 1999. The emergency levy is for a five-year period and needs to be renewed in calendar year 2003. The last new levy passed by the District for operating expenses before the 1999 emergency levy was in 1976.

In addition, Windham EVSD's largest taxpayer is in Chapter 11 bankruptcy and is in arrears by approximately \$50,000 in the payment of property taxes due to the District. The Chapter 11 bankruptcy problem, while slowing revenue flow to the District, may be alleviated. According to ORC §3317.02.10, a district may seek relief from ODE. A school district can notify ODE in the first month of any year that it has uncollectible taxes payable in the preceding calendar year

from one Chapter 11 corporation. ODE verifies that the district has such uncollectible taxes and then asks the tax commissioner to certify the district's total taxes chargeable and payable in the preceding year. When the certification is received, ODE determines if the amount of uncollectible taxes equals at least one percent of the total taxes chargeable and payable. If it does, ODE will recompute the basic state aid payable to the district. The difference between the basic state aid amount originally computed for the district for the current fiscal year and the recomputed amount is paid to the district from the lottery profits education fund before the end of the current fiscal year. Windham EVSD notified ODE and received the funds on June, 2003. If Windham EVSD ever receives payments of any of the uncollectible taxes, they are to be reimbursed to ODE.

Financial Operations

Table 2-1 shows selected discretionary expenditures calculated as a percentage of total General Fund expenditures, and compared to similar spending by the peer districts.

Table 2-1: Discretionary Expenditures

	Windham EVSD	Felicity- Franklin LSD	Leetonia LSD	Osnaburg LSD	Peer Average
Prof. and Technical Service	1.5%	3.6%	3.9%	1.3%	2.9%
Property Services	1.3%	1.0%	2.5%	3.3%	2.3%
Mileage/Meeting Expense	0.1%	0.3%	0.3%	0.1%	0.2%
Communications	0.6%	0.3%	0.4%	0.6%	0.4%
Contract, Craft or Trade Service	0.1%	0.0%	0.0%	0.0%	0.0%
Pupil Transportations	0.0%	0.0%	0.1%	0.0%	0.0%
Other Purchased Service	0.0%	0.3%	0.0%	0.0%	0.1%
General Supplies	2.0%	2.9%	1.4%	1.4%	1.9%
Textbooks/Reference Materials	0.7%	0.7%	0.1%	0.6%	0.5%
Supplies & Materials for Resale	0.1%	0.0%	0.0%	0.3%	0.1%
Food & Related Supplies/Mat	0.0%	0.0%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.7%	0.2%	0.5%	0.5%	0.4%
Fleet Maintenance and Repair	0.4%	0.6%	0.5%	0.7%	0.6%
Other Supplies & Materials	0.0%	0.1%	0.0%	0.0%	0.0%
Land, Building & Improvements	0.1%	0.0%	0.0%	3.3%	1.1%
Equipment	2.7%	0.5%	2.5%	2.4%	1.8%
Buses/Vehicles	0.0%	1.4%	0.0%	2.4%	1.3%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	1.5%	1.2%	0.7%	1.8%	1.2%
Insurance	0.1%	0.9%	0.2%	0.2%	0.4%
Awards and Prizes	0.0%	0.0%	0.1%	0.0%	0.0%
Miscellaneous	0.0%	2.0%	0.0%	0.0%	0.7%
Total	11.9%	16.0%	13.2%	18.9%	15.9%

Source: FY 2001-02 ODE 4502 Reports

As shown in **Table 2-1**, Windham EVSD's percentage of total discretionary spending (11.9 percent) was below the peer average (15.9 percent) by 4.0 percentage points. Windham EVSD has effectively controlled its total discretionary spending when compared to the peers. However, several individual categories are higher than the peers:

- Windham EVSD spent 0.6 percent on communications, which is 50 percent higher than the peer average. Windham EVSD expended approximately 80 percent of communications on overall telephone costs and approximately 60 percent of the costs were charged directly to

the schools. The potential closure of one of the schools would decrease telephone costs (see the **facilities** section).

- Windham EVSD spent 2.0 percent of its General Fund revenue for general supplies which is approximately 43 percent higher than Leetonia EVSD and Osnaburg LSD. Of the total funds expended, the District spent almost 50 percent on software, guidance materials, and other supplies.
- The District spent 0.7 percent of its funds on plant maintenance and repair, which is approximately 75 percent higher than the peer average of 0.4 percent. The monies were expended on maintenance supplies and materials.
- Windham EVSD spent 2.7 percent on equipment, which is 50 percent higher than the peer average of 1.8 percent. The District expended almost 91 percent of its equipment funds on:
 - Instruction-related equipment funded through state foundation parity aid monies;
 - Technology equipment to upgrade to new computers; and,
 - Maintenance equipment needed for the new buildings.
- The District spent 1.5 percent of its funding on dues and fees, which is 25 percent higher than the peer average of 1.2 percent. Windham EVSD spent almost 98 percent of these funds for services performed by the Portage County Education Service Center (PCESC). Among the services performed by PCESC for the District are special education classes not offered by Windham EVSD, consultation, in-service programs, and curriculum services. The amount paid to PCESC is by contract and the services available are defined by ORC § 3313.843. The current contract is for FY 2003 and FY 2004 and will expire June 30, 2004.

For further discussion on discretionary expenditures, see **Table 2-2** and related discussion on purchased services.

Table 2-2 presents a revised five-year forecast incorporating the District recovery plan submitted to ODE for FY 2002-03 and FY 2003-04. Recognizing the problems with Windham EVSD's previous forecast (see **R2.1**), AOS and the District worked jointly to develop a more reliable forecast for FY 2004-05 through FY 2006-07.

Table 2-2: Windham EVSD Five-Year Forecast

	Actual 2000 ¹	Actual 2001 ¹	Actual 2002 ¹	Forecast 2003 ²	Forecast 2004 ²	Forecast 2005 ³	Forecast 2006 ³	Forecast 2007 ³
Real Estate Property Tax	\$1,080,412	\$1,052,074	\$1,126,281	\$1,111,546	\$1,211,116	\$1,235,339	\$1,260,045	\$1,285,246
Unrestricted Grants-in-Aid	5,182,720	5,244,440	5,241,497	5,446,313	5,449,159	5,558,142	5,669,305	5,782,691
Restricted Grants-in-Aid	278,590	290,917	495,179	718,506	784,837	863,108	986,254	986,254
Tangible Property Tax Allocation	101,174	109,060	113,649	116,881	119,686	122,559	125,500	128,512
Other Revenues	289,574	284,081	170,109	272,736	326,827	330,979	335,194	339,472
Total Operating Revenues	6,932,470	6,980,572	7,146,715	7,665,982	7,891,625	8,110,127	8,376,298	8,522,175
Salaries & Wages	4,519,188	4,566,841	4,802,612	4,751,862	4,376,325	4,529,496	4,688,029	4,852,110
Fringe Benefits	1,347,781	1,456,693	1,540,135	1,903,702	1,780,662	2,007,302	2,243,190	2,513,835
Purchased Services	458,706	902,967	1,013,772	1,175,374	1,057,000	1,101,394	1,147,653	1,195,854
Supplies, Materials & Textbooks	245,234	173,551	303,878	249,378	254,366	259,453	264,642	269,935
Capital Outlay	68,491	119,682	224,135	34,037	120,000	40,000	40,000	40,000
Other Expenditures	110,231	120,166	133,377	157,131	170,000	173,825	177,736	181,735
Interest on Loans	28,896	24,825	20,517	16,010	11,217	6,172	3,169	0
Total Operating Expenditures	6,778,527	7,364,725	8,038,426	8,287,494	7,769,570	8,117,642	8,564,419	9,053,469
Other Financing Sources/(Uses)	3,274	43,168	6,155	33,000	10,000	10,000	10,000	10,000
HB 264 Note Payments	(74,030)	(78,101)	(82,396)	(86,928)	(91,709)	(54,611)	(57,614)	0
Net Transfers/Advances In/(Outs)	(6,922)	(22,288)	(13,962)	9,154	43,000	12,000	12,000	12,000
Net Financing	(77,678)	(57,221)	(90,203)	(44,774)	(38,709)	(32,611)	(35,614)	22,000
Result of Operations (Net)	76,265	(441,374)	(981,914)	(666,286)	83,346	(40,126)	223,735	(509,294)
Beginning Cash Balance	2,199,511	2,275,776	1,834,402	852,488	186,202	269,548	229,422	5,687
Ending Cash Balance	2,275,776	1,834,402	852,488	186,202	269,548	229,422	5,687	(503,607)
Outstanding Encumbrances	46,403	136,795	99,415	110,000	35,000	35,000	35,000	35,000
Capital Improvements	2,695	0	0	0	0	0	0	0
"412" Budget Reserve	76,153	101,774	0	0	0	0	0	0
Ending Fund Balance	\$2,150,525	\$1,595,833	\$753,073	\$76,202	\$234,548	\$194,422	(\$29,313)	(\$538,607)

Source: 1) Windham EVSD financial forecast;
2) Windham EVSD ODE 5/31/03 Forecast; and
3) Windham EVSD and AOS prepared forecast.

Table 2-2 presents the five-year forecast for Windham EVSD based on the Recovery Plan submitted to ODE for FY 2002-03 and FY 2003-04, and on new assumptions for FY 2004-05 through FY 2006-07, based on AOS and District calculations. The new assumptions are as follows:

Revenues

- Property taxes for FY 2002-03 and FY 2003-04 are forecasted at an amount certified by the Portage County Auditor's Office. Based on discussions with the Portage County Auditor, real estate property taxes are projected to increase at a rate of 2.0 percent for the period of FY 2004-05 through FY 2006-07. Also included in the forecast is the emergency levy, which expires in FY 2004-05. The treasurer anticipates the renewal of this levy and has included the subsequent revenue in the five year forecast.

- Unrestricted grants-in-aid, or state foundation monies are, by ORC § 3317.012 (A)(1), required to increase at a rate of 2.8 percent per year. However, Windham EVSD anticipates losing students each fiscal year through FY 2006-07. Therefore, the District does not expect to receive the full 2.8 percent increase based on the previous year's foundation monies. The District worked with ODE to prepare the recovery plan revenue to be received in FY 2002-03 and FY 2003-04. After further discussion with ODE, using the anticipated incremental loss of students as a base, Windham EVSD anticipates receiving an average annual increase of approximately 2.0 percent for unrestricted grants-in-aid for FY 2004-05 through FY 2006-07. The FY2002-03 amount includes the \$52,000 bankruptcy funding requested from ODE, which was received by the District in June 2003.
- Restricted grants-in-aid consist of funds received from ODE, primarily Disadvantaged Pupil Impact Aid (DPIA) and parity aid funds. The District's treasurer expects most restricted grants-in-aid monies received to remain fixed, except for parity aid. Assuming Windham EVSD maintains a similar level of DPIA students, the District will receive a fixed amount of approximately \$350,000 per year through the forecast. Parity aid, by Ohio legislative authorization, will increase at a rate of 20.0 percent per year until it reaches 100 percent of full valuation in FY 2005-06. However, in FY 2003, the legislature appropriated 18 percent parity funds for two years, FY 2003-04 and FY 2004-05. In FY 2005-06, the parity aid level will be at 76 percent of the full valuation. Since the original authorization instructs that parity aid will reach 100 percent valuation by FY 2005-06, the remaining 24 percent is forecasted to be appropriated in FY 2005-06. Since 100 percent will be realized in FY 2005-06 and decisions regarding parity aid beyond FY 2005-05 have yet to be made or authorized, restricted grants-in-aid is forecasted to remain constant in FY 2006-07.
- The tangible property tax allocation is expected by the county auditor to increase at a rate of 2.4 percent for the three year period of FY 2004-05 through FY 2006-07.
- Other revenues, consisting of tuition received and miscellaneous income such as interest on investments, are not expected to increase significantly from FY 2003-04 to FY 2006-07. Due to the fiscal situation of the District and current investment rates, earnings on investments are expected to be negligible throughout the forecast period, which is a significant decrease from FY 1999-00 and FY 2000-01 when investment income amounted to over \$200,000 each year. Investment income in FY 2001-02 was approximately \$78,000. Therefore, by reducing investment income during the forecast period due to low cash balances, and implementing an accounting change in FY 2002-03 when tuition revenue and costs are no longer netted and posted to the expenditure account, the treasurer expects other revenues to increase only 1.3 percent per year for the FY 2004-05 through FY 2006-07. The accounting change documents the increase in revenue from FY 2001-02 to FY 2002-03. The District has also signed a lease agreement with the county for the use of an elementary building and this is reflected in other revenues through the forecast period. The lease, beginning September 1,

2003, is for one-year, and then renewable annually for five-years through July 2008. It will provide additional revenue of \$50,000 per year.

Expenditures

- Personnel costs are forecasted to significantly decrease from the original forecast for FY 2003-04 due to staff reductions of 18.9 Full Time Equivalents (FTE), resulting in cost savings of approximately \$701,000. With FY 2003-04 as a base, personnel costs are forecasted to increase approximately 3.5 percent per year from FY 2004-05 through FY 2006-07. The 3.5 percent increase is due to the District proposing to control expenditures in personnel costs throughout the forecast period. The District anticipates losing between three and five teachers through attrition and there are currently no plans to replace them during the next three years.
- Fringe benefits, consisting mainly of insurance and retirement costs, are expected to continue to increase at a high rate over the length of the five-year forecast. This contributes to fringe benefits only slightly decreasing in FY 2003-04, despite the cost savings of approximately \$250,000 due to staff reductions and retirements in FY 2003-04. Insurance costs increased significantly in FY 2002-03, mainly attributed to health benefits. Therefore, in FY 2004-05 through FY 2006-07, health benefit costs are forecasted to increase 16.0 percent per year, which appears to be reasonable based on other school forecasts, estimates from the local school insurance consortium, and data from the State Employment Relations Board (SERB). Other fringe benefits are forecasted to increase 3.5 percent to coincide with the projected salary increases. Fringe benefits will be 52 percent of total personnel costs in FY 2006-07.
- Purchased services, consisting mainly of costs for utilities, telephone usage, and dues and fees for other education services, have increased significantly from FY 1999-00 due to the new buildings. The District has taken actions to control utility costs by becoming a member of the Ohio Schools Council for group purchasing, implementing energy conservation strategies and controlling maintenance and repair costs (see the **facilities** section for more information), which are reflected in the forecast. Also included in the forecast is the elementary building lease with PCESC for special education services, which will further reduce Windham EVSD's telephone and utility costs. In accordance with the lease, the lessee is responsible for 80 percent of the utility costs. As a result of these changes, and to account for potential growth, the District is projecting purchased services to increase by 4.2 percent per year from FY 2004-05 to FY 2006-07.
- Supplies, materials, and textbooks are forecasted to increase at a rate of approximately 2.0 percent per year based on historical cost patterns after removing textbook purchases through FY 2006-07. The single largest expenditure, textbooks, is not expected to be needed in the forecasted period due to the purchase of several educational programs during FY 1999-00 and FY 2001-02. These programs are designed to improve Windham EVSD's curriculum in

order to increase proficiency scores. The District also plans to control the increases by joining consortia for group purchasing and closely monitoring all purchase requisitions to ensure that costs do not exceed the budgeted amounts.

- Capital outlays are forecasted to be fixed at \$40,000, based on the treasurer's estimate for FY 2004-05 through 2006-07. The amount of \$40,000 is anticipated to be used only for replacement purposes. In FY 2000-01, FY 2001-02, and FY 2002-03, the District purchased new equipment for the new school facilities. The District also plans to minimize capital outlay expenditures by using the 0.5 mill levy proceeds to pay for the costs of maintaining the classroom facilities, which has not been done in past years, and holding expenditures to the appropriated amounts for necessary capital outlays. In FY2003-04, the District has added additional capital outlay monies to replace buses.
- Other expenditures include property and equipment insurance, Portage County property tax collection fees, and audit costs. These costs are not anticipated to increase significantly with the exception of approximately \$3,000 needed for the District to convert to mandated Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements. The District treasurer is forecasting a 2.25 percent increase in each forecast year.
- Interest on loans is forecasted to decrease significantly during the forecast period. The treasurer has made an effort to pay most outstanding debt for the District, while making it a policy to not incur any additional debt unless absolutely necessary. Instead, the District plans to make purchases incrementally.
- Other financing uses that include some tuition expenses, rent, and mileage are forecasted by the treasurer to be \$10,000 annually from FY2004-05 to FY2006-07.
- Outstanding encumbrances are forecasted to be \$110,000 for FY 2003-04 to include the cost of a bus on order. According to the District treasurer, the bus was paid for in June, 2003. The following years show a fixed amount of \$35,000 to allow for potential expenditures occurring at the end of the fiscal year.

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

- All forecast assumptions were tested; however, when the assumptions appeared reasonable, they were not included in the report; and
- Advances were made out of the General Fund to support food services in FY 2000-01 and FY 2001-02. However, in FY 2002-03 through FY 2006-07, the transfers out of the General

Fund to these funds are forecasted to be minimal due to the closing of one school cafeteria and the resulting staff reduction.

General Recommendations

Financial Forecast

- R2.1 Windham EVSD’s five-year forecast and the accompanying assumptions or notes should provide enough information, using detailed historic and projected information and explanatory comments, to provide the reader a full understanding of the forecast. In addition, the District should ensure the notes and assumptions adequately reflect what is reported in the five-year forecast. More detail in the forecast and its supporting notes will provide a better understanding of Windham EVSD’s financial condition.**

Because Windham EVSD is currently in fiscal caution, spending changes to save the District money are expected and should be incorporated in the forecast. Nonetheless, the District should base forecast assumptions on historical trends, anticipated changes to school district operations, plans to effectively control expenditures, and reputable sources as much as possible. If a forecasted assumption differs from historical trends, Windham EVSD should provide sufficient details that help explain the basis for the difference, and develop a plan to support the forecasted assumption.

Although the District has worked to present more detail in its forecasts, providing additional detail in personnel costs, capital outlay, and other expenditures would further support and justify its projections. When developing the forecast, Windham EVSD should account for the attrition of teachers due to retirement age. The District should also plan for future five-year purchases to adequately set aside the monies needed for these purchases in the capital outlay forecast. In addition, Windham EVSD should include additional information to explain and support the forecasted assumption in the other expenditures line item. Furthermore, Windham EVSD should quantify the cost of implementing programs needed to meet the educational outcomes and accountability standards established in recently passed legislation, such as standards for attendance, proficiency test results, and new graduation requirements. These costs should be included as “Additional Educational Enhancements” and described in the accompanying notes.

A forecast is a management tool developed by the treasurer with the assistance of other managers within the school district. Assumptions are informed estimates developed by the appropriate managers within each building or at the district level and communicated

to the school board. Since assumptions can change based upon economic conditions, the forecast should be considered a working document that can be altered if results are significantly different as time progresses throughout the fiscal year. Although Windham EVSD includes assumptions and notes to its five-year financial forecast, the assumptions and notes do not provide adequate disclosure regarding the following factors that have an impact on the forecast:

- Historic and projected inflation rates;
- Actual results of the three most recent fiscal years, for comparison, with explanation of significant variances between forecasted and actual amounts;
- Comparable external averages and benchmarks, such as peer information obtained from ODE, and internal financial objectives;
- Historic and projected enrollment and Average Daily Membership;
- Detailed descriptions of the components of state foundation revenues;
- Historic and projected staffing by position;
- Historic and projected expenditures for main components of purchased services, materials and supplies, and other expenditures;
- More detailed description of debt service obligations if debt is needed; and
- Impact of outstanding encumbrances at year-end.

The following items represent a sample of inconsistencies or lack of detailed support that were noted during the review of the District's previous forecast and assumptions:

Revenues

- General real estate tax was forecasted to increase by at least 3.0 percent per year with no delinquencies or shortfalls in collections. However, there was no basis stated for the assumption and no explanation as to how the 3.0 percent was developed. The District should have contacted the county auditor for an estimate of property tax increases based on collections, delinquencies, and the overall economic stability of the area.
- Unrestricted grants-in-aid, which consist of state foundation monies, were forecasted to increase at a rate of 2.8 percent per year, consistent with ORC § 3317.012 (A)(1), with no decline in enrollment. The 2.8 percent is the legislative mandated percent of increase per year in the base cost of educating one student. Although this could be used if all factors remained stable from year-to-year, most districts have annual student enrollment fluctuations. Therefore, the district should have started with the projected two-year foundation estimates obtained from the ODE website and adjusted them by enrollment projections for the first two years of the forecast. Then, to forecast state foundation estimates in the last three years of a forecast, the District needs to project enrollment by year, calculate the Average Daily Membership, and

then follow the current formula calculation steps to calculate the total foundation monies. This process to forecast state foundation revenues should also have been described in the assumptions section of the forecast.

- Windham EVSD's restricted grants-in-aid consist mainly of parity aid the District receives from ODE. According to ORC § 3317.02.17 (C)(1), each school district eligible to receive parity aid will receive an additional 20 percent each year through FY 2005-06. In FY 2006-07, Windham EVSD forecasted restricted grants-in-aid to remain at the FY 2005-06 levels because the parity aid funding increases had not been projected beyond FY 2005-06. To develop a more reliable forecast, the District should have researched potential changes in parity aid, rather than assuming it would remain the same. Windham EVSD should have also followed through with the ODE district representative to review possible legislation impacting parity aid and then detailed those results in the assumptions.
- Other operating revenue was forecasted to decrease, based on the reduction of interest rates and the amount of funds available to invest. However, minimal information was provided to explain the forecasted decrease and past results. Windham EVSD should have described how the investment policy resulted in high interest for the actual years of the forecast, and then further explained that weak future investment revenue was expected based on the amount of funds invested and the lower interest rates. For an accurate revenue forecast, the District should have analyzed the amount of funds that would be available for investments and then obtained an approximate rate of return from their investment counselor for the forecast period. These assumptions should have then been detailed in the forecast.

Expenses

- Salaries and wages were forecasted to decrease 1.0 percent for FY 2002-03 and increase 3.8 percent in FY 2003-04. The forecast did not present explanations for the decrease in FY 2002-03, nor an explanation for the increase in FY 2003-04. Furthermore, insufficient detail was provided for the 1.7 percent salary and wage increase forecasted for FY 2004-05, and the 1.5 percent increases for FY 2005-06 and FY 2006-07. Since the current negotiated contract allowed for salary increases for certificated and classified employees of 3.5 percent, the forecasted increases appeared to be under-stated. In addition, the assumptions stated that no new staff would be added beyond current staffing and retirements would be absorbed. However, there was no detail presented that would indicate the potential effect of this action, such as stating the number of staff eligible for retirement, the expected dates of retirement, the classification of the personnel, or the amount saved in salaries, wages and fringe benefits should the retirements occur without replacements being hired.

- The corresponding benefits associated with the previous forecasted salary expenditures were not detailed by the District. Fringe benefits were described in the assumptions as having been calculated at 24 percent for FY 2002-03 and at 9 percent for FY 2003-04. However, explanations were not provided for the increased benefit levels and for the different projections for FY 2002-03 as compared to FY 2003-04.
- Windham EVSD forecasted purchased services to increase by almost 25 percent in FY 2002-03, decrease by over 21 percent in FY 2003-04, and increase 2 percent for the remaining years. Utilities, which make up approximately 47 percent of the total costs of purchased services, were the only individual item mentioned in the assumptions. The assumptions did not include the effect of the new buildings or extreme weather conditions on utility costs. Moreover, the types and costs of other purchased services, such as tuition, and professional and technical services, which are approximately 25 percent and 12 percent of the total cost, respectively, were not described.

Table 2-2 and the accompanying discussion describe assumptions used for the new five-year forecast. The assumptions contain descriptions on how changes were derived and the reasoning for the percent changes used in the forecast. As a result, the new five-year forecast rectifies many of the deficiencies with the previous forecast, thereby ensuring a more accurate and reliable forecast.

The treasurer shares the financial forecast with the Board, but does not formally update the forecast each month unless a material change occurs. Instead, the treasurer provides a monthly financial report to the Board that includes the fund activity and balances, checks paid, monthly revenue, and updated estimates of how the district will end the year. The treasurer includes assumptions and supporting explanations along with the financial forecast, which has improved the reader's understanding of these projections. However, inclusion of actual historical information as well as comparative state averages and peer data would further assist the reader in interpreting the forecast and drawing well-founded conclusions. The forecast shows a few areas that may be improved with additional detail, as discussed in the following.

- The five-year forecast obtained from ODE's Website with information updated as of May 31, 2003, does not account for the attrition of its retiring staff. No detail was presented that would indicate the potential effect of retiring teachers on the District's expenditures. This plan of action and related information should be included in the forecast, such as stating the number of staff eligible for retirement, the expected dates of retirement, the classification of the personnel, and the amount saved in salaries, wages and fringe benefits if the retirees are not replaced.

- The five year forecast does not contain information about which purchases will be made with the capital outlay monies during the next five years. According to the treasurer, the District plans to use the 0.5 mill levy proceeds to make purchases to maintain classroom facilities which did not occur in the past, and to enter into service contracts and purchase maintenance equipment from this fund. The forecast does not detail what the District is planning to save and use the monies for in the future. Although the District plans to begin saving monies for a bus purchase in FY 2004, the lack of specific plans, other than equipment replacement and new equipment as needed, may cause the District to overspend in this area.
- “Other expenditures” includes information about projected increases for property and equipment insurance, property tax collection fees, and audit costs. However, it does not explain how the District will limit increases to only 2.25 percent, even though historical increases were significantly higher than 2.25 percent.

Revenue and Expenditure Analysis

R2.2 Windham EVSD should closely examine the spending patterns indicated in Table 2-4 and Table 2-5 and consider reallocating the monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the student’s education and proficiency test results. Furthermore, Windham EVSD should analyze the cost reductions recommended in the human resource, facilities and transportation sections of this report to aid in its efforts to regain financial stability.

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. Analyzing the spending patterns related to the various functions should indicate where the priorities of the school board and management are placed. In addition, the number of ODE’s performance standards met should correlate to the school district’s spending patterns. ORC § 3302.03 specifies that ODE is to annually report to each school district the extent to which each district meets each of the performance standards created by the state board of education under ORC § 3302.02. The current number of performance standard established by the state board of education is 22. This number was reduced from 27 in FY 2001-02 by resolution of the state board of education. **Table 2-3** presents the number of performance standards Windham EVSD and the peers met in FY 1999-00, FY 2000-01, and FY 2001-02.

Table 2-3: ODE Performance Standards Comparison

	Windham	Felicity-Franklin	Leetonia	Osnaburg	Peer Average
	Number of 27 Performance Standards Met				
FY 1999-00	13	9	13	12	11
FY 2000-01	14	18	18	19	18
	Number of 22 Performance Standards Met				
FY 2001-02	12	20	19	20	20

Source: ODE Report Cards FY 1999-00 and FY 2000-01; ODE District Ratings, FY 2001-02

As shown in **Table 2-3**, Windham EVSD was higher than the peer average by approximately 22 percent for performance standards met in FY 1999-00. Each peer displayed significant improvement in FY 2000-01, with the peer average increasing by seven standards or approximately 64 percent. However, Windham EVSD only increased by one standard. The District remained in academic watch while each peer moved to the continuous improvement category in FY 2000-01. In FY 2001-02, all the peers' performance ratings increased to the effective category with Windham EVSD improving to a continuous improvement rating. The peer average of 20 performance standards met in FY 2001-02 is almost 67 percent higher than Windham EVSD's attainment of 12 standards.

Table 2-4 and **Table 2-5** show the amount of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Windham EVSD and the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-4** shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds which are classified as governmental funds.

Table 2-4: Governmental Funds Operational Expenditures by Function

USAS Function Classification	Windham		Felicity - Franklin		Leetonia		Osnaburg		Peer Average	
	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp
Instruction Expenditures	\$5,138	57.2%	\$4,573	62.7%	\$4,053	61.8%	\$4,057	58.2%	\$4,256	61.0%
Regular Instruction	\$4,024	44.8%	\$3,433	47.1%	\$3,326	50.7%	\$3,008	43.1%	\$3,263	46.8%
Special Instruction	\$880	9.8%	\$1,021	14.0%	\$721	11.0%	\$594	8.5%	\$795	11.4%
Vocational Education	\$115	1.3%	\$116	1.6%	\$3	0.0%	\$105	1.5%	\$80	1.2%
Adult/Continuing Education	\$0	0.0%	\$2	0.0%	\$0	0.0%	\$8	0.1%	\$4	0.1%
Other Instruction	\$119	1.3%	0	0.0%	\$4	0.0%	\$342	4.9%	\$114	1.6%
Support Services Expenditures	\$3,637	40.5%	\$2,592	35.6%	\$2,265	34.5%	\$2,599	37.3%	\$2,501	35.9%
Pupil Support Services	\$675	7.5%	238	3.3%	\$375	5.7%	\$193	2.8%	\$262	3.8%
Instructional Support Services	\$583	6.5%	374	5.1%	\$178	2.7%	\$422	6.1%	\$334	4.8%
Board of Education	\$45	0.5%	7	0.1%	\$23	0.4%	\$88	1.3%	\$38	0.6%
Administration	\$731	8.1%	582	8.0%	\$633	9.7%	\$592	8.5%	\$599	8.6%
Fiscal Services	\$194	2.2%	229	3.1%	\$120	1.8%	\$199	2.9%	\$188	2.7%
Business Services	\$53	0.6%	0	0.0%	\$1	0.0%	\$4	0.1%	\$2	0.0%
Plant Operation & Maintenance	\$1,063	11.8%	678	9.3%	\$609	9.3%	\$542	7.8%	\$614	8.8%
Pupil Transportation	\$292	3.3%	449	6.2%	\$268	4.1%	\$538	7.7%	\$427	6.1%
Central Support Services	\$2	0.0%	36	0.5%	\$59	0.9%	\$19	0.3%	\$37	0.5%
Non-Instructional Services Expenditures	\$0	0.0%	\$3	0.0%	\$54	0.8%	\$15	0.2%	\$21	0.3%
Extracurricular Activities Expenditures	\$202	2.3%	\$122	1.7%	\$185	2.8%	\$302	4.3%	\$199	2.9%
Total Governmental Fund Operational Expenditures	\$8,977	100.0%	\$7,289	100.0%	\$6,558	100.0%	\$6,973	100.0%	\$6,978	100.0%

Sources: Windham EVSD and Peers FY 2001-02, Form 4502, Exhibit 2; and, FY 2001-02 SF-3

According to **Table 2-4**, Windham EVSD's overall per pupil average cost of \$8,977 is almost \$2,000 higher than the peer average of \$6,978. The majority of the expenditure categories are higher than the peers.

Instructional expenditures are \$882 higher, or 21 percent higher, than the peer average in FY 2001-02. The main reasons for the higher expenditure are:

- Windham EVSD spent \$4,024 per pupil in regular instruction, which is 23.3 percent higher than the peer average of \$3,263. Regular instruction costs consist mainly of personnel costs which account for approximately 80 percent of the funds expended. In an effort to reduce expenditures, Windham EVSD has included a staff reduction of 4.0

regular teaching FTEs in the financial recovery plan submitted to ODE (see the **human resources** section).

- The District spent \$880 per pupil in special instruction, which is 10.7 percent higher than the peer average of \$795, and 22.0 percent and 48.1 percent higher than Leetonia EVSD and Osnaburg LSD, respectively. Personnel costs for students with special needs comprise approximately 90 percent of the total education costs. In an effort to reduce expenditures, Windham EVSD has included a staff reduction of 1.0 special education teaching FTE in the financial recovery plan submitted to ODE (see the **human resources** section).
- Windham EVSD spent \$115 per pupil in vocational education, which is 43.8 percent higher than the peer average of \$80. Personnel costs account for over 90 percent of the total vocational education costs. Although Windham EVSD spends more per student, the revenues received from ODE were greater than the expenditures for its vocational programs.
- The District spent \$119 per pupil on other instruction, which is 4.4 percent higher than the peer average of \$114. Felicity-Franklin LSD and Leetonia EVSD spent no funds in this area. Other instruction consists of tuition to other districts and to alternative education programs for Windham EVSD students.

Support service expenditures are \$1,136 per pupil, or 45 percent, higher than the peers. The main reasons for the higher costs are:

- Windham EVSD spent \$675 per pupil in pupil supportive services, which is approximately 157.6 percent higher than the peer average of \$262. The District expends approximately 86 percent of its pupil support services funding on personnel costs for guidance, psychology and non-administrative support, equipment purchases with the costs recovered through parity aid, and tuition costs to other educational entities (see **human resources** section for further information).
- The District spent \$583 per pupil in instructional support services, which is approximately 74.6 percent higher than the peer average of \$334. Approximately 94.0 percent of instructional support services funds were expended on personnel costs and new technology equipment (see **human resources** section for further information).
- The District spent \$731 per pupil in administration costs, consisting mainly of administrative staff costs and telephone services that jointly account for approximately 84.0 percent of the total expenditures. The District spent approximately 22.0 percent more than the peer average of \$599. In an effort to reduce expenditures, Windham EVSD has included a staff reduction of 2.0 site based administrator FTEs and a

building closure in the financial recovery plan submitted to ODE (see the **human resources** and **facilities** sections for further information).

- Windham EVSD spent \$53 per pupil in business services, which is \$51 higher than the peer average of \$2. Although business services consist mainly of expenditures from outside the District, such as rentals, printing, and miscellaneous supplies, each district included in this audit used different fund codes for this information.
- Plant operation and maintenance expenditures consist mainly of custodial personnel costs and utility expenses, which account for approximately 43.0 percent of the total costs for plant operation and maintenance. The District spent \$1,063 per pupil in plant operation and maintenance, which is 73.1 percent higher than the peer average of \$614 (see the **facilities** section for further information).
- The District spent \$202 per pupil on extracurricular activities which is approximately 65.6 percent and 9.2 percent higher than Felicity-Franklin LSD and Leetonia EVSD, respectively. In an effort to reduce expenditures, Windham EVSD has reduced its supplemental contracts in the financial recovery plan submitted to ODE (see the **human resources** section for further information).

Table 2-5 shows the total governmental fund expenditures, including facilities acquisition, construction, and debt service.

Table 2-5: Total Governmental Fund Expenditures by Function

USAS Function Classification	Windham		Felicity – Franklin		Leetonia		Osnaburg		Peer Average	
	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp	\$ per Pupil	% of Exp
Total Government Funds Operational Expenditures	\$8,977	78.5%	\$7,289	82.5%	\$6,558	33.2%	\$6,973	95.7%	\$6,978	61.1%
Facilities, Acquisition & Construction Expenditures	\$2,283	20.0%	\$202	2.3%	\$12,770	64.7%	\$317	4.3%	\$3,805	33.3%
All Debt Service Expenditures	\$173	1.5%	\$1,340	15.2%	\$414	2.1%	\$0	0.0%	\$637	5.6%
Total Governmental Funds Operational Expenditures	\$11,433	100.0%	\$8,832	100.0%	\$19,741	100.0%	\$7,290	100.0%	\$11,420	100.0%
Adjustment to Total Governmental Funds Operational Expenses; Excluding Building Acquisition and Construction										
Total Government Funds Operational Expenditures	\$8,977	97.6%	\$7,289	84.4%	\$6,558	91.2%	\$6,973	95.7%	\$6,978	89.6%
Facilities, Acquisition & Construction Expenditures	\$50	0.5%	\$5	0.1%	\$220	3.1%	\$317	4.3%	\$169	2.2%
All Debt Service Expenditures	\$173	1.9%	\$1,340	15.5%	\$414	5.7%	\$0	0.0%	\$637	8.2%
Total Governmental Funds Operational Expenditures	\$9,200	100.0%	\$8,634	100.0%	\$7,192	100.0%	\$7,290	100.0%	\$7,784	100.0%

Source: Windham EVSD and Peers FY 2001-02, Form 4502, Exhibit 2; FY 2001-02 SF-3

As shown in **Table 2-5**, Windham EVSD's total government expenditures of \$11,433 per pupil are \$2,601 higher than Felicity-Franklin LSD and \$4,143 higher than Osnaburg LSD. However, Windham EVSD and Leetonia EVSD spent significant amounts from their Capital Project Fund, \$2.4 million and \$11 million, respectively, for construction projects. Since the expenditures are attributed to Capital Funds and not the General Fund, the amounts have been removed from the second half of **Table 2-5** to present a more comparative analysis of Windham EVSD's total governmental fund operational expenditures. The results show Windham EVSD's total governmental funds operational expenditures to be \$9,200 per pupil, which is approximately 18.2 percent higher than the peer average of \$7,784 per pupil.

R2.3 Windham EVSD should analyze and evaluate the recommendations presented within this performance audit and determine the impact of the related cost savings on its financial condition. Windham EVSD should consider implementing the recommendations in this performance audit to avoid future financial difficulties.

Table 2-6 is being presented as a potential financial forecast for Windham EVSD management to use in assessing its financial condition. It is a management tool to be utilized to assess the impact that implementation of the various performance audit recommendations will have on Windham EVSD's financial condition. The forecast contains the same financial projections presented in **Table 2-2**, with additional lines to account for the financial implications and implementation costs associated with the performance audit recommendations.

Accompanying tables, **Table 2-6a** and **Table 2-6b**, 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 associated with the various recommendations are also summarized.

For Windham EVSD to achieve and maintain financial stability, it will be necessary to make difficult management decisions. The ideas and recommendations included in this report should be considered for implementation by Windham EVSD. However, the performance audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated in future financial recovery plans.

Table 2-6: Windham EVSD Proposed Five-Year Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Real Estate Property Tax	\$1,080,412	\$1,052,074	\$1,126,281	\$1,111,546	\$1,211,116	\$1,235,339	\$1,260,045	\$1,285,246
Unrestricted Grants-in-Aid	5,182,720	5,244,440	5,241,497	5,446,313	5,449,159	5,558,142	5,669,305	5,782,691
Restricted Grants-in-Aid	278,590	290,917	495,179	718,506	784,837	863,108	986,254	986,254
Property Tax Allocation	101,174	109,060	113,649	116,881	119,686	122,559	125,500	128,512
Other Revenues	289,574	284,081	170,109	272,736	326,827	330,979	335,194	339,472
Total Operating Revenues	6,932,470	6,980,572	7,146,715	7,665,982	7,891,625	8,110,127	8,376,298	8,522,175
Salaries & Wages	4,519,188	4,566,841	4,802,612	4,751,862	4,376,325	4,529,496	4,688,029	4,852,110
Fringe Benefits	1,347,781	1,456,693	1,540,135	1,903,702	1,780,662	2,007,302	2,243,190	2,513,835
Purchased Services	458,706	902,967	1,013,772	1,175,374	1,057,000	1,101,394	1,147,653	1,195,854
Supplies, Materials & Textbooks	245,234	173,551	303,878	249,378	254,366	259,453	264,642	269,935
Capital Outlay	68,491	119,682	224,135	34,037	120,000	40,000	40,000	40,000
Other Expenditures	110,231	120,166	133,377	157,131	170,000	173,825	177,736	181,735
Interest on Loans	28,896	24,825	20,517	16,010	11,217	6,172	3,169	0
Performance Recommendations	0	0	0	0	(\$289,300)	(\$289,300)	(\$289,300)	(\$289,300)
Implementation Costs	0	0	0	0	\$800	\$350	\$350	\$350
Total Operating Expenditures	6,778,527	7,364,725	8,038,426	8,287,494	7,481,070	7,828,692	8,275,469	8,764,519
Other Financing Sources/(Uses)	3,274	43,168	6,155	33,000	10,000	10,000	10,000	10,000
HB 264 Note Payments	(74,030)	(78,101)	(82,396)	(86,928)	(91,709)	(54,611)	(57,614)	0
Net Transfers/Advances In/(Outs)	(6,922)	(22,288)	(13,962)	9,154	43,000	12,000	12,000	12,000
Net Financing	(77,678)	(57,221)	(90,203)	(44,774)	(38,709)	(32,611)	(35,614)	22,000
Result of Operations (Net)	76,265	(441,374)	(981,914)	(666,286)	371,846	248,824	65,215	(220,344)
Beginning Cash Balance	2,199,511	2,275,776	1,834,402	852,488	186,202	558,048	806,872	872,087
Ending Cash Balance	2,275,776	1,834,402	852,488	186,202	558,048	806,872	872,087	651,743
Outstanding Encumbrances	46,403	136,795	99,415	110,000	35,000	35,000	35,000	35,000
Capital Improvements	2,695	0	0	0	0	0	0	0
"412" Budget Reserve	76,153	101,774	0	0	0	0	0	0
Ending Fund Balance	\$2,150,525	\$1,595,833	\$753,073	\$76,202	\$523,048	\$771,872	\$837,087	\$616,743

The performance audit recommendations presented in **Table 2-6a** are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. **Table 2-6b** presents the implementation costs associated with various recommendations contained with the performance audit.

Table 2-6a: Summary of Performance Audit Recommendations

Recommendation Not Subject to Negotiations		FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
R4.1	Adjusting temperature settings	\$63,400	\$63,400	\$63,400	\$63,400
R4.2	Cooperative purchasing	\$39,000	\$39,000	\$39,000	\$39,000
R4.3	Closing of East Elementary	\$75,000	\$75,000	\$75,000	\$75,000
R5.2	Tracking and competitive bidding of maintenance and repairs	\$5,000	\$5,000	\$5,000	\$5,000
R5.3	Renegotiate fuel purchases	\$900	\$900	\$900	\$900
R5.4	Explore options to reduce costs for special needs transportation	\$24,000	\$24,000	\$24,000	\$24,000
R5.5	Reduce one bus	\$37,000	\$37,000	\$37,000	\$37,000
Totals Not Subject to Negotiations		\$244,300	\$244,300	\$244,300	\$244,300
Recommendations Subject to Negotiations					
R3.1	Increasing FTE monthly health premium contribution	\$45,000	\$45,000	\$45,000	\$45,000
R3.2	Reduce the number sick days paid at retirement	\$11,500	\$11,500	\$11,500	\$11,500
R3.3	Reduce the number of Association leave days and share cost with the Association	\$2,400	\$2,400	\$2,400	\$2,400
Total Subject to Negotiations		\$58,900	\$58,900	\$58,900	\$58,900
Total Recommendations		\$303,200	\$303,200	\$303,200	\$303,200
Total Recommendations included in forecast¹		\$289,300	\$289,300	\$289,300	\$289,300

Source: Financial implications identified throughout this performance audit

¹ R3.2 and R3.3 have not been included in the revised forecast.

Table 2-6b: Implementation Costs

Implementation Cost		FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
R4.2	Cooperative purchasing membership	\$800	\$350	\$350	\$350
Totals		\$800	\$350	\$350	\$350

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Human Resources

Background

This section of the report focuses on the human resources operations within Windham Exempted Village School District (Windham EVSD). Peer districts' information and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) will be used for comparisons throughout this report.

Organizational Function

Windham EVSD does not have a separate department that performs human resources activities. The primary human resources responsibilities are completed by the superintendent, principals and supervisors. These responsibilities include the following: coordinating the activities and programs for the recruitment and selection of employees; monitoring compliance with employment standards (criminal background checks and teaching certifications); facilitating employee performance evaluations; administering and monitoring grievance policies and procedures; negotiating and administering union contracts; conducting disciplinary hearings; maintaining personnel files; placing selected substitutes; and participating in new employee orientations. Assistance is also obtained from the treasurer's office; which administers the health insurance plans for all employees.

Staffing

Table 3-1 illustrates the actual staffing levels at Windham EVSD 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. All positions are shown as full-time equivalents (FTEs). Calculations are based on an eight hour day, 260 days per year with the exception of certificated staff.

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

Category	Windham	Felicity-Franklin	Leetonia	Osnaburg	Peer Average
Administrators: Subtotal	9.0	7.0	5.9	4.9	6.0
Central Based Administrators	2.0	2.0	2.0	1.9	2.0
Site Based Administrators	7.0	5.0	3.9	3.0	4.0
Professional Education: Subtotal	77.5	78.6	59.7	66.3	68.1
Counseling	2.0	2.0	3.0	3.0	2.7
Librarian / Media	2.0	2.0	1.0	1.0	1.3
Remedial Specialists	3.0	0.0	2.0	5.0	2.3
Regular Education Teachers	52.0	58.5	43.0	41.3	47.6
Special Education Teachers	12.0	9.0	4.0	7.0	6.7
Vocational Education Teachers	2.0	2.0	0.0	2.0	1.3
Tutor / Small Group Instructor	0.0	0.0	1.0	0.0	0.3
Educational Service Personnel ¹	4.5	5.1	5.7	7.0	5.9
Professional – Other	3.0	1.0	1.0	1.0	1.0
Technical: Subtotal	1.7	1.3	0.7	0.6	0.9
Computer Programming	1.0	0.0	0.0	0.0	0.0
Library Aide	0.7	1.3	0.7	0.6	0.9
Office / Clerical: Subtotal	13.9	9.4	6.5	3.1	6.4
Bookkeeping	0.0	0.9	1.0	0.0	0.6
Clerical	7.5	3.9	2.8	3.1	3.3
Teaching Aide	6.4	3.0	1.7	0.0	1.6
Other Office / Clerical	0.0	1.6	1.0	0.0	0.9
Crafts / Trades	1.0	0.0	1.0	3.0	1.3
Transportation	2.0	5.2	2.6	3.9	3.9
Custodial	11.0	8.2	6.0	5.7	6.6
Food Service	5.3	5.6	3.1	4.7	4.5
Guard/ Watchman	0.3	0.0	0.0	0.2	0.1
Monitoring	1.8	1.2	0.0	2.0	1.1
Attendant	0.0	0.0	0.0	0.4	0.1
Total FTEs	126.5	117.5	86.5	95.8	100.0

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

Note: FTE numbers have been adjusted to allow for an accurate comparison between Windham EVSD and peer districts

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

It is recognized that 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 Windham EVSD and the peer districts for FY 2002-03.

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

Category	Windham	Felicity-Franklin	Leetonia	Osnaburg	Peer Average
ADM	1,096	1,222	876	899	999
Administrators: Subtotal	8.2	5.7	6.8	5.4	6.0
Central Based Administrators	1.8	1.6	2.3	2.1	2.0
Site Based Administrators	6.4	4.1	4.5	3.3	4.0
Professional Education: Subtotal	70.5	64.3	68.1	73.7	68.1
Counseling	1.8	1.6	3.4	3.3	2.7
Librarian / Media	1.8	1.6	1.1	1.1	1.3
Remedial Specialists	2.7	0.0	2.3	5.6	2.3
Regular Education Teachers	47.4	47.9	49.1	45.9	47.6
Special Education Teachers	10.9	7.4	4.6	7.8	6.7
Vocational Education Teachers	1.8	1.6	0.0	2.2	1.3
Tutor / Small Group Instructor	0.0	0.0	1.1	0.0	0.3
Educational Service Personnel ¹	4.1	4.2	6.5	7.8	5.9
Professional – Other	2.7	0.8	1.1	1.1	1.0
Technical: Subtotal	1.5	1.1	0.8	0.7	0.9
Computer Programming	0.9	0.0	0.0	0.0	0.0
Library Aide	0.6	1.1	0.8	0.7	0.9
Office / Clerical: Subtotal	12.6	7.7	7.3	3.4	6.4
Bookkeeping	0.0	0.7	1.1	0.0	0.6
Clerical	6.8	3.2	3.2	3.4	3.3
Teaching Aide	5.8	2.5	1.9	0.0	1.6
Other Office / Clerical	0.0	1.3	1.1	0.0	0.9
Crafts / Trades	0.9	0.0	1.1	3.3	1.3
Transportation	1.8	4.3	3.0	4.3	3.9
Custodial	10.0	6.7	6.8	6.3	6.6
Food Service	4.8	4.6	3.5	5.2	4.5
Guard/ Watchman	0.3	0.0	0.0	0.2	0.1
Monitoring	1.6	1.0	0.0	2.2	1.1
Attendant	0.0	0.0	0.0	0.4	0.1
Total FTEs	114.9	96.2	98.5	106.2	100.0

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

Note: FTE numbers have been adjusted to allow for an accurate comparison between Windham EVSD and peer districts

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

As illustrated in **Table 3-2**, Windham EVSD has a higher FTE per 1,000 ADM than the peer average in numerous classifications. In an effort to reduce expenditures, Windham EVSD's Board of Education (the Board) approved 18.9 FTE staffing reductions which will occur at the end of FY 2002-03. **Table 3-2a** illustrates the staffing levels per 1,000 ADM based on the approved reductions.

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

Category	Windham	Felicity-Franklin	Leetonia	Osnaburg	Peer Average
ADM	1,096	1,222	876	899	999
Administrators: Subtotal	6.4	5.7	6.8	5.4	6.0
Central Based Administrators	1.8	1.6	2.3	2.1	2.0
Site Based Administrators	4.6	4.1	4.5	3.3	4.0
Professional Education: Subtotal	66.0	64.3	68.1	73.7	68.1
Counseling	1.8	1.6	3.4	3.3	2.7
Librarian / Media	1.8	1.6	1.1	1.1	1.3
Remedial Specialists	2.7	0.0	2.3	5.6	2.3
Regular Education Teachers	43.8	47.9	49.1	45.9	47.6
Special Education Teachers	10.0	7.4	4.6	7.8	6.7
Vocational Education Teachers	1.8	1.6	0.0	2.2	1.3
Tutor / Small Group Instructor	0.0	0.0	1.1	0.0	0.3
Educational Service Personnel ¹	4.1	4.2	6.5	7.8	5.9
Professional – Other	2.7	0.8	1.1	1.1	1.0
Technical: Subtotal	0.5	1.1	0.8	0.7	0.9
Computer Programming	0.5	0.0	0.0	0.0	0.0
Library Aide	0.0	1.1	0.8	0.7	0.9
Office / Clerical: Subtotal	9.4	7.7	7.3	3.4	6.4
Bookkeeping	0.0	0.7	1.1	0.0	0.6
Clerical	5.4	3.2	3.2	3.4	3.3
Teaching Aide	4.0	2.5	1.9	0.0	1.6
Other Office / Clerical	0.0	1.3	1.1	0.0	0.9
Crafts / Trades	0.5	0.0	1.1	3.3	1.3
Transportation	1.4	4.3	3.0	4.3	3.9
Custodial	6.4	6.7	6.8	6.3	6.6
Food Service	4.1	4.6	3.5	5.2	4.5
Guard/ Watchman	0.0	0.0	0.0	0.2	0.1
Monitoring	0.8	1.0	0.0	2.2	1.1
Attendant	0.0	0.0	0.0	0.4	0.1
Total FTEs	98.2	96.2	98.5	106.2	100.0

Source: FY 2002-03 EMIS Staff Summary Report, School Enrollment from Windham EVSD and the peer districts, Windham EVSD Fiscal Caution Recovery Plans and Interviews.

Note: Windham EVSD's FTE numbers have been adjusted to reflect changes approved by the Board to address the financial situation at the District according to current year ADM. FTE numbers for the peer districts have been adjusted to allow for an accurate comparison between Windham EVSD and peer districts.

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

As illustrated by **Table 3-2a**, the Board approved reductions have reduced the staffing levels in some of the high categories and positions. Nonetheless, Windham EVSD has higher FTEs per 1,000 ADM in the following classifications:

- Site-based administrators (see page 3-8);
- Librarian/Media (see page 3-8);
- Remedial specialists (see page 3-8);
- Special education teachers (see page 3-8);

- Vocational education teachers (3-8);
- Professional other (see page 3-8);
- Computer programming (see page 3-8);
- Clerical (see page 3-9); and
- Teaching aides (see page 3-9).

Collective Bargaining Agreements

Certificated and classified personnel within Windham EVSD are governed by negotiated agreements. During this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial implication on Windham EVSD. The implementation of any recommendations would require negotiations with the respective unions. **Table 3-3** and **Table 3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparisons

	Windham	Leetonia	Osnaburg
Length of work day	7 hours, 30 minutes	7 hours, 15 minutes	7 hours, 30 minutes
Maximum class size	None	K-6 grade: organized into three sections; 7-12 grade: 34 students maximum except for music; No more than 175 students per day	None
Number of Contract Days	183 days	184 days	185 days
Instructional Days	178 days	178 days	181 days
In-Service Days	3 days	4 days	3 days
Parent/Teacher Conference	2 days	2 day	1 days
Maximum number of sick days accrued	300 days	280 days	291 days
Percentage of sick days paid out at retirement	25% of total days; 75 days max.	25% of first 160 days; 13% of remaining days up to the 55.6 days max.	One time 25% of total; 58 days max.
Personal days	2 restricted days 2 unrestricted days	3 days	3 days
Notice required	2 days notice	3 days notice	5 days notice
Association business leave	9 days at the expense of Windham EVSD	6 days with the Association paying for a substitute on the first, third, and fifth day taken	3 days at the expense of Osnaburg LSD
Sabbatical leave	1 year paid at the difference between staff salary and replacement salary for staff with 5 years of service and a professional or permanent certificate	1 year unpaid allowed for one employee per year after 5 years of service	None
Pick-up of employee's STRS contribution by district	None	None	100 percent of the employee's share due to STRS
Retirement Incentive	Voluntary retirement after 30 years of service receives severance pay 15 percent of contract (approx. \$8,240) ¹	None	\$15,000 with 25 years of service and age 55 or 30 years or age 60+
Cost of living increases each year of the contract	2001-02: 4.0% 2002-03: 3.0% 2003-04: 3.5%	2001-02: 3.0% 2002-03: 3.0% 2003-04: 3.0%	2001-02: 4.0% 2002-03: 4.0% 2003-04: 3.0%

Source: Certificated negotiated agreements from Windham EVSD and the peer districts; interview with the personnel of Windham EVSD and peer districts.

Note: Contract comparisons did not include Felicity-Franklin LSD because the district operates without negotiated contracts for certificated staff.

¹Calculated as 15 percent of the maximum salary for 30 years of service in the certificated step schedule.

Table 3-4: Classified Contractual Agreement Comparisons

	Windham	Leetonia	Osnaburg
Minimum call-in hours paid to employees for emergencies	2 hours	No minimum	No minimum
Vacation time to accumulate	1 to 8 years: 10 days 9 to 15 years: 15 days 16 + years: 20 days	1 to 4 years: 10 days 5 to 13 years: 15 days 14 + years: 20 days	0 to 4 years: 10 days 5 to 7 years: 12 days 8 to 9 years: 15 days 10 to 14 years: 17 days 15 to 19 years: 20 days 20 to 30 years: 1 additional day for each year above 20 until 30 years
Sick / Personal leave incentive	Maximum of \$188 for not using 2 unrestricted personal days	2 days or less receive payment of up to \$300 based on the number of days used and the number of days contracted to work.	None
Maximum number of sick days accrued	280 days	2002-03: 255 days 2003-04: 260 days 2004-05: 265 days	1999-00: 285 days 2000-01: 285 days 2001-04: 300 days
Percentage of sick days paid out at retirement	25% of total days; 70 days max	25% of first 160 days; 13% of remaining days up to the 52.4 max.	25% with the following maximums: 1999-00: 13.5 days 2000-01: 14 days 2001-02: 14.5 days 2002-03: 14.75 days 2003-04: 15 days
Personal days	2 unrestricted days 2 restricted days	3 days	3 days
Notice required	8 hours prior to start of shift	3 days	2 days notice
Holidays for 12-month employees	10 days	11 days	9 days
Holidays for 9-month employees	9 days	6 days	8 days
Association business leave	9 days, Windham EVSD pays for substitutes	2 delegates may go, 3 days per year maximum.	6 days with association authorization: Osnaburg LSD pays for substitutes
Pick-up of employee's SERS contribution by district	None	None	6% of the employees compensation
Retirement Incentive	Voluntary retirement after 30 years of service receives severance pay 15 percent of contract (approx. \$6,000 based on highest classified salary)	None	None
Cost of living increases each year of the contract	2002-03: 4% 2003-04: 4%	2003-04: 3% 2004-05: 3%	1999-00: 3% 2000-01: 3% 2001-02: 4% 2002-03: 4% 2003-04: 3%

Source: Classified negotiated agreements from Windham EVSD and the peer districts; interview with the personnel of Windham EVSD and peer districts.

Note: Contract comparisons did not include Felicity-Franklin LSD because the district operates without negotiated contracts for classified staff.

In addition to the analyses in this report, additional assessments were conducted on several areas within the human resources section which did not warrant changes and did not yield any recommendations. These areas include the following:

- *Sight-based administrators:* The Board has approved 2.0 FTE staffing reductions in this category which include the director of curriculum, technology, and EMIS; and the director of special services. See the **facilities** section for additional reductions.
- *Librarian/media:* The Board approved reduction of 0.7 FTE library aide makes the Windham EVSD total library positions, including librarians/media and library aides, more comparable to the peers.
- *Remedial specialist staffing levels:* All positions under the EMIS remedial specialist category are funded through a Title I grant and do not reflect a savings on the General Fund.
- *Regular education teacher staffing levels:* Although initial analysis merited a reduction in regular education teaching staffing, the Board has approved the reduction of 4.0 FTE regular education teaching positions. These reductions result in a regular education teacher/ student ratio of 1:17.9 at Windham EVSD, which is comparable to the state average of 1:18.
- *Special education teacher staffing levels:* An analysis of the current special education teaching levels to the ODE Operating Standards for Ohio Schools Serving Children with Disabilities suggests a reduction in 1.0 FTE special education teaching position. The Board has approved the reduction of 1.0 FTE special education teaching positions.
- *Vocational education staffing levels:* Revenues received from ODE for Windham EVSD's vocational education are greater than the District's expenditures. Therefore, the General Fund is not subsidizing the vocational education program.
- *Professional other staffing levels:* Based on the number of special education students attending Windham EVSD and the number of current special education teachers, reducing staff in this category (psychologist, speech and language therapist, and nurse) would not be feasible because the services are needed for students in accordance with state law.
- *Computer programming:* Although Windham EVSD has more FTEs in the computer programming position category compared to the peer average, the Board has approved the reduction of 0.5 FTE in the computer programming position and the peer districts have staff in other EMIS categories performing similar tasks.
- *Clerical:* The Board has approved the reduction of 1.6 FTE clerical positions. Closer analysis of the total office/clerical category shows that the overall levels are comparable to the peer average because Windham EVSD does not have bookkeeping or other clerical staffing positions.

- *Teaching aides:* The Board has approved the reduction of 2.0 FTE teaching aide positions. While this reduction does not appear to make Windham EVSD more comparable to the peer average, the large percentage of special education students with IEPs prevents further reductions in this category.
- *Human resources staffing:* Windham EVSD does not have a centralized human resources department. All human resources functions are carried out by the superintendent, treasurer, superintendent secretary, principals, and supervisors.
- *Leave use:* Analysis revealed that leave use, an average of 9.1 days per staff, is not a significant issue at Windham EVSD.
- *Salary and supplemental contracts:* Windham EVSD has the fourth lowest starting teachers' salary in Portage County. The Board has the option of not filling supplemental positions, and has decided not to fill 17 positions for future years with another five positions pending.

In an effort to address the financial situation, the Board approved 18.9 FTE staff reductions and the closure of East Elementary School (see **facilities** section). Since these changes significantly improve Windham EVSD's financial situation, it is imperative that the Board approved changes are fully implemented prior to the start of the next school year.

General Recommendations

Benefits

R3.1 During future contract negotiations, Windham EVSD should seek changes to its health insurance. Windham EVSD should either reduce benefit levels or require all employees to pay 10 percent of the monthly premium costs for health insurance. Renegotiating the District's generous benefit levels could further lower monthly premiums and assist Windham EVSD in reducing costs. The employee contribution should remain stated as a percentage rather than a fixed dollar amount in order to help the District offset annual increases in health care costs.

Table 3-5 compares the FY 2002-03 healthcare monthly premiums for Windham EVSD, the peer districts and the SERB average for Ohio school districts. The amount Windham EVSD's full-time employees contribute towards their health insurance premiums is a percentage that is based on their hire date. According to the negotiated contracts and the treasurer, employees hired before September 1, 2001 (approximately 118 participants) pay five percent of the monthly premium, while those hired after September 1, 2001 (approximately five participants) pay 10 percent of the monthly premium.

Table 3-5: Health Insurance Premiums in FY 2002-03

District	Provider	Single Plan Monthly Premium	Single FTE Share	Family Plan Monthly Premium	Family FTE Share
Windham	Portage County Schools Consortium at 5%	\$294.70	\$14.74	\$720.35	\$36.02
	Portage County Schools Consortium at 10%	\$294.70	\$29.47	\$720.35	\$72.04
Felicity-Franklin	Anthem Blue Access (PPO)	\$264.66	\$67.08	\$667.15	\$67.07
	Anthem Blue Priority (HMP)	\$229.88	\$67.07	\$574.87	\$67.07
Leetonia ¹	LEVS Health and Vision Plan (Classified)	\$222.75	\$10.00	\$510.30	\$20.00
	LEVS Health and Vision Plan (Certificated)	\$222.75	\$15.00	\$510.30	\$30.00
Osnaburg	Mutual Health Services (CMMC)	\$255.20	\$0.00	\$619.96	\$0.00
	Aultcare (PPO)	\$255.20	\$0.00	\$619.96	\$0.00
	SuperMed (CMMC)	\$255.20	\$0.00	\$619.96	\$0.00
Peer Average		\$255.00	\$22.60	\$618.13	\$32.47
SERB Monthly Premiums for Districts with less than 1,000 Employees Covered		\$284.72	\$18.61	\$726.01	\$68.12
SERB School District Average		\$273.25	\$34.12	\$711.90	\$99.59

Source: District treasurers' office November 2002 Monthly Premium Report and 2001 SERB Report

¹ Premiums for the Leetonia LEVSD employees only reflect health care premiums, not vision.

Note: SERB averages have been increased by the historical 12 percent for single coverage and 14 percent for family coverage to reflect FY 2002-03 increases.

As shown in Table 3-5 for employees contributing five percent, the Windham EVSD employee share for single coverage is 35 percent less than the peer average and 21 percent less than the SERB average for similar districts. Furthermore, the employee

share for family coverage is 47 percent less than the SERB average. The State Employee Relations Board reports in the *2001 Report on Health Care Costs*, public employees' average monthly contributions are approximately 12 percent for single coverage and 14 percent for family coverage. Increasing the monthly premium for all insured Windham EVSD employees to 10 percent would save Windham EVSD \$339 for employees with single coverage and \$3,400 for employees with family coverage in the monthly premiums.

As part of the Portage County Schools Consortium, Windham EVSD provides generous health benefits in certain areas, which could contribute to the higher premium costs in **Table 3-5**. **Table 3-5a** illustrates key health insurance benefits of Windham EVSD's Portage County Schools Consortium plan compared to those of the peer districts' health plans.

Table 3-5a: Health Insurance Benefits in FY 2002-03

Description	Windham	Felicity-Franklin		Leetonia	Osnaburg	
Type of Plan	Major Medical	PPO	Traditional	Self Insured	PPO	Traditional
Office Visits	90% of first \$2,500 in network and 80% of first \$2,500 out of network	\$10 in network and 40% non-network co-payment	\$5	90% after deductible	90% in-network and 80% out of network	90% in-network and 80% non-network
Employee annual deductible	\$100(S)/\$200(F) in-network and \$200(S)/\$400(F) out of network	\$200(S)/\$400(F) in network and \$400(S)/\$800(F) non-network	\$1,000(S)/\$2,000(F)	\$ 100(S)/ \$ 200(F)	\$100(S)/\$200(F) in network; \$200(S)/\$400(F) non-network	\$100(S)/\$200(F)
Annual Out-of-Pocket maximum	\$ 350(S)/\$700(F) per person in-net and \$700(S)/\$1,400(F) per person out of network	\$1000(S)/\$2,000(F) network and \$2,000(S)/\$4,000(F) non-network	\$1,000(S)/\$2,000(F)	\$350 (S)/ \$700 (F) per person	In-network: \$500S/\$1,000F Out-network: \$1,000S/\$2,000F	\$500(S)/\$1,000(F)
Prescription plan included	Yes, with \$5 co-pay	Yes, \$8 gen./ \$15 brand/\$25 non-form	Yes, 30 day supply \$8 gen./\$15 brand/\$25 brand form	Yes, discount card	Yes, 20% co-pay	Yes, 20% co-pay
Need to choose primary physician	No	No	No	No	No	No
Maternity	Subject to deductible and coinsurance	80% network and 60% non-network	100%	90% after deductible	90% in-network and 80% out of network	80% after deductible
Well-child care	100% with \$500 annual maximum for birth to 12months and \$150 annual maximum for 1 to 9 years	\$10 in network and 40% non-network co-payment	\$5	90% after deductible \$500 annually	100% with a \$500 annually maximum to age 9	\$500 maximum annually to age 9 after deductible is met
Inpatient hospital care	90% of first \$2,500 in network and 80% of first \$2,500 out of network	80% network/ 60% non-network for 60 days for physical medicine/rehab	100%	90% after deductible	90% in-network and 80% out of network	90% in-network and 80% non-network
Percentage of Care and Treatment	90% of first \$2,500 in network and 80% of first \$2,500 out of network	100% of all benefits	100% of all benefits	Hire before 1993 90% after 1993 80%	90% in-network and 80% out of network	80% after deductible
Maximum Lifetime Benefit Amount	\$2 million	\$5million combined for network and non-network	Unlimited	\$1 million	Unlimited	Unlimited

Source: Contractual Agreements; Interviews; Medical insurance benefit books from Windham EVSD and the peer school districts

As indicated in **Table 3-5a**, the following health insurance benefits offered at Windham EVSD are more generous to those offered at the peer districts, thereby potentially contributing to the higher premiums at Windham EVSD.

- Annual out-of-pocket maximum,
- Co-pay for prescription plans, and
- Well-child care.

Financial Implication: Assuming Windham EVSD increases employee monthly premium contributions to 10 percent for all insured employees, the District would save

approximately \$45,000 annually. This calculation is based on the current number of full-time employees with single coverage (23 who contribute five percent) and the number of employees with family coverage (95 who contribute five percent and 5 who contribute 10 percent), and the respective monthly premiums of \$294.70 for single coverage and \$720.35 for family coverage.

Collective Bargaining Agreements

R3.2 During future contract negotiations, Windham EVSD should seek to eliminate or reduce the number of sick days paid out at retirement for staff to reduce the amount of financial liability for the District.

According to the negotiated agreement, Windham EVSD staff is paid 25 percent of the accumulated sick days up to a maximum of 75 days for certificated and 70 days for classified staff, compared to the peer average maximum of 57 and 34 days, respectively. Considering 17 percent of current staff is eligible for retirement prior to the end of the next contract period, this provision could become costly for Windham EVSD. For example, assuming the next contract is effective for four years (School Year 2004-05 through School Year 2007-08), Windham EVSD could pay approximately \$170,000 in sick leave for both certificated and classified staff. This calculation is based on the number of employees eligible for retirement during the next contract period, (eight certificated and three classified), the approximate daily rate for certificated (\$250) and classified (\$94) staff, and the maximum number of days to be paid out. Reducing the sick day payout at retirement to 57 for certificated would save the District approximately \$36,000. Reducing the sick day pay out for classified staff to 34 days would save the District about \$10,000.

Financial Implication: Assuming Windham EVSD is successful at renegotiating this contract provision, a total savings of \$46,000 (\$11,500 annually) could be realized for certificated and classified staff who are eligible for retirement during School Year 2004-05 through School Year 2007-08.

R3.3 During future contract negotiations, Windham EVSD should seek to reduce the number of Association business days provided for Association related activities each year, from nine days to five days. In addition, Windham EVSD should share the costs of providing a substitute with the Association, similar to peer districts, ultimately reducing the amount of financial responsibility and risk for the District.

Currently, both contracts allow for nine days of Association leave for a total of 18 days each year, whereas the peer average is five days per contract. Furthermore, Leetonia EVSD has incorporated a provision for the Association to pay for three of the six days when a substitute is provided. Association leave could be required for Windham EVSD

staff (both certificated and classified) for a number of reasons such as workshops, seminars, and/or grievance procedures. In theory, such leave benefits the District, Association, and the employee. According to Windham EVSD administration, Association leave days are rarely used because Windham EVSD administration, the Association, and the employee agree to address such issues during the employees' free period (before or after school, lunch or planning period) which alleviates the need for a substitute.

Financial Implication: Assuming the District implements this recommendation, and using the daily rates of certificated (\$250) and classified (\$94) with the Association paying for substitutes three of the five Association leave days, then Windham EVSD would avoid incurring potential costs of \$2,400 annually.

Financial Implications Summary

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

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.1 Increase employee monthly healthcare contribution	\$45,000
R3.2 Reduce the number sick days paid at retirement	\$11,500
R3.3 Reduce the number of Association leave days and share cost with the Association	\$2,400 (Cost Avoidance)
Totals	\$58,900

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Facilities

Background

The facilities section focuses on the custodial and maintenance operations within the Windham Exempted Village School District (Windham EVSD). The objective is to analyze building operations and develop recommendations for improvements and reductions in expenditures.

The Ohio School Facilities Commission (OSFC) construction project for Windham EVSD was completed in FY 2001-02. As a result, the District opened two new schools, including the junior/senior high school and one elementary school, Katherine Thomas. The remaining school building, East Elementary, was also renovated concurrently.

Organizational Structure and Function

Windham EVSD designates one individual as the supervisor of maintenance, custodial and transportation activities. The supervisor's main responsibilities are to do the following: direct maintenance staff for special work orders outside the scope of daily activities, review the work of the custodians and maintenance employees, order supplies for the buildings, and maintain the grounds. However, school principals are responsible for the daily supervision of custodial and maintenance staff assigned to their buildings. This includes completing annual performance evaluations of those staff assigned to their respective school.

The custodial staff is responsible for opening, closing and cleaning the buildings. During the winter, the custodial staff removes snow and ice from the walkways. The maintenance staff is responsible for maintaining buildings, responding to emergency repair needs, delivering equipment and supplies to the buildings, and completing the majority of the grounds work. Additionally, the supervisor also responds to more difficult maintenance tasks the staff are not trained to complete, such as HVAC maintenance and repairs.

Table 4-1 contains the staffing levels and the number of full-time equivalent employees responsible for maintaining Windham EVSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalents for FY 2001-02

Classification	Total Number of Positions	Number of Full-Time Equivalents
Supervisor ¹	1.0	0.4
Total Administration	1.0	0.4
Maintenance-Custodial	1.0	1.0 ²
Maintenance-Mechanic	1.0	0.5
Maintenance	1.0	1.0
Supervisor ¹	0.0	0.3
Total Maintenance	3.0	2.8
Custodian	9.0	9.0
Total Custodial	9.0	9.0²
Total	13.0	12.2

Source: Windham EVSD superintendent's office, EMIS and supervisor interview

¹ The supervisor is 0.3 FTE as a maintenance staff person completing tasks, 0.4 FTE as maintenance/custodial supervisor and 0.3 FTE performing transportation duties. See the **transportation** section for additional information.

² The District has two positions that are divided equally between maintenance and custodial duties.

In FY 2001-02, Windham EVSD's custodial and maintenance staff consisted of 12.2 FTEs, including the supervisor. Windham EVSD has four school buildings, including two elementary schools, a junior high school and a high school. The two elementary schools are each assigned 2.5 custodial FTEs, the junior high school is assigned 1.0 FTE and the high school is assigned 3.0 FTEs. For maintenance duties, the District has 1.0 FTE that is assigned to the junior and senior high school, and two 0.5 FTEs that are each assigned to the two elementary schools.

Key Statistics

Key statistics related to the maintenance and operations of Windham EVSD are presented in **Table 4-2**. In addition, results from the 31st annual American Schools & University, Maintenance & Operations Cost Study (AS&U), which was released in April 2002, are included in the table and throughout the facilities section of the report. AS&U mailed a detailed survey to chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. Unlike previous years, AS&U reports where results were divided into regions, this year's report provides the median square footage for each category on a national level and by district enrollment (less than 1,000 students; 1,000 to 3,499 students; and greater than 3,500 students).

According to the 31st Annual AS&U study, long-term and preventive maintenance issues continue to be a central theme in school building maintenance. The study states, "Even as the effects of inadequate maintenance continue to plague many of the nation's school buildings,

maintenance and operations budgets continue to be among the first cut during tight financial times – resulting in a classic ‘pay me now or pay me later’ scenario.”

Unless otherwise noted, peer district averages do not include statistics for Windham EVSD.

Table 4-2: Key Statistics and Indicators

Number of School Buildings	4
- Katherine Thomas Elementary School	1
- East Elementary School	1
- Windham EVSD Junior High School	1
- Windham EVSD High School	1
Total Square Feet Maintained	225,111
- Katherine Thomas Elementary School	70,250
- East Elementary School	45,965
Total Elementary School	116,215
- Windham EVSD Junior High School	31,764
- Windham EVSD High School	77,132
Square Feet Per FTE Custodial Staff Member (9.0)	25,012
- Katherine Thomas Elementary School (2.5)	28,100
- East Elementary School (2.5)	18,386
Total Elementary School (5.0)	23,243
- Windham EVSD Junior High School (1.0)	31,764
- Windham EVSD High School (3.0)	25,711
AS&U 31st Annual Cost Survey for 1,000-3,499 Students	24,782
AS&U 31st Annual Cost Survey National Average	23,985
Peer District Average	25,773
Square Feet per FTE Maintenance Employee (2.8)	80,397
AS&U 31st Annual Cost Survey for 1,000-3,499 Students	86,204
AS&U 31st Annual Cost Survey National Average	89,000
Peer District Average	116,959
FY2001-02 Maintenance and Operations Expenditures Per Square Foot	\$4.79
- Custodial and Maintenance	\$2.07
- Utilities	\$2.08
-Other ¹	\$0.64
AS&U 31st Annual Cost Survey for 1,000-3,499 Students	\$3.30
AS&U 31st Annual Cost Survey National Average	\$3.34
Peer District Average	\$3.85

Source: Windham EVSD and peer districts; AS&U 31st Annual Maintenance & Operations Cost Survey

¹Other includes purchased services, supplies and materials, and capital outlay.

Financial Data

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

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2002-03 Budget Total	FY 2001 to FY 2002 Percentage Change	FY 2002 to FY 2003 Budget Percentage Change
Salaries	\$308,393	\$320,356	\$330,585	3.9%	3.2%
Benefits	\$120,128	\$145,632	\$181,758	21.2%	24.8%
Purchased Services	\$39,217	\$57,402	\$85,178	46.4%	48.4%
Utilities	\$449,343	\$469,152	\$483,732	4.4%	3.1%
Supplies/ Materials	\$36,901	\$59,961	\$60,148	62.5%	0.3%
Capital Outlay	\$1,369	\$24,046	\$3,500	1,656.5%	(85.4%)
Other	\$917	\$1,537	\$1,750	67.6%	13.9%
Total	\$956,268	\$1,078,086	\$1,146,651	12.7%	6.4%

Source: Windham EVSD Treasurer's Office

Explanations for significant variances in **Table 4-3** are as follows:

- *A 21.2 percent increase in benefits from FY 2000-01 to FY 2001-02 and a 24.8 percent increase for FY 2002-03 budget:* Costs for medical insurance, dental insurance and prescription drugs increased 6.25 percent and 37.6 percent. See the **human resources** section for additional information. Additional insurance cost increases carried over to FY 2003.
- *A 46.4 percent increase in purchased services from FY 2000-01 to FY 2001-02 and a 48.4 percent increase for FY 2002-03 budget:* Windham EVSD experienced a 49 percent increase in property insurance rates due to new buildings, an increase in boiler maintenance and repairs, and incurred costs for construction and paving of sidewalks in FY 2001-02. For FY 2002-03, property insurance rates continued to increase and a larger payment for the District share of the environmental consultant provided through Portage County Educational Services Center is due for FY 2003. Windham EVSD purchases its property insurance through Portage County Educational Service Center.
- *A 4.4 percent increase in utilities from FY 2000-01 to FY 2001-02:* In aggregate, the utility costs only increased 4.4 percent. However, District electricity costs increased 26.2 percent.

In FY2001-02, all new or renovated buildings were open and in use. These buildings are larger in size than the old buildings, and they have larger and more complex heating and cooling systems.

- *A 62.5 percent increase in supplies from FY 2000-01 to FY 2001-02:* Windham EVSD purchased additional supplies due to the increased needs of the new, larger school buildings.
- *A 1,656.5 percent increase in capital outlays from FY 2000-01 to FY 2001-02 and a 85.4 percent decrease for FY 2002-03 budget:* Windham EVSD purchased grounds equipment for \$21,200 and a water softener for \$1,620 in FY 2001-02. No major equipment purchases were budgeted for FY 2003.
- *A 67.6 percent increase in Other from FY 2000-01 to FY 2001-02 and a 13.9 percent increase in budgeted FY 2002-03:* The new buildings for Windham EVSD include ten additional boilers. Therefore, the increases are due to additional expenditures for boiler maintenance and repairs, as well as fire alarm inspections.

Revenue from the General Fund is used to support the maintenance and operations of Windham EVSD facilities. As shown in **Table 4-3**, in FY 2001-02, the General Fund provided approximately \$1.1 million for building operations and expenses including custodial and maintenance staff salaries and benefits, supplies and materials, purchased services, and capital outlay. **Table 4-4** compares Windham EVSD's FY 2001-02 General Fund custodial and maintenance related expenditures per square foot to peers.

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

Expenditure	Windham EVSD	Felicity-Franklin	Leetonia	Osnaburg	Peer Average	AS&U 1000-3,499 Students
Custodial and Maintenance Salaries and Benefits	\$2.07	\$2.41	\$1.89	\$1.95	\$2.08	\$1.63
Purchased Services	\$0.25	\$0.64	\$0.20	\$0.58	\$0.47	\$0.02
Utilities	\$2.08	\$1.40	\$0.84	\$0.76	\$1.00	\$1.20
Supplies/ Materials	\$0.27	\$0.07	\$0.22	\$0.21	\$0.17	\$0.28
Capital Outlay	\$0.11	\$0.02	\$0.00	\$0.32	\$0.11	N/A
Other	\$0.01	\$0.05	\$0.00	\$0.00	\$0.02	\$0.17
Total General Fund Expenditures	\$4.79	\$4.59	\$3.15	\$3.82	\$3.85	\$3.30

Source: Windham EVSD and peer district treasurers' offices, FY 2001-02 expense budget worksheets for the General Fund, 2700 Function and AS&U 31st Annual Maintenance and Operations Cost Survey

According to **Table 4-4**, Windham EVSD General Fund expenditures per square foot are greater than the peer average for utilities and supplies (see **R4.1** through **R4.3**). Custodial and maintenance salaries and benefits are the second highest of the peers, which is attributed to higher staffing levels at Windham EVSD (see **R4.3**).

In addition to the analyses in this report, additional 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:

- *Permanent improvement levy*: Although Windham EVSD does not have a permanent improvement levy, it does have a .05 mill maintenance levy (see **R4.4**).
- *Custodial and maintenance overtime usage*: Windham EVSD overtime is 2.6 percent of salaries, which is comparable with the peers.
- *Vacant and leased buildings*: Windham EVSD does not own any vacant or leased buildings.
- *Property Insurance Rates*: Although property insurance rates have increased, Windham EVSD is using group purchasing through the Portage County ESC in an attempt to obtain low rates.
- *Custodial and maintenance salaries*: Custodial and maintenance base salaries are lower than the peers.

General Recommendations

Custodial and Maintenance Operations

- R4.1 Windham EVSD should review and update its current energy conservation policy to include building and room temperature guidelines that reflect the Facilities Management Handbook. Windham EVSD should electronically block all room temperature settings from being manually adjusted. The system should only be controlled by assigned maintenance staff.**

Windham EVSD has an energy conservation policy that neglects to identify specific energy guidelines for the District, including room or building temperature-setting standards. Every room is equipped with temperature sensors that are electronically monitored and controlled from a central computer. However, Windham EVSD does not electronically block every sensor from manual adjustments at Katherine Thomas and East Elementary. Instead, Windham EVSD stated that HVAC temperature settings are variable, but generally set between 72 to 75 degrees during the school year in all of the buildings. The District does not plan to use the air conditioning system during the summer. According to Windham EVSD maintenance staff, the system is designed to run most efficiently when it is centrally controlled and the sensors are blocked. Therefore, without an optimal room temperature setting, the overall efficiency is reduced and the District may have additional utility costs.

According to the Facilities Management Handbook, the potential energy savings from adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating could reduce costs approximately 16 percent if there were no other energy management efforts in place. Therefore, if Windham EVSD changes the thermostat settings to reflect the facility management guidelines, it could reduce utility expenditures and allow the allocation of funds to other district priorities. As part of this process, Windham EVSD should consider setting different temperatures for kindergarten and special needs rooms, as noted in the Association of School Business Officials International's *School District Energy Manual*. In addition, turning off or programming equipment to power down when not in use would also reduce utility costs.

Financial Implication: Adjusting thermostat settings in each building to those recommended in the *Facilities Management Handbook* could potentially save Windham EVSD approximately 16 percent in utility expenditures. Based on actual FY 2001-02 utility expenditures of approximately \$396,000 (see **Table 4-3**), which excludes East Elementary due to its potential closure (see **R4.3**), Windham EVSD could save approximately \$63,400 annually.

R4.2 Windham EVSD should strive to make as many purchases as possible through consortiums and group purchasing agreements, as outlined in the District cooperative purchasing policy. Group purchasing could help reduce overall purchasing costs by taking advantage of already negotiated pricing. In addition, Windham EVSD should consider joining the Ohio Schools Council (OSC) to take advantage of group purchasing for commodities such as electricity, natural gas, diesel and gasoline fuel, and other materials and supplies. OSC would offer Windham EVSD the benefits of group purchasing and the opportunity to realize cost savings. Purchasing from state contracts should also be considered. Finally, Windham EVSD should consider designating one person to coordinate these activities in accordance with existing District policy. This will ensure that all purchase requests are adequately screened for budget authority, proper supplier selection, and pricing.

As identified in **Table 4-3**, the Windham EVSD supplies/materials cost increased approximately \$43,000 from FY2000-01 to FY2001-02, and the electricity costs increased 26.2 percent from FY2000-01 to FY2001-02. Although the new buildings may have contributed to some of these increases, the District spends more per square foot in these areas than the peer average (see **Table 4-4**) and is also higher than the AS&U average for utilities.

Windham EVSD does participate in group purchasing for food service supplies and for electricity for the elementary schools. However, consortium purchasing is not used to obtain supplier discounts for its supplies, materials, fuel or other utilities. According to the treasurer, the District has not done any research into consortium opportunities for FY 2002-03. In addition, maintenance and supply purchases are initiated by either the high school maintenance employees or the maintenance and custodial supervisor, instead of being centralized in the business office and assigned to a specific person. Centralizing the purchasing process improves control and monitoring of items purchased and their costs. For instance, Felicity Franklin LSD uses a central purchasing process for its supplies, which could contribute to its lower cost per square foot for supplies and materials (see **Table 4-4**).

Table 4-3 indicates supplies and materials expenditures increased 62.5 percent in FY2001-02. Materials and supplies for building and maintenance repairs are purchased locally without taking advantage of centralized group purchasing. Windham EVSD may financially benefit by using a cooperative purchasing agreement for materials and supplies, similar to Felicity Franklin LSD. Felicity Franklin LSD has the lowest cost per square foot for supplies and materials (see **Table 4-4**), which is primarily due to purchasing most of their supplies through the Hamilton/Clermont Cooperative

Association's (H/CCA) unified purchasing program. H/CCA negotiates prices with various suppliers to provide a lower cost to the schools in Hamilton and Clermont counties.

The District also estimated a 10.1 percent increase in natural gas costs for FY 2002-03. By becoming a member of the Ohio Schools Council, Windham EVSD could take advantage of its group purchasing agreements. For natural gas, OSC negotiated a long-term contract for its members that established the purchasing terms and conditions. The current agreement has approximately 11 years remaining. **Table 4-5** illustrates the associated cost savings Windham EVSD would realize with a reduction in natural gas prices.

Table 4-5: Calendar Year 2002 Natural Gas Cost

	Average Cost per thousand cubic foot (MCF) Calendar Year 2002 ¹	Annual Cost
Windham EVSD ²	\$6.88	\$133,480
OSC	\$6.00	\$116,410
Difference	\$.88	\$17,070

Source: Windham EVSD and Ohio Schools Council (OSC)

¹ The cost includes the price of natural gas and a calculated transportation charge

² Does not include East Elementary, which is planned to close for FY 2003

As identified in **Table 4-5**, an estimated reduction of \$.88, or 14.6 percent, in natural gas costs would result in annual savings of approximately \$17,000.

Windham EVSD currently participates in an electric cooperative for its elementary schools. The junior and senior high schools are provided electricity directly from a major electric company. As a result of this performance audit, the District has asked its electric cooperative to review the junior and senior high school electricity usage and load factor to determine if there would be a savings to switch suppliers. Windham EVSD saved approximately \$1,200 in the last 12 months for its elementary schools by participating in the electric cooperative. OSC has an electricity buying program that currently is not accepting additional members.

OSC offers school districts additional group purchasing benefits for a wide variety of services, and goods. According to OSC, members received discounts of as much as 77.5 percent, and averaged 35 percent savings during FY 2001-02. To become a member of OSC, Windham EVSD would pay a one-time \$800 fee and an annual cost of \$0.15 per district student, or a minimum of \$350.

Financial Implication: If Windham EVSD joined a purchasing cooperative such as OSC, the savings would be approximately \$21,000 annually. Windham EVSD may also be able to realize a potential annual cost savings of approximately \$17,000 for natural gas by

joining the OSC. The initial cost to become a member of OSC is \$800, and the annual fee is \$350. Therefore, estimated net savings for supply purchases and natural gas as a result of joining OSC would be approximately \$37,000 the first year, and 38,000 each year thereafter. In addition, if the current electric cooperative is successful in obtaining lower rates for the junior and senior high school, WEVSD could save an additional \$1,200 annually based on the elementary schools savings.

Capacity Utilization and Maintenance/Custodial Staffing

R4.3 Windham EVSD should consider closing East Elementary and moving grades four through six to Katherine Thomas Elementary. If Windham EVSD elects to make these changes, the district will achieve an improved building utilization rate for Katherine Thomas and reduce overall operating expenses. In addition to the approved reductions, Windham EVSD should reduce 1.0 FTE principal position by closing East Elementary.

Table 4-6 compares Windham EVSD FY 2002-03 enrollment figures to enrollment figures for five previous school years.

Table 4-6: Windham EVSD Enrollment History

School Year	Windham EVSD	Percent of Change from Previous Year
2002-2003	1,132	2.26%
2001-2002	1,107	(0.45%)
2000-2001	1,112	(4.06%)
1999-2000	1,159	2.39%
1998-1999	1,132	(9.08%)
1997-1998	1,245	N/A

Source: Ohio Department of Education

Although FY2002-03 enrollment is identical to FY1998-99, **Table 4-6** illustrates that Windham EVSD enrollment has decreased three out of the last five years. In addition to the ODE projections, the District performed a statistical enrollment analysis based on recent enrollment history trend data, county birth records, county population projections and students who attend the Maplewood Career Center. The analysis showed enrollment declines would continue over the next ten years.

Table 4-7 compares each school building's student capacity to the FY2002-03 student head count to determine the building utilization rates. The Auditor of State (AOS) calculated the buildings' capacities using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular, full day kindergarten and pre-school classrooms by 25 students, the number of half-day kindergarten and pre-school rooms by 50 students, and the number of special education classrooms by 10 students. These three products are

then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library and computer labs are set-aside and excluded from the number of rooms used in the calculation. The capacity in the junior and senior high schools are calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.

Table 4-7: FY 2002-03 Building Capacity and Utilization Rates

Building	Grade Level	Building Capacity	2002 Head Count	Over/(Under) Capacity	Building Utilization Rate
Windham HS	Nine-Twelve	474	328	(146)	69.2%
Windham JS	Seven-Eight	325	166	(159)	51.1%
East ES	Fourth-Sixth	340	252	(88)	74.1%
Katherine Thomas ES	Pre-school-Three	795	386	(409)	48.6%
Total For All Buildings	N/A	1,934	1,132	(802)	58.5%

Source: Windham EVSD EMIS 2002-2003 school enrollment report

Based on the current utilization rate of 48.6 percent for Katherine Thomas Elementary, there is adequate space available to accommodate additional students. Moving the fourth through sixth grade students to Katherine Thomas would allow Windham EVSD to close East Elementary, which is the smallest of its facilities.

Table 4-8 illustrates how redistributing the fourth through sixth grade students from East Elementary to Katherine Thomas Elementary would affect the building utilization levels at Katherine Thomas Elementary.

Table 4-8: FY 2002-03 Adjusted Building Capacity and Utilization Rates

Grade Level	Number of students at Katherine Thomas Elementary
Preschool	77
Kindergarten	84
First	78
Second	69
Third	78
Fourth	91
Fifth	83
Sixth	78
Revised Head Count	638
Revised Building Capacity	795
Over/(Under) Capacity	(157)
Adjusted Building Utilization Rate	80.3%
Current Building Utilization Rate	48.6%

Source: Windham EVSD EMIS 2002-2003 school enrollment report

As indicated by **Table 4-8**, the adjusted building utilization rate for Katherine Thomas would increase to 80.3 percent, which is approximately 32 percent more than its current rate and only 4.7 percent less than an optimal capacity rate of 85 percent. Closing East Elementary would allow Windham EVSD to reduce operating expenditures by approximately \$305,000, consisting of approximately \$97,000 in salary and benefit costs for 2.5 FTE custodians and 0.5 FTE maintenance employees; \$134,000 in salary and benefits for the principal, clerical staff (0.81 FTEs) and food service staff (0.84 FTEs); and \$74,000 in utility costs. During this performance audit, the District closed East Elementary and reduced the above mentioned positions, except for the principal. In addition, Windham's forecast includes these staffing reductions and savings related to utility costs (see the **financial systems** section).

By closing East Elementary, the new square footage (179,146) per custodian increases to 27,561, which is higher than the AS&U national average and average for 1,000 to 3,499 students, as well as higher than the peer average. However, the square footage per maintenance FTE decreases from 80,397 to 77,890. Therefore, Windham EVSD should consider allocating 100 percent of the position that currently spends 50 percent on

maintenance and 50 percent on custodian activities, to solely perform custodian functions. As a result, the new square footage per custodian FTE would be 25,593, which is more in line with the peer district and AS&U averages. In addition, the new square footage per maintenance FTE increases to 99,525, which is higher than both AS&U averages but 15 percent lower than the peer average. Since the classified collective bargaining agreement stipulates that this position be equally divided between custodial and maintenance duties, reallocating this position to solely perform custodial functions is subject to renegotiation.

During this performance audit, the Board began pursuing alternative building use options for East Elementary, including closing it or leasing it to another entity. Since ODE and Windham EVSD have projected enrollment declines over the next ten years, the District should continue to develop alternative uses for the excess space. Some alternatives to consider include leasing space and increasing open enrollment.

Financial Implication: Reducing 1.0 FTE principal position would save approximately \$75,000 annually in salaries and benefits costs.

R4.4 With the increased operating costs attributed to the new facilities, the District needs to identify all potential sources of revenue and consider earmarking revenue for capital and maintenance issues. This will ensure that funds are available to meet the increased operating costs resulting from the facilities overhaul that was completed in 2001 and help to protect the overall investment in the new buildings

Windham EVSD has an existing 0.5 mill levy for maintenance expenditures of classroom facilities. The levy was passed on November 4, 1997 and expires in 2019 as part of the overall process to receive funding from OSFC. Currently, this levy generates approximately \$23,000 for the District and it may be used to pay for all costs associated with maintaining and operating the schools. However, with the construction of new schools, utility and maintenance costs have increased sharply. At the current rate, the maintenance levy generates less than four percent of the total expenditures for maintenance and operations as identified in **Table 4-3**. Costs for purchased services, utilities, supplies and materials, capital outlay and other expenses for the old buildings averaged approximately \$234,000 in FY1999-00, while the average cost in FY2001-02 was approximately \$570,000. This represents an increase of 244.0 percent to operate the new buildings. This has put an undue burden on the General Fund. The District has not passed a levy for operating expenses since 1976 and the current five-year operating levy expires in 2003 and is subject to renewal.

Financial Implications Summary

The following table summarizes the estimated one-time costs, annual costs and annual cost savings for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Financial Implications Summary

Recommendation	Estimated One-Time Costs	Estimated Annual Costs	Estimated Annual Cost Savings
R4.1 Adjusting temperature settings			\$63,400
R4.2 Cooperative purchasing	\$800	\$350	\$39,000
R4.3 Closing East Elementary			\$75,000
Total	\$800	\$350	\$177,400

Transportation

Background

Windham Exempted Village School District (Windham EVSD) provided transportation to 375 regular and special needs students in FY 2002 using District owned buses and payments-in-lieu of transportation. The Board of Education (Board) adopted a formal transportation policy that states the District will provide transportation to any student, grades kindergarten through eighth (K-8), who live more than two miles from school, and to disabled students for a lesser distance, if the disability requires transportation. The transportation for grades nine through twelve (9-12) is optional. Therefore, the District's policy mirrors Ohio Revised Code (RC) 3327.01-transportation of pupils.

The Board may create exceptions to its established transportation policy when required. An example includes those instances when walking conditions to a school are extremely hazardous relative to the age of the child. According to the transportation supervisor, the Board has determined that all students beyond one mile of the school should be transported due to the lack of sidewalks and the rural environment of the area. However, this has not been formally passed as a resolution. Open enrollment students must be present at an existing District bus stop to receive bus transportation to a Windham EVSD school.

Table 5-1 identifies the total riders transported by Windham EVSD and the peer districts that will be used for comparison purposes in this performance audit.

Table 5-1: FY2001-02 Total Regular Needs and Special Needs Riders

FY 2001-02	Windham EVSD	Felicity-Franklin LSD	Leetonia LSD	Osnaburg LSD	Peer Average
Public Riders	362	962	657	716	778
Non-Public Riders	0	0	0	35	12
Community Riders	0	0	0	0	0
Payment-in-Lieu Riders	4	1	13	4	6
Total Regular Need Riders	366	963	670	755	796
Total Special Needs Riders	9	19	4	9	11
Total All Riders	375	982	674	764	807

Source: Windham EVSD and peer district's T-1 and T-11 forms

Organizational Structure and Function

Windham EVSD employs a transportation supervisor who oversees general transportation department operations. The transportation supervisor spends approximately 20 percent of his time managing the operations, which includes supervisory responsibilities for the mechanic, bus drivers and bus aides. He also substitutes as a bus driver and assists the mechanic in repairing District owned vehicles approximately 10 percent of his time. The remaining 70 percent of his time is dedicated to maintenance and custodial supervisory duties (see the **facilities** section). A District secretary is used to perform other functions for the transportation department including calling substitutes, scheduling field trips and handling time sheets.

Table 5-2 displays Windham EVSD's transportation department staffing levels in comparison to the peer districts.

Table 5-2: FY 2001-02 Transportation Department Staffing Levels

Staffing	Windham EVSD ¹		Felicity Franklin LSD ²		Leetonia LSD ³		Osnaburg LSD ⁴		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Coordinator	1.0	0.2 ⁵	1.0	0.5	1.0	0.5	1.0	0.1	1.0	0.4
Bus Drivers	6.0	3.0	14.0	6.9	6.0	4.3	11.0	5.7	10.3	5.6
Mechanics/Assistants	1.0	0.6 ⁵	2.0	1.0	0.0	0.0	1.1	1.1	1.0	0.7
Secretary	1.0	0.3	0.0	0.0	0.0	0.0	0.3	0.3	0.1	0.1
Total	9.0	4.1	17.0	8.4	7.0	4.8	13.4	7.2	12.4	6.8
Total Number of Students Transported	362		962		657		760		793	
Students Transported per Bus Driver FTE	121		139		153		133		142	
Students Transported per Total FTE	87		115		137		106		119	

Source: Districts' T-1, T-2 and T-11 Forms, District transportation departments

¹ Does not include 4 Windham EVSD students who received payment-in-lieu of transportation.

² Does not include 1 Felicity Franklin LSD student who received payment-in-lieu of transportation.

³ Does not include 13 Leetonia LSD students who received payment-in-lieu of transportation.

⁴ Does not include 4 Osnaburg LSD students who received payment-in-lieu of transportation.

⁵ The transportation supervisor and mechanic FTE status have been adjusted to accurately reflect actual hours spent in these positions.

Table 5-2 indicates that Windham EVSD's transports 14 percent fewer students per bus driver FTE and 27 percent fewer students per total FTE than the peer average. Therefore, Windham EVSD has a high level of staff per student (see **R5.5**).

Overall, Windham EVSD transported 371 students on 6 active buses, which traveled approximately 102,900 miles in FY 2001-02. Regular needs students were transported on 4.5 buses and special needs students were transported on 1.5 buses. Three buses were used for a combination of regular and special education runs. The mileage traveled for regular needs

students was 60,300, while the special needs students were transported approximately 42,600 miles.

Table 5-3 provides basic operating statistics and ratios for Windham EVSD.

Table 5-3: FY2001-02 Basic Operational Statistics

	Windham EVSD ¹	Felicity Franklin LSD ²	Leetonia LSD ³	Osnaburg LSD ⁴	Peer Average
Operational Statistics:					
Students Transported					
- Regular students	362	962	657	751	790
- Special needs	9	19	4	9	11
- Total	371	981	661	760	801
Miles Traveled					
- Regular students	60,300	129,600	89,640	128,520	115,920
Square Miles in district	15	84	27	36	49
Expenditures					
- Regular students	\$166,427	\$327,394	\$231,964	\$348,579	\$302,646
- Special needs	\$85,159	\$103,002	\$7,000	\$52,637	\$54,213
- Total	\$251,586	\$430,396	\$238,964	\$401,216	\$356,859
State Reimbursements					
- Regular students	\$129,900	\$208,414	\$140,016	\$154,578	\$167,669
- Special needs	\$16,530	\$38,682	\$3,416	\$12,112	\$18,070
- Total	\$146,430	\$247,096	\$143,432	\$166,690	\$185,739
Operational ratios:					
Regular students: Yellow Bus					
- Cost per mile	\$2.76	\$2.53	\$2.59	\$2.71	\$2.61
- Cost per bus	\$36,984	\$20,462	\$38,661	\$31,689	\$30,271
- Cost per student	\$460	\$340	\$353	\$464	\$386
- Students per bus	80	60	110	68	79
Special Needs Students:					
- Cost per student all methods	\$9,462	\$5,421	\$1,750	\$5,849	\$4,340
Active Regular Needs buses	4.5	16	6	11	11
Active Special Needs Buses	1.5	4	0	0	1
Spare Buses	3	2	3	3	3

Source: Districts' T-1, T-2 and T-11 Forms, District transportation departments; appropriate adjustments were made by AOS.

¹ Does not include 4 Windham EVSD students who received payment-in-lieu of transportation.

² Does not include 1 Felicity Franklin LSD student who received payment-in-lieu of transportation.

³ Does not include 13 Leetonia LSD students who received payment-in-lieu of transportation.

⁴ Does not include 4 Osnaburg LSD students who received payment-in-lieu of transportation.

As illustrated in **Table 5-3**, the cost per student (\$460) is 19 percent higher than the peer average, the cost per bus (\$36,984) is approximately \$6,700 or 22 percent higher than the peer average, and the special needs cost per student (\$9,462) is \$5,100 or 118 percent higher than the peer average. As a result, Windham EVSD has high operating costs for both its regular and special needs transportation services. Thus, several areas where the District could possibly

reduce costs or improve operational efficiencies have been identified in this report (see **R5.1 - R5.6**)

Although Windham EVSD has a similar number of buses as Leetonia LSD and is much smaller in size, it transports 27 percent fewer students per bus and its cost per mile and per student are higher than Leetonia LSD. The make-up of these districts contributes to the differences in operational statistics. According to the Leetonia LSD supervisor, the district transports its students in 66 percent urban and 33 percent rural areas. Windham EVSD transports 95 percent of its students in rural areas. Transporting a higher percentage of students in rural areas can naturally be more costly as compared to urban areas. Nonetheless, using the Portage County Regional Transport Authority (PARTA) to perform an analysis of routing could allow Windham EVSD to operate more efficiently (see **R5.5**).

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

- ***Paid work hours per day for bus drivers:*** During the current school year (FY2002-03), Windham EVSD has six bus drivers who are paid by the route and one driver who is paid by the hour. As defined in the labor agreement, the drivers paid by route are guaranteed payment for the routes assigned to them regardless of the hours used to complete them. Once the bus driver's salaries are converted to an hourly rate, both the Windham EVSD route-based and hourly-based salaries were comparable to the peer average.
- ***Tiered Bell Schedule:*** Windham EVSD has implemented a two-tier bell schedule to allow each bus to make two runs. Running an additional route decreases the size of the fleet needed to transport students. However, adding another tier would be difficult because the start time for the junior high and elementary school students would need to change, which may hinder the participation in the National School Breakfast and Lunch Program. Windham EVSD has a high number of students participating in the Program, and the breakfast portion is served during the half hour before school begins. Currently, the junior/senior high school cafeteria serves junior and senior high school students together. Therefore, a change in the schedule would make it difficult for junior or senior high school students to be dropped off in time to obtain breakfast, even if Windham EVSD extended the serving time to one hour. Additionally, another tier would negatively affect the start and end time for elementary school students. Furthermore, Windham EVSD is planning to synchronize the schedules of junior and senior high school students to accommodate teacher sharing between the two schools.

General Recommendations

R5.1 Windham EVSD should develop policies and procedures to ensure that accurate reports are prepared and reconciled before being submitted to the Ohio Department of Education (ODE). The T-Forms submitted to ODE are used to calculate the reimbursement a school receives for transporting students based on the expenses reported. The Treasurer should also ensure that proper classifications are being used when reporting the data to ODE to ensure the District has been compensated appropriately for its expenses to transport students.

During a review of Windham EVSD T-1, T-2 and T-11 Forms for FY 2001-02, Windham EVSD over-reported expenses for regular needs transportation and under-reported expenses for special needs transportation. As a result, Windham EVSD received excess ODE reimbursement for regular needs and insufficient ODE reimbursement for special education transportation.

With the assistance of the Windham EVSD treasurer, AOS staff reconstructed the T-1, T-2 and T-11 Forms using the best information available to complete an analysis of transportation operations. However, it is very difficult for the AOS to define the financial implication of erroneously reporting expenses due to the complexity of the mathematical formula used by ODE to calculate the ODE reimbursement amount. The following misrepresentations were found during the T-form review:

- The T-1 Form incorrectly represented the mileage, and the number of buses used by the District.
- The T-2 Form incorrectly represented the FTEs, bus driver salaries, maintenance and repair costs, tire costs, fuel costs, supplies cost, rental costs, retirement expenses, other insurance expenses and health insurance costs.
- The T-11 Form incorrectly represented the special needs bus driver retirement, health insurance and other insurance costs.

ODE has developed and published T-Form instructions to assist school districts in effectively reporting transportation expenses. All schools are required to provide specific student, staff, mileage, and financial data to ODE for processing. Entering data correctly helps to ensure comparability between school districts and correct State reimbursement. Therefore, Windham EVSD should develop policies and procedures to ensure accurate reports are prepared and reconciled. Correctly entered data will benefit the District because it can be used when making transportation decisions, including the number of buses that are needed when student enrollment fluctuates. If it is needed, Windham

EVSD should seek the necessary training and assistance to meet these objectives from its ODE Area Coordinator.

R5.2 Windham EVSD’s transportation supervisor should more actively manage bus maintenance and repairs and should keep a detailed record for each bus, either in electronic or hard copy. The District should be able to reduce its maintenance and repairs costs by better monitoring costs and implementing a better process for contracting out repair work.

According to the transportation supervisor, Windham EVSD’s bus repair work is generally handled on site unless it involves major work including engine rebuilds or thrust alignments. However, Windham EVSD does not have a tracking system that closely monitors the maintenance and repair expenses per bus. Insufficient records limit the transportation supervisor’s ability to control maintenance and repairs, and may contribute to the District’s high maintenance and repair costs (see **Table 5-4**). The District also has not implemented a competitive bidding process for outside work.

Windham EVSD’s fleet is not excessively old and should not require extensive repairs. **Table 5-7** details the ages and miles of the District’s buses. **Table 5-4** indicates that Windham EVSD has a high maintenance cost per bus. This figure includes services and supplies that are contracted out, tires, and the mechanics’ salary.

Table 5-4: FY 2001-02 Maintenance Costs and Ratios¹

	Windham EVSD	Franklin- Felicity LSD	Leetonia LSD	Osnaburg LSD	Peer Average
Maintenance and Repairs	\$8,649	\$11,041	\$39,002	\$5,583	\$18,542
Tires	\$3,526	\$7,272	\$2,087	\$1,579	\$3,646
Mechanics Salaries²	\$19,712	\$35,355	n/a ⁴	\$28,383	\$31,869
Total Expenses	\$31,887	\$53,668	\$41,089	\$35,545	\$43,434
Number of Buses³	7.5	18.0	8.0	14.0	13.3
Average Maintenance and Repairs Cost per Bus	\$1,153	\$613	n/a⁴	\$399	\$506
Average Mechanic Cost per Bus	\$2,629	\$1,964	n/a⁴	\$2,027	\$1,996
Average Maintenance Cost per Bus	\$4,252	\$2,982	\$5,136	\$2,539	\$3,552

Source: District FY 2001-02 T-1 and T-2 Forms and interviews

¹Includes only regular needs expenses only.

²Mechanic salaries include salary information for the mechanic and mechanic helper. The salary for Windham EVSD has been adjusted to reflect only 50 percent of the reported mechanic's salary and 10 percent of the supervisor, per interviews with the supervisor.

³Includes regular needs active and spare buses. It does not include special needs or other district owned vehicles because these expenses should not be included on the T-2 form.

⁴Leetonia LSD contracts out all of its maintenance and repairs needs, therefore AOS cannot reasonably differentiate the average maintenance and repairs cost per bus or the average mechanic cost per bus for this analysis.

As indicated in **Table 5-4**, the District spends approximately \$4,250 per bus, which is \$700 or 20 percent more than the peer average. When compared to the peer average for maintenance and repair cost per bus (\$506), Windham EVSD spends approximately \$640 or 127 percent more per bus. Windham EVSD also has a high average mechanic cost per bus (\$2,629), which is \$632 or 32 percent more per bus than the peer average.

Other AOS school district audits have shown that detailed record keeping for bus maintenance and repairs contributes to lower costs. Therefore, the transportation supervisor should assume greater responsibility for bus maintenance and repairs. He should keep a detailed record of the repair and maintenance work done on site to appropriately reconcile the District's 4502 statement to the T-forms and monitor expenses. This information should include the following information:

- Routine maintenance, including oil changes;
- On-site and contracted repairs, including time spent performing the tasks;
- Cost of maintenance and repairs contracted out;

- Mileage; and
- Fuel Usage.

Additionally, the transportation supervisor should create a separate file for each bus at the start of each fiscal year. The files should include maintenance and repair invoices, work completed on site, route lists and other pertinent documents. By maintaining more detailed records about each bus's maintenance and repairs, Windham EVSD could better monitor and control its expenditures for these items.

Furthermore, Windham EVSD does not consistently bid out services on a competitive basis. Windham EVSD should competitively bid out services and select vendors based on quality, service, convenience, warranty, and price. A purchase requisition should be sent to the treasurer for the estimated amount, including the specific bus on which the repair work will be performed. This will enable the treasurer to monitor expenses for reporting purposes (see R5-1). The purchase order should be issued to the supplier in the amount of the estimate. Invoices should be sent directly to the treasurer for review and approval. Once the invoice has been paid by the treasurer, the transportation supervisor should be sent a copy of the invoice for the bus's file.

Table 5-4 indicates that Osnauburg LSD has the lowest maintenance cost per bus. The district has lower costs because it uses the same dealership that sells buses to the Stark County Educational Services Center (ESC). The ESC has an agreement with the dealership to buy buses for all county districts. As a secondary benefit, the dealership provides Stark County districts with reduced service costs in order to retain ESC business. Currently, the Portage County Educational Service Center does not offer this benefit to its members. Therefore, Windham EVSD should contact the ESC to determine if this service could be added to the benefits offered to members to reduce bus purchasing, maintenance, and repair service costs.

Financial Implication: If Windham EVSD were to track its maintenance and repair costs more closely and select suppliers through a competitive process, it may experience costs more comparable to the peer average. Assuming Windham EVSD is able to reduce its maintenance and repair cost per bus to the peer average, it should be able to save approximately \$650 per bus, or \$5,000 annually.

R5.3 Windham EVSD should review its current fuel purchases and either renegotiate the price per gallon to align it with the State of Ohio Department of Administrative Services (ODAS) cost per gallon or purchase the fuel directly from the ODAS contract.

Windham EVSD does not use a competitive process to determine its fuel supplier. During the school year, Windham EVSD uses a fuel depot with scheduled refills every ten days.

Western Reserve Cooperative, a private company, supplies fuel to Windham EVSD at the pump price discounted by two cents per gallon; even though Windham EVSD does not meet the volume requirements for an official discounted rate.

As a school district in the State of Ohio, Windham EVSD is eligible to purchase fuel using the State contracted rate. The ODAS, Office of State Purchasing, uses a bidding process to purchase gasoline and diesel fuel at a discounted rate. In accordance with Section 125.04 of the Ohio Revised Code, the ODAS Director may permit a county, township, municipal corporation, or school district to participate in contracts into which ODAS has entered for the purchase of certain supplies, services, materials and equipment.

Table 5-5 indicates the price comparison between Windham EVSD's supplier and the State contracted rate.

Table 5-5: Estimated Fuel Price Comparison¹

	Western Reserve	BP/State Contracted Rate	Difference between Fuel Suppliers
Cost per gallon of diesel fuel²	\$1.53	\$1.45	\$0.07
Estimated Annual Cost	\$17,492	\$16,578	\$914

Source: Interviews, Ohio Department of Administrative Services

¹Estimate for the fuel price comparison is based on the number of miles traveled by Windham EVSD per year (102,900) using district owned diesel buses that operate using a gallon per 9 miles. Therefore, the total number of gallons used in one year is approximately 11,433.

²The fuel price was obtained from Western Reserve and the State contracted rate for the week of February 17th, 2003.

During the week of February 17, 2003 through February 23, 2003, Windham EVSD paid approximately \$1.53 per gallon, while the price for the State contract was \$1.45. In FY2001-02, the District was scheduled to transport its students approximately 102,900 miles. According to the transportation supervisor, the buses generally expend one gallon of diesel fuel for every nine miles traveled. Therefore, the District should use at least 11,400 gallons per year.

Financial Implication: If Windham EVSD were to obtain a price per gallon that is comparable to ODAS contracted rate, the District could save approximately \$900, or 5 percent, on annual fuel purchase costs.

R5.4 Windham EVSD should explore the following options to lower special needs transportation costs:

- **Promoting the formation of parent/guardian contracts with the District. Windham EVSD did not enter into parent/guardian contracts for any students in FY2001-02. While parents cannot be required to provide transportation,**

Windham EVSD can promote the use of these contracts with the goal of decreasing the total number of special needs students that receive bus transportation provided by the District.

- **Exploring contracted services to transport its special needs students and evaluating the cost effectiveness of using these services in lieu of using District-owned buses.**
- **Establishing agreements with neighboring school districts that may have compatible bus runs for its special needs students.**

Windham EVSD transported 9 special needs students in FY2001-02 using 1.5 buses. ORC § 3327.01 and Ohio Administrative Code (OAC) §3301-51-10 require every school district to transport all special needs students who live in the District to the school or facility that is defined in their Individual Educational Plan (IEP). Windham EVSD transports all nine students outside the District to other schools for their educational needs. Despite transporting fewer special needs students than the peer average, Windham EVSD's average cost per student of \$9,462 was the highest among the peer districts (see **Table 5-3**). Therefore, Windham EVSD should consider implementing one of the above options to reduce transportation costs for special needs students.

According to ODE, most parental/guardian contracts are set up on a per mile basis. The District agrees to set a price per mile and then pays the parent/guardian based on the miles traveled to drop-off and pick-up the student. Parental/guardian transportation for special education students is considered a purchased service.

The District should also investigate alternative methods of transportation available for residents of Portage County. For example, the Portage County Regional Transport Authority (PARTA) is equipped to handle special needs passengers, offers door to door service and also has regularly scheduled routes that run along the main corridors of Windham. If the District chooses to use PARTA, bus aides may ride PARTA vehicles free if they assist a student.

The District should also consider sharing special needs transportation services with neighboring districts. For example, Garrettsville Local School District travels to three of the same locations (Aurora, Ravenna and Champion) as Windham EVSD on a daily basis for its special needs students. A negotiation between Windham EVSD and Garrettsville, or another neighboring district, should follow the rules defined by ORC §3327. By entering into an agreement with a neighboring school, Windham EVSD should be able to reduce its services because it will be able to share the responsibility. The negotiated contract should allow Windham EVSD to pay less than \$9,462 per student.

Financial Implication: In FY2001-02, Windham EVSD transported nine special needs students for a total of 42,600 miles. The average mileage per student was approximately 26 miles per day, and the average cost per student was \$9,462.

If Windham EVSD enters into four parental contracts and pays each parent the equivalent of four trips per day (to and from the facility two times a day) at a rate of 36.5 cents per mile (based on the 2002 federal mileage rate), it would cost Windham approximately \$76 a day or \$13,700 per year. The annual cost savings would be approximately \$24,000.

If Windham EVSD enters into an agreement with PARTA to use predetermined routes for special needs students traveling to Ravenna, the cost per student each way would be 45 cents. Therefore, four students would be approximately \$3.60 per day or \$2,600 per year. The annual cost savings would be approximately \$35,000.

R5.5 Windham EVSD should consider using PARTA to perform an annual routing analysis for the District. Transportation routing software can be used to evaluate scheduling alternatives more efficiently.

In FY2001-02, Windham EVSD operated 4.5 buses to transport 362 regular needs students using a two-tiered system. As indicated in **Table 5-3**, Windham EVSD transports 80 regular needs students per bus. Although this number is higher than the peer average, **Table 5-6** illustrates the implications of reducing one bus.

Table 5-6: Regular Needs Student per Bus Capacity Utilization Analysis

Students per Bus ¹	Number of Buses	Potential Bus Reduction ²	Annual Cost Savings
103	3.5	1.0	\$36,984

Source: Windham EVSD transportation department, AOS analysis

¹ Windham EVSD uses 71 passenger buses, and 85 percent of manufacturer's seating capacity on buses is represented in this analysis.

² Based on FY2001-02, 362 regular needs students transported on District yellow buses.

Table 5-6 shows that Windham EVSD could save approximately \$37,000 annually by reducing one bus. With this reduction, Windham EVSD should have better utilization of its buses, and it would increase the students per bus to 103 students, which is slightly lower than Leetonia (110 students per bus).

AOS audits have shown it would not be cost effective for Windham EVSD to purchase routing software because the District transports less than 1,000 students and operates fewer than 10 buses. However, PARTA owns routing software and may be willing and able to perform an annual routing analysis for Windham EVSD. Windham EVSD should discuss its needs with PARTA and arrange an appropriate cost for this service. The use of routing software is shown to be effective for many school districts because it reduces the number of miles driven and time used to transport students.

By reducing one bus, Windham EVSD would also be able to reduce its staff by one bus driver. This will decrease the number of bus driver FTEs from 3.0 to 2.5. Therefore, the students transported per bus driver FTE will be 144:1, which is slightly higher than the peer average of 142:1. The students transported per total FTE will be 99:1, which is 17 percent higher than the peer average. Before implementing any transportation service reductions, Windham EVSD should ensure that student safety is not impacted.

Financial Implication: If Windham EVSD eliminates one bus, the cost savings for the District would be approximately \$37,000 annually, which includes the cost of the driver (see **Table 5.3**).

R5.6 Windham EVSD should include bus replacement in its capital planning. Included in this plan should be the number of buses to be replaced each fiscal year, along with the average age at the time of replacement and the estimated cost of replacement. Further, the District should investigate and analyze potential funding methods for bus purchases.

For FY 2002-03, Windham EVSD operated a total of nine diesel buses including two spares. However, Windham EVSD does not consistently use operating statistics to review the age and condition of the bus fleet, including maintenance cost per bus.

There are no state guidelines for bus replacement. A general consensus among ODE, private bus contractors, and school transportation departments is that a diesel powered bus should be replaced at 12 years of age or 200,000 miles. Gasoline powered buses should be replaced at approximately 150,000 miles. Regardless of age or mileage, as long as a bus can pass inspection, a district may continue to use it for transportation. **Table 5-7** lists Windham EVSD's bus inventory.

Table 5-7: FY2002-03 Bus Fleet by Model Year and Mileage

Model Year	Seating Capacity	Age	Average Bus Mileage February, 2003
1987 ¹	18	16	222,943
1990 ²	39	13	154,471
1990	71	13	137,681
1990	71	13	116,412
1996	71	7	71,435
1996	71	7	70,265
1997	71	6	63,629
1997	71	6	97,124
1999	71	4	50,780
Bus Fleet Average		9.4	109,416

Source: Windham EVSD Interviews

¹ A 1987 bus has been reconfigured to accommodate a wheelchair lift, thereby reducing its seating capacity from 71 to 18.

² A 1990 bus has been reconfigured to accommodate a wheelchair lift, thereby reducing its seating capacity from 71 to 39.

The average mileage of the District's fleet is 109,415 and the average age is 9.4 years. Of these buses, seven are used on a daily basis for FY 2002-03, and two are used as spares. The District is scheduled to receive a bus replacement in 2003 for the 1987 bus with 222,943 miles as soon as it is ready for service. Once the oldest bus is replaced, the average fleet mileage will be 84,644 with an average fleet age of 7.6 years.

As shown in **Table 5-7**, Windham EVSD currently has four buses that are 12 years or older. All buses have passed required inspections. Windham EVSD does not have a formal, written bus replacement plan which identifies the buses to be replaced in a given fiscal year or the funding source for the replacements. A formal replacement plan allows the District to better plan for its future capital needs.

Bus replacement is funded in part by the State and the balance by the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance.

Conversely, ODE reimburses special needs buses at 100 percent of the average cost for a special needs bus (\$50,999). ODE uses an average of all the special needs buses purchased by Ohio districts to derive the reimbursement amount depending on fund availability. If the district chooses to add additional options to the special needs vehicle, it is responsible for the difference between the reimbursement and the actual cost of the bus. In FY2002-03, Windham EVSD purchased a special needs bus for \$57,721, and will cover the difference of \$6,722 using funds from the General Fund.

In addition to the current method of paying for buses, another viable option could be to participate in the Ohio School Bus Pooled Financing Program. The program was created by the Ohio Association of School Business Officials and companies in the private sector. The program allows school districts to do the following:

- Finance school bus purchases over a 2-year to 10-year repayment period at the election of each school district.
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately to replace bus fleets without making a large lump sum capital outlay.

If Windham EVSD continues with its current practice of transporting students, it would need to replace a special needs bus within the next five years. However, if it implements **R5.4**, it may be able to continue with its current fleet and not spend the additional capital outlay for a new bus until at least FY 2008-09.

Financial Implication Summary

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

Summary of Financial Implications

Recommendation	Estimated Annual Costs Savings
R5.2 Tracking and competitive bidding of maintenance and repairs	\$5,000
R5.3 Renegotiate fuel purchases	\$900
R5.4 Explore options to reduce costs for special needs transportation	\$24,000
R5.5 Reduce one bus	\$37,000
Total	\$66,900

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