



Mary Taylor, CPA
Auditor of State

BETTSVILLE LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

DECEMBER 9, 2008



Mary Taylor, CPA

Auditor of State

To the Residents and Board of Education of the Bettsville Local School District:

On January 22, 2008, the Ohio Department of Education (ODE) completed a financial analysis of the Bettsville Local School District (Bettsville LSD or the District) in which it was projected that the District could incur a year end General Fund operating deficit by FY 2009-10. Subsequent to this financial analysis, a performance audit was initiated in Bettsville LSD. The three functional areas assessed in the performance audit were financial systems, human resources, and facilities. 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 in eliminating the conditions contributing to future years' deficits.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Bettsville LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a discussion of the financial condition of the District; a District overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study and financial implications. This report has been provided to Bettsville LSD, 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 further 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 "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 9, 2008

Executive Summary

Project History

In accordance with House Bill 119, the Auditor of State (AOS) conducted a performance audit of Bettsville Local School District (BLSD, or the District). Based on AOS research and discussions with BLSD officials, the following areas were assessed in the performance audit:

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

The goal of the performance audit process was to assist BLSD management and the Board in identifying cost saving opportunities and improving management practices. The ensuing recommendations comprise options that the District should consider in its continuing efforts to improve and stabilize its long-term financial condition.

District Overview

BLSD operates under a locally elected Board of Education (BOE), consisting of five members, that is responsible for providing public education to the resident students of the District. BLSD is located in Seneca County and encompasses the Village of Bettsville. The District serves an area of approximately 17 square miles and currently operates one elementary school, one middle school, and one comprehensive high school, all located in one building. The District employs 10 non-certified and 23 certified employees to provide services to 220 students in grades K through 12.

According to the FY 2006-07 District Report Card, BLSD met adequate yearly progress goals and obtained a performance index of 93.6, having met 21 out of 30 report card standards. The District had a graduation rate of 100.0 percent.

Subsequent Events

At the end of FY 2007-08, BLSD made reductions in its classified staff. A vacancy created by a retirement was not filled in the food service function.

The District also coordinated its middle and high school bell schedules to improve opportunities to share educational personnel among classes and consolidated its lunch periods from three to two.

Finally, BLS D reduced its contracted special education costs which had been obtained through its educational service center.

Objectives

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The following assessments were conducted in this performance audit for each of the areas evaluated:

- **Financial Systems:** includes an evaluation of BLS D's October five-year financial forecast, strategic and financial planning, and budgeting and purchasing practices;
- **Human Resources:** includes an analysis of District-wide staffing levels and benefit costs;
- **Facilities:** includes assessments of custodial and maintenance staffing, and energy management.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations comprise options that the District can consider in its continuing efforts to stabilize its financial condition.

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

Audit work was conducted between January 2008 and June 2008, and data was drawn from fiscal years 2007 and 2008. To complete this report, the auditors gathered a significant amount of data pertaining to the District, conducted interviews with numerous individuals associated internally and externally with the District, analyzed data related to peer school districts, and reviewed and assessed available information.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues affecting selected areas, and to share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, BLSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments. In addition to the report, minor or immaterial conditions were verbally communicated to the District during the course of the audit.

AOS developed a composite of 10 selected school districts to provide benchmark comparisons for the areas assessed in the performance audit. The selected districts were Celina City School District (Mercer County), East Guernsey Local School District (Guernsey County), East Holmes Local School District (Holmes County), Garaway Local School District (Tuscarawas County), Leipsic Local School District (Putnam County), Logan Hocking Local School District (Hocking County), New London Local School District (Huron County), Ridgewood Local School District (Coshocton County), Southeast Local School District (Wayne County), and Springfield Local School District (Mahoning County). These districts were selected based upon demographic and operational data. The data obtained from the comparison districts was not tested for reliability, although it was reviewed in detail for reasonableness. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- Ohio Department of Education (ODE)
- Government Finance Officers Association (GFOA)
- State Employment Relations Board (SERB)
- American Schools and Universities (AS&U)
- National Center for Education Statistics (NCES)

Information used as criteria (benchmarks or leading practices) was also not tested for reliability.

The Auditor of State and staff express appreciation to BLSD for its cooperation and assistance throughout this audit.

Conclusions and Key Recommendations

The performance audit contains several recommendations pertaining to BLS D. The following are the key recommendations from the report:

In the area of financial systems, BLS D should:

- Review the methodology and assumptions used to support key revenue line-items in its five-year forecast.
- Develop a District-wide strategic plan, including links to a comprehensive facilities master plan and capital improvement plan, to gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational and operational goals.
- Use its web site to better inform and educate the community about its operations and financial circumstances.
- Establish a performance measurement system that would enable it to assess progress in meeting goals and objectives.
- Develop a comprehensive set of financial policies to better manage its limited resources and ensure consistency in its financial practices.

In the area of operations, BLS D should:

- Consider reducing administrative staff by sharing personnel with other districts. For example, by sharing a Treasurer's position (50 percent), the District could save approximately \$37,000 in salary and benefit costs.
- Eliminate up to four certificated positions over a four-year period. The first year of implementation would save the District approximately \$84,900 in salary and wage costs.
- Consider hiring special education teachers as District employees and discontinue the practice of contracting for special needs services from the North Central Ohio Educational Service Center (NCOESC). The cost reduction would be approximately \$25,000 for the two positions currently in place.
- Develop benchmarks and performance measures for maintenance, custodial, and groundskeeping duties.

- Update policies and procedures to include comprehensive energy management and conservation practices and consider the advantages of joining an energy-purchasing consortium. A 10 percent reduction in utility costs would save approximately \$11,000 per year.
- Update the facility master plan to reflect current and future building configurations, student enrollment projections, capital improvement plans, and preventive maintenance schedules.
- Develop a five-year capital improvement plan.
- Implement a formal work order system and preventive maintenance schedule to help minimize facility and equipment operation and maintenance costs.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that BLSD should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Financial Implications

Recommendation	Annual Cost Savings
R3.1 Share administrative service with other districts.	\$37,000
R3.2 Eliminate one teaching position each year for four years (first year savings shown).	\$84,900
R3.3 Eliminate ESC contract and hire two special education teachers.	\$24,900
R3.5 Join a purchasing cooperative and institute best practices in energy conservation.	\$11,000
Total	\$157,800

Source: AOS Recommendations

Financial Systems

Background

This section of the performance audit focuses on the financial systems in the Bettsville Local School District (BLSD, or the District). Its financial functions were evaluated against best practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operations standards were drawn from various sources, including the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the National State Auditors Association (NSAA), and the United States Government Accountability Office (GAO).

Financial History

Stagnant revenue growth coupled with a steady increase in expenditures has created a projected year-end General Fund deficit in FY 2009-10 of approximately \$146,000 for BLSD (see **Table 2-1**). Based on the District's October 2007 five-year forecast, which showed the projected operating deficit, ODE completed a financial analysis of BLSD in January 2008 and required the District to submit a deficit reduction proposal. BLSD developed a recovery plan that would assist it in balancing its budget. Proposed operational changes included a reduction of staff, a freeze on wage increases, and sharing teachers across grades. The District submitted the recovery plan to ODE in February 2008, and ODE approved the plan in March 2008.

BLSD has an outside assessed millage rate of 37.7 mills² and an inside millage rate of 4.6 mills. Due to the reduction factors of House Bill (HB) 920, the District's effective millage is 24.5 mills for class one (residential and agricultural) properties and 27.1 mills for class two (all other) properties. According to the County Auditor, Seneca County will have its triennial property tax adjustments in October 2008 and a property tax reappraisal in 2011. The District is near, but not at, the 20 mill floor and may not receive an increase in collections from reappraisals on existing property values. Voters renewed a 1 percent school district income tax levy in November 2007, which had collected approximately \$194,000 in FY 2006-07 and is projected to collect \$236,000 in FY 2007-08.

The District has also benefited from tax abatement agreements with three local companies. These receipts totaled approximately \$107,000 and \$69,000 in FY 2005-06 and FY 2006-07, respectively. As of April 2008, the District had received approximately \$34,000 toward its FY

¹ See the **executive summary** for a list of the peer districts.

² The assessed millage rate includes 35.0 mills of regular operating levies and 2.7 mills of bond retirement.

2007-08 projected tax abatement revenue. Two of the tax abatements will expire in CY 2009 and the remaining tax abatement will expire in CY 2011. As a result, tax abatement revenue amounts will decrease to zero by FY 2011-12.

Treasurer's Office Operations

The Treasurer's Office consists of two staff members: the Treasurer, who reports to the BLSD Board of Education (the Board), and the Assistant to the Treasurer, who reports directly to the Treasurer. The Treasurer's Office is responsible for processing payroll, administering accounts payable/receivable, and reporting District finances to the Board and general public. The Treasurer's Office is guided by Board-approved policies and procedures that address budgeting, fiscal planning, purchasing, and payroll (see **R2.6**).

Financial Condition

Ohio Administrative Code (OAC) Section 3301-92-04 requires boards of education to submit to the Ohio Department of Education a five-year forecast of general operating revenues and expenditures for the current fiscal year and the subsequent four fiscal years. The financial forecast presented in **Table 2-1** contains historical and projected revenues and expenditures as of March 10, 2008. This version of BLSD's five-year forecast, developed by the Treasurer and approved by the Board, was used to assess the District's financial condition.

Table 2-1: BLSD Five-Year Forecast (in 000's)

	Actual 2004 -05	Actual 2005-06	Actual 2006-07	Forecasted 2007-08	Forecasted 2008-09	Forecasted 2009-10	Forecasted 2010-11	Forecasted 2011-12
Revenues								
General Property Tax	\$343	\$343	\$365	\$373	\$360	\$360	\$360	\$360
Tangible Personal Property Tax	\$62	\$154	\$62	\$44	\$30	\$20	\$10	\$0
Income Tax	\$216	\$205	\$196	\$225	\$210	\$210	\$210	\$210
Unrestricted Grants-in- Aid	\$1,081	\$1,103	\$1,091	\$1,072	\$1,100	\$1,100	\$1,100	\$1,100
Restricted Grants-in-Aid	\$3	\$2	\$0	\$1	\$2	\$2	\$2	\$2
Property Tax Allocation	\$45	\$51	\$88	\$116	\$137	\$167	\$170	\$0
All Other Revenues	\$457	\$406	\$389	\$478	\$384	\$288	\$281	\$271
Total Operational Revenues	\$2,206	\$2,264	\$2,189	\$2,310	\$2,223	\$2,146	\$2,132	\$1,942
All Other Financing Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues and Other Financing Sources	\$2,206	\$2,264	\$2,189	\$2,310	\$2,223	\$2,146	\$2,132	\$1,942
Expenditures								
Personal Services	\$1,113	\$1,126	\$1,103	\$1,154	\$1,155	\$1,185	\$1,216	\$1,249
Employees' Retirement/Insurance Benefits (ERIB)	\$425	\$443	\$443	\$448	\$502	\$562	\$630	\$705
Purchased Services	\$466	\$538	\$608	\$693	\$727	\$764	\$802	\$842
Supplies and Materials	\$47	\$50	\$44	\$47	\$50	\$52	\$55	\$58
Capital Outlay	\$57	\$0	\$0	\$0	\$1	\$61	\$1	\$1
Other Expenditures	\$68	\$64	\$47	\$42	\$43	\$43	\$44	\$35
Total Expenditures	\$2,176	\$2,221	\$2,245	\$2,385	\$2,477	\$2,668	\$2,748	\$2,890
Net Transfers/Advances	\$36	\$58	\$29	\$18	(\$270)	(\$230)	\$0	\$0
All Other Financing Uses	\$0	\$0	\$42	\$0	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$2,212	\$2,279	\$2,316	\$2,402	\$2,207	\$2,438	\$2,748	\$2,890
Result of Operations (Net)	(\$6)	(\$15)	(\$127)	(\$93)	\$16	(\$291)	(\$616)	(\$947)
Cash Balance July 1	\$370	\$365	\$350	\$223	\$130	\$146	(\$145)	(\$761)
Cash Balance June 30	\$365	\$350	\$223	\$130	\$146	(\$145)	(\$761)	(\$1,708)
Estimated Encumbrances June 30	\$16	\$29	\$29	\$20	\$20	\$20	\$20	\$20
Textbooks and Instructional Materials	\$0	\$0	\$6	\$0	\$0	\$0	\$0	\$0
Total Reservations	\$53	\$62	\$40	\$57	\$73	\$29	\$45	\$61
Ending Fund Balance	\$296	\$259	\$147	\$54	\$53	(\$194)	(\$825)	(\$1,789)

Source: BLSD Five-year forecast, March 10, 2008

By its nature, forecasting requires estimates of future events based on information existing at the time the projections are prepared. Therefore, differences between projected and actual results are common, as circumstances and conditions assumed in projections frequently do not occur as expected. The Treasurer developed a document listing the forecast assumptions and submitted it to the BLS D Board of Education on October 15, 2007. The Board approved the assumptions in November 2007, and they were submitted along with the forecast to ODE. Overall, the forecast assumptions could be improved in certain areas and could be more detailed to better support the forecast (see R2.1).

Revenues

The District receives revenue from property and income taxes, tuition, and various other sources. The District’s revenue per average daily membership (ADM) for FY 2006-07 is outlined in Table 2-2 and compared to the peers.

Table 2-2: Revenue per ADM FY 2006-07 Comparison

	BLS D	BLS D Percent of Total	Peer Average	Peer Percent of Total	Difference	Percent Difference
Property & Income Tax	\$3,205	28.3%	\$3,265	38.9%	(\$60)	(1.9%)
Intergovernmental Revenues	\$6,084	53.7%	\$4,544	54.1%	\$1,540	25.3%
Other Revenues	\$2,047	18.1%	\$594	7.1%	\$1,453	71.0%
Total Revenue	\$11,336	100.0%	\$8,403	100.0%	\$2,933	25.9%

Source: FY 2006-07 Annual Financial Reports (4502s)

Note: Amounts are rounded and may differ slightly from summation totals

As illustrated in Table 2-2, BLS D received approximately 26 percent more revenue per ADM than the peer average. The District benefits from receiving revenue from other sources such as abatements from local companies (discussed above) and funding for the Migrant Program for children of migrant workers. The District participates in the State’s Migrant Program, a three-week summer program to assist migrant students with continuing education. The migrant program is fully funded through Title I, Part C funds.

Expenditures

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 continually be evaluated and prioritized. Table 2-3 compares BLS D’s FY 2006-07 expenditures on a per pupil basis to the peer average. Total expenditures are based on the ODE Expenditure

Flow Model (EFM).³ In FY 2006-07, the District’s total expenditures per pupil were above the peer average by 21.4 percent. Generally, per student methodology provides a valuable comparison between entities that typically have differences in demographic size. However, BLSD is a very small district in relation to enrollment, and economies of scale strongly affect per pupil assessments.

Table 2-3: EFM Comparison, FY 2006-07

	BLSD			Peer Average			Variance Per Student	Percent Variance
	Total Cost	Cost Per Student	Percent of Total	Total Cost	Cost Per Student	Percent of Total		
Administration	\$387,392	\$1,872	18.5%	\$1,716,589	\$1,011	13.4%	\$861	85.2%
Operations Support	\$427,981	\$2,068	20.5%	\$2,896,009	\$1,669	20.1%	\$399	23.9%
Staff Support	\$23,423	\$113	1.1%	\$360,017	\$183	2.2%	(\$70)	(38.1%)
Pupil Support	\$174,699	\$844	8.4%	\$1,441,981	\$772	9.3%	\$72	9.3%
Instruction	\$1,076,961	\$5,204	51.5%	\$8,170,187	\$4,685	56.3%	\$519	11.1%
Total	\$2,090,456	\$10,101	100.0%	\$14,584,782	\$8,320	100%	\$1,782	21.4%

Source: ODE Expenditure Flow Model and enrollment information for BLSD and the peers.

Note: Numbers may vary due to rounding.

Table 2-3 shows that BLSD spent significantly more (per student) than the peer average in the following categories:

- Administrative Expenditures:** These costs are associated with the Board, administrative offices, Treasurer’s Office, and salaries and benefits. Because of BLSD’s small student population, costs in the administrative category are magnified. For example, superintendents have similar responsibilities and, depending on market competition for positions, similar pay, no matter how many students are enrolled in the district. Therefore, an \$80,000 position in a district with 1,000 students would be calculated at a cost of \$80 per student, compared to the same position in a district with 200 students, calculated at \$400 per student. In several cases, administrative expenditures represent relatively fixed costs and can vary greatly on a per student basis.
- Operations Expenditures:** Operation and maintenance of plant includes the care and upkeep of buildings, grounds, and equipment and furniture. It also includes vehicle servicing and maintenance (other than school buses), security services, service area direction, and other operation and maintenance of plant functions. Operational expenditures contain a mix of cost behavior. The per student expenditures at BLSD are

³ The purpose of the EFM, as described by ODE, is to categorize and report expenses related to the education of kindergarten through twelfth grade students, and does not include all the funds accounted for the school district. EFM dollars are divided by the full-time equivalent number of students educated by the districts in order to ensure equitable comparisons.

greater than the peer per student expenditures, but are similar as a percentage of total costs.

- **Pupil Support:** Expenditures include activities such as the direction of student support, guidance, health, psychological, speech pathology, and audiology services, as well as attendance, social work activities, and instructional media services for students. BLSD's pupil support expenditures were 9.3 percent above the peer average. However, pupil support as a percentage of total cost was lower than the peer average.
- **Instructional Expenditures:** BLSD's expenditures were \$5,204 per student (51.5 percent of total expenditures), which is \$519 above the peer average of \$4,685 (56.0 percent of total expenditures). These expenditures are related to elementary, middle/junior high, high school, alternative school, and other regular instruction services. Economies of scale are a factor, as relatively fixed costs are spread over fewer students resulting in higher per student costs.

Discretionary Expenditures

A comparison of the General Fund discretionary expenditures for BLSD and the peer districts is detailed in **Table 2-4**.

Table 2-4: Discretionary Expenditures FY 2006-07

Discretionary Expenditures	BLSD		Peer Average		Variance	
	Expenditures Per Student	Percent of Total	Expenditures Per Student	Percent of Total	Per Student	Percent Variance
Professional and Technical Services	\$80.16	0.7%	\$149.55	1.9%	(\$69.39)	(46.4%)
Property Services	\$204.03	1.7%	\$169.76	2.1%	\$34.27	20.2%
Mileage/Meeting Expenses	\$39.55	0.3%	\$19.48	0.2%	\$20.07	103.0%
Communications	\$97.84	0.8%	\$19.36	0.2%	\$78.48	405.3%
Contract, Craft or Trade Services	\$0.00	0.0%	\$1.61	0.0%	(\$1.61)	(100.0%)
Pupil Transportation	\$3.55	0.0%	\$6.36	0.1%	(\$2.82)	(44.3%)
Other Purchased Services	\$0.00	0.0%	\$8.47	0.1%	(\$8.47)	(100.0%)
General Supplies	\$102.88	0.9%	\$109.28	1.4%	(\$6.40)	(5.9%)
Textbooks/Reference Materials	\$2.20	0.0%	\$41.82	0.5%	(\$39.62)	(94.7%)
Supplies & Materials for Resale	\$0.00	0.0%	\$11.68	0.1%	(\$11.68)	(100.0%)
Food & Related Supplies/Materials	\$0.00	0.0%	\$0.41	0.0%	(\$0.41)	(100.0%)
Plant Maintenance & Repair	\$43.06	0.4%	\$55.82	0.7%	(\$12.76)	(22.9%)
Fleet Maintenance & Repair	\$76.21	0.6%	\$90.60	1.1%	(\$14.39)	(15.9%)
Other Supplies & Materials	\$0.00	0.0%	\$1.16	0.0%	(\$1.16)	(100.0%)
Land, Building & Improvements	\$0.00	0.0%	\$6.05	0.1%	(\$6.05)	(100.0%)
Equipment	\$0.00	0.0%	\$42.62	0.5%	(\$42.62)	(100.0%)
Buses/Vehicles	\$0.00	0.0%	\$30.38	0.4%	(\$30.38)	(100.0%)
Other Capital Outlay	\$0.00	0.0%	\$7.39	0.1%	(\$7.39)	(100.0%)
Dues and Fees	\$211.29	1.8%	\$171.37	2.1%	\$39.92	23.29%
Insurance	\$30.55	0.3%	\$7.65	0.1%	\$22.90	299.53%
Awards and Prizes	\$1.33	0.0%	\$0.14	0.0%	\$1.18	821.71%
Miscellaneous	\$0.00	0.0%	\$3.47	0.0%	(\$3.47)	(100.0%)
Total Discretionary Expenditures	\$892.65	7.4%	\$954.44	11.9%	(\$61.79)	(6.8%)

Source: FY 2006-07 school district year end financial records and ODE enrollment information for BLSD and the peers

Note: Numbers may vary due to rounding.

As illustrated in **Table 2-4**, BLSD’s discretionary spending represented 7.4 percent of the District’s total General Fund in FY 2006-07, an amount significantly below the peer average of 11.9 percent. In addition, BLSD’s total discretionary expenditures per pupil were approximately 6.8 percent (\$62) lower than the peer average. Although the expenditures per pupil are below the peers, the District exceeds the peer average per student in the following areas:

- **Property Services:** This includes copier lease agreements, property insurance, bus repairs and maintenance, as well as snow and garbage removal.

- **Mileage/Meeting:** This includes mileage and meeting expenses for district personnel.
- **Communications:** The District's communication expenses consist of cell phone usage by the transportation department, postage, and computer services.
- **Dues and Fees:** BLS D pays professional membership fees for the Superintendent, principals, and Treasurer. This also includes fee to North Central Ohio Educational Service Center, bank fees, computer licenses, and audit expenses.
- **Insurance:** This includes the District's administrative and liability insurance. Historically, this amount had been higher for the District, but it recently joined a consortium, and the amount of insurance has decreased from previous years.

The fixed cost nature of these areas in relation to the District's low enrollment inflates the per student cost. Some costs are necessary for school district operations no matter the number of students served. For example, board liability insurance costs would be the same regardless of a district's student enrollment.

Audit Objectives for the Financial Systems Section

The following is a list of the questions used to evaluate the financial systems functions at BLS D:

- What has been the District's financial history and does the District have policies and procedures to ensure effective and efficient management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data and does it actively involve parents and other stakeholders in the decision making process?
- Has the District developed a strategic plan that links to educational and operational plans and meets best practice criteria?
- Is the District's budgetary process consistent with best practices and how do its revenues and expenditures compare with the peers?
- Has the District established effective internal controls?

- Does the District purchasing process follow best practices and do procedures ensure adequate internal control over purchases?
- Has the District developed effective internal controls over the payroll process?

Recommendations

Five-Year Forecast

R2.1 The Treasurer should review the methodology and assumptions used in projecting the key revenue line-items within the forecast and adjust the methodology for estimating revenue for property tax allocation.

The Treasurer increased the Property Tax Allocation through FY 2010-11 and zeroed it out for FY 2011-12. This line-item represents reimbursements received from the State to account for property tax credits granted through the homestead exemption program (elderly or disabled homeowners), the rollback program (10 percent credit for all real property owners), and a \$10,000 exemption for businesses. According to AOS Bulletin 2006-004, this line-item should also account for the tangible personal property tax reimbursements beginning in FY 2006-07.

The revised projection of the property tax allocation line-item includes the homestead exemption reimbursement of 10 percent of the general property tax, rollback reimbursement of 2.5 percent of 80 percent of the general property tax, and the tangible personal property tax reimbursement. In FY 2010-11 and FY 2011-12, the tangible personal property tax reimbursement was reduced by 73.5 percent and 58.8 percent respectively.

Table 2-5 illustrates the impact of the revised projections for property tax allocation through FY 2011-12.

Table 2-5: Revised Property Tax Allocation

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
District Projections	\$87,822	\$116,175	\$137,000	\$167,000	\$170,000	\$0
District Percentage Change	N/A	32.3%	17.9%	21.9%	1.8%	(100%)
Revised Projections	\$87,822	\$115,399	\$142,354	\$167,040	\$134,749	\$103,514
Revised Percentage Change	N/A	31.4%	23.3%	17.3%	(19.3%)	(23.2%)
Net Impact	\$0	(\$776)	\$5,354	\$40	(\$35,251)	\$103,514

Table 2-5 shows that the revised projections would positively impact the forecasted ending fund balance in FY 2008-09 and FY 2011-12, with a cumulative effect of \$72,881.

Strategic Management

R2.2 BLSD should develop a District-wide strategic plan that outlines its educational and operational goals over an extended period. The strategic plan should clearly outline the detailed goals, benchmarks, performance measures, and cost estimates of the District. Once a comprehensive strategic plan is adopted and approved, the District should assess all parts of the strategic plan on an annual basis and amend its priorities to reflect changes in internal and external conditions. BLSD should ensure that the comprehensive facilities master plan (R3.6), and the capital improvement plan (R3.7) are linked to the strategic plan.

The District has not developed a multi-year strategic plan that incorporates all elements of its operations. According to *Recommended Budget Practices on the Establishment of Strategic Plans* (GFOA, 2005), entities should develop a multi-year strategic plan that provides a long-term perspective for services delivered and budgeting, thus establishing logical links between authorized spending and annual goals based on identified needs, projected enrollment, and revenues. Accordingly, the GFOA recommends that entities take the following actions:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement, and monitor the plan; and
- Reassess the strategic plan annually.

By implementing a strategic plan, the District can gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing its finances with its educational and operational objectives. In addition, a strategic plan could result in the following:

- Improved communication between the District, the community, and town officials;
- Better focus and direction for the Board;
- The alignment of other planning processes to the District-wide strategic plan;
- The establishment of uniformity among staff in working toward the accomplishment of prioritized goals; and
- The alignment of the budget process with strategic goals and objectives.

Other operational areas of the District, such as facilities, should provide input to the strategic planning process, bringing specific information about their particular areas of operation.

Financial Reporting

R2.3 BLSD should use its web site as a means to better inform and educate its residents and parents about its operations and financial circumstances. The District should provide a number of published documents on its web site, including Board meeting dates, Board minutes, budget documents, and its five-year financial forecast.

Selected high school students manage BLSD's web site. The web site includes sports schedules, the lunch menu, a staff member directory, student newsletters, and fundraising information. Other pertinent information dealing with Board meetings, agendas and minutes, and financial data and reports is not available through the web site.

School districts have begun using the Internet as a way to communicate information about their operations and financial conditions to their communities, business partners, and parents. Ridgewood Local School District (Coshocton County) provides a range of district information on its web site, including the following:

- List of board and standing committee members;
- Board meeting schedule and minutes;
- Five-year forecast for current fiscal year and previous two fiscal years;
- Monthly financial reports for current fiscal year and previous two fiscal years;
- Human resource forms; and
- Employee insurance information.

Should the District elect to include additional information through its web site, it should conform to GFOA guidelines when presenting documents on government web sites. These guidelines include: ensuring that electronic financial statements are identical to the printed versions; stating whether the budget document is the preliminary or approved budget; ensuring that historical information is clearly identified and segregated from the current fiscal year; and providing security protection from manipulation.

By providing key financial information to District residents online, BLSD can increase awareness and understanding of its financial condition. Using the web site also reduces the number of public document requests and eliminates the cost associated with providing information in paper format. In addition, the electronic forum provides the users with a computerized tool to find, extract, and analyze data contained in these often-lengthy documents. These documents could be added to the web site at no additional cost to the District.

Internal Controls

R2.4 BLSD should establish a performance measurement system that would enable it to assess progress in meeting goals and objectives. The performance measurement system should include performance standards developed by District administrators and should be incorporated into its strategic plan during its development (see R2.1).

The District does not have established performance measures. *Best Practices in Public Budgeting* (GFOA, 2000) states that governments should develop and utilize performance measures for functions, programs, and/or activities. Performance measures are used for assessing how efficiently and effectively functions, programs, and activities are provided and for determining whether program goals are being met. Measures should be valid, reliable, and verifiable and expressed in quantifiable terms. Types of performance measures include: inputs (resources), outputs, and efficiency and effectiveness (outcomes). Chosen measures must be relevant to the goals of the program.

Additionally, *Performance Management: Using Performance Measurement for Decision Making*, (GFOA, 2002) recommends that program and service performance measures be developed and used as important components of long-term strategic planning and decision making, and should be linked to governmental budgeting. Performance measures should:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Be verifiable, understandable, and timely;
- Be consistent throughout the strategic plan, budget accounting, and reporting systems and to the extent practical, be consistent over time;
- Be reported internally and externally;
- Be monitored and used in managerial decision making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals, and objectives of each department, with the eventual goal of measuring the programs, missions, and priorities of the organization.

Meaningful performance measurement could assist BLSD in identifying for government officials and citizens financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

R2.5 The District should develop a comprehensive set of financial policies that are based on recommended best practices. Prior to development and adoption by the Board, BLSD should ensure consistency with financial and budgetary policies and practices.

The District has a limited number of financial policies within the BLSD Fiscal Management Manual. The District's financial policies were designed by the Ohio School Board Association (OSBA) in 2001. Although OSBA designs various financial policies, the District did not use all the financial policies that were available. The District's fiscal management manual includes policies for budgeting, purchasing, payroll deductions, disposal of property, financial reporting, and revenue sources.

According to GFOA, financial policies should be consistent with broad government goals and should be the outcome of sound analysis. Policies should also be consistent with each other and relationships between policies should be identified. Financial policies should be an integral part of the development of service, capital, and financial plans, and the overall budgeting process. All adopted budgetary practices should be consistent with these policies.

GFOA recommends a range of polices should be adopted within each organization. To ensure that its financial management practices follow recommended guidelines, BLSD should adopt and implement the GFOA-recommended policies that are not currently incorporated into its financial policies and procedures manual (see <http://www.gfoa.org/services/nacslb/> for a full list of GFOA-recommended policies).

By expanding its policies to include recommendations from GFOA, BLSD could better manage its limited resources and ensure consistency in its financial practices. Also, such policies could help BLSD operate more smoothly, be used as a tool for financial decision making, and improve its ability to take timely action on financial matters. In addition, financial policies aid in the overall management of the budget and achievement of the District's long-range goals.

R2.6 BLSD should analyze and use Table 2-6 to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations contained in the performance audit to help offset projected deficits and improve its financial health through FY 2011-12.

Table 2-6 presents the revised projections discussed and the cumulative effect of the audit recommendations.

Table 2-6: Revised Five-Year Forecast (in 000's)

	Actual 2004 -05	Actual 2005-06	Actual 2006-07	Forecasted 2007-08	Forecasted 2008-09	Forecasted 2009-10	Forecasted 2010-11	Forecasted 2011-12
Revenues								
General Property Tax	\$343	\$343	\$365	\$373	\$360	\$360	\$360	\$360
Tangible Personal Property Tax	\$62	\$154	\$62	\$44	\$30	\$20	\$10	\$0
Income Tax	\$216	\$205	\$196	\$225	\$210	\$210	\$210	\$210
Unrestricted Grants-in-Aid	\$1,081	\$1,103	\$1,091	\$1,072	\$1,100	\$1,100	\$1,100	\$1,100
Restricted Grants-in-Aid	\$3	\$2	\$0	\$1	\$2	\$2	\$2	\$2
Property Tax Allocation Revised	\$45	\$51	\$88	\$115	\$142	\$167	\$135	\$104
All Other Revenues	\$457	\$406	\$389	\$478	\$384	\$288	\$281	\$271
Total Revenues and Other Financing Sources	\$2,206	\$2,264	\$2,189	\$2,309	\$2,228	\$2,146	\$2,097	\$2,046
Expenditures								
Personal Services	\$1,113	\$1,126	\$1,103	\$1,154	\$1,155	\$1,185	\$1,216	\$1,249
ERIB	\$425	\$443	\$443	\$448	\$502	\$562	\$630	\$705
Purchased Services	\$466	\$538	\$608	\$693	\$727	\$764	\$802	\$842
Supplies and Materials	\$47	\$50	\$44	\$47	\$50	\$52	\$55	\$58
Capital Outlay	\$57	\$0	\$0	\$0	\$1	\$61	\$1	\$1
Other Expenditures	\$68	\$64	\$47	\$42	\$43	\$43	\$44	\$35
Total Expenditures	\$2,176	\$2,221	\$2,245	\$2,385	\$2,477	\$2,668	\$2,748	\$2,890
Net Transfers/Advances	\$36	\$58	\$29	\$18	(\$270)	(\$230)	\$0	\$0
All Other Financing Uses	\$0	\$0	\$42	\$0	\$0	\$0	\$0	\$0
Total Expenditures and Other Financing Uses	\$2,212	\$2,279	\$2,316	\$2,402	\$2,207	\$2,438	\$2,748	\$2,890
Result of Operations (Net)	(\$6)	(\$15)	(\$127)	(\$93)	\$21	(\$291)	(\$651)	(\$844)
Cash Balance July 1	\$370	\$365	\$350	\$223	\$130	\$151	(\$140)	(\$791)
Cash Balance June 30	\$365	\$350	\$223	\$130	\$151	(\$140)	(\$791)	(\$1,635)
Estimated Encumbrances June 30	\$16	\$29	\$29	\$20	\$20	\$20	\$20	\$20
Textbooks and Instructional Materials	\$0	\$0	\$6	\$0	\$0	\$0	\$0	\$0
Total Reservations	\$53	\$62	\$40	\$57	\$73	\$29	\$45	\$61
Ending Fund Balance	\$296	\$259	\$147	\$53	\$58	(\$189)	(\$856)	(\$1,716)
<i>Cumulative Impact of Performance Audit Recommendations</i>					\$158	\$404	\$739	\$1,167
Revised Ending Fund Balance	\$296	\$259	\$147	\$53	\$216	\$214	(\$117)	(\$549)

Source: BLS and AOS

Note: Totals may vary from actual amounts due to rounding.

Table 2-7 summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that BLS D should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 2-7: Summary of Financial Implications

Recommendations	Estimated Cost Savings
R3.1 Share administrative services with other districts.	\$37,000
R3.2 Eliminate one teaching position each year for four years.	\$84,900 ¹
R3.3 Eliminate ESC contract and hire two special education teachers.	\$24,900
R3.5 Join a purchasing cooperative and institute best practices in energy conservation.	\$11,000
Total	\$157,800

Source: AOS Recommendations

¹Financial implication increases by one position's salary amount each year for the next four years.

Operations

This section of the performance audit focuses on the human resource and facilities operations in the Bettsville Local School District (BLSD, or the District). Operational functions are evaluated against best practices, operational standards, and selected peer school districts.¹ Comparisons were made for the purpose of developing recommendations to improve efficiencies and/or business practices and, where appropriate, reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including:

- Ohio Department of Education (ODE);
- State Employment Relations Board (SERB);
- Ohio Education Association (OEA);
- Government Finance Officers Association (GFOA);
- Ohio Bureau of Workers' Compensation (BWC);
- Ohio Education Association (OEA);
- Ohio Department of Administrative Services (DAS);
- Kaiser Family Foundation (Kaiser);
- American Schools and University Magazine (AS&U); and
- National Center for Education Statistics (NCES).

Human Resources

Organizational Structure and Function

BLSD does not have a separate department dedicated to human resource functions. The Superintendent, Treasurer, and Assistant Principal complete the primary responsibilities. Due to the small size of the District's enrollment (220 students), geographic area (17 square miles), and number of employees (35 FTEs), administrative employees oversee many functional responsibilities which, in larger districts, may be assigned to separate positions. For example, BLSD does not employ a business manager. Instead, the Treasurer assumes these responsibilities.

Staffing

Table 3-1 illustrates the full-time equivalent (FTE) staffing levels at BLSD and the average of the peer districts as reported to Ohio Department of Education (ODE) through the Education Management Information System (EMIS). Peer and District data is from FY 2006-07 EMIS

¹ See the **executive summary** for a list of the peer districts.

District Staff Summary Reports. The FTEs in **Table 3-1** have been presented on a per 1,000 student basis, as staffing levels are partially dependent on the number of students served. Since BLSD has less than 1,000 students, the number of FTEs appears to be more than the actual number of personnel employed.

Table 3-1: BLSD and Peer Staffing Comparison

	BLSD		Peer District Average		Variances	
	FTE Reported	Per 1,000 Students	FTE Reported ¹	Per 1,000 Students	FTE	Per 1,000 Students
Administrators	4.20	19.44	10.86	6.51	(6.66)	12.93
Educational Staff	21.00	97.22	118.65	71.08	(97.65)	26.14
Professional Staff	0.00	-	3.20	1.36	(3.20)	(1.36)
Technical Staff	1.00	4.63	10.56	6.53	(9.56)	(1.90)
Office/Clerical Staff	2.00	9.26	16.64	9.31	(14.64)	(0.05)
Crafts and Trades	0.00	-	3.15	1.91	(3.15)	(1.91)
Custodians/ Groundskeepers	2.63	12.18	11.20	6.47	(8.57)	5.71
Bus Drivers	1.72	7.96	16.67	10.56	(14.95)	(2.60)
Food Service Workers	1.50	6.94	12.06	7.50	(10.56)	(0.56)
All Other Reported Personnel	1.00	4.63	3.11	1.65	(2.11)	2.98
Total FTE Reported	35.05	162.27	206.11	122.88	(171.06)	39.39

Source: FY 2006-07 EMIS reports and Student Enrollment reports from peer districts; FY 2006-07 EMIS reports and Student Enrollment reports from BLSD.

Note: Totals may vary slightly due to rounding.

¹ Reflects unadjusted and unconfirmed FTE employees reported by the peer districts and may not include changes to staff levels or include Educational Service Center staff.

The data illustrated in **Table 3-1** could help the District with its staffing and scheduling, although certain categories may look inflated because of classification methods and the limited number of personnel in the category. BLSD had a greater number of FTEs per 1,000 students in the following classifications:

- **Administrative:** Most of the administrative staff performs two or more jobs. A review of the administrative staffing shows 1.0 FTE Superintendent/Principal, 1.0 FTE Assistant Principal/Athletic Director, 1.0 FTE Treasurer/EMIS Staffing Coordinator, and 1.0 Coordinator/Dean of Students (see **R3.1**).
- **Educational Staff:** BLSD employs 97.2 FTEs per 1,000 students, which is higher than the peer average of 71.1 FTEs per 1,000 students. During the audit, the Superintendent revised the teaching schedule, which reduced the number of FTEs for FY 2008-09 (see **R3.2**). See also **Table 3-2** for a comparison of pupil-teacher ratios.

- Custodians/Groundskeepers:** BLSD employs one full-time maintenance and groundskeeper position and two part-time custodial workers. The District provides custodial service year round to support the summer migrant student program housed in the District. These students are not included in the student count. The District is operating with the minimum number of staff in this area.

Compensation

BLSD’s total average of reported salaries (\$32,350) is 31.1 percent less than the peer district average (\$46,946). **Table 3-2** provides a comparison of BLSD to selected Seneca County school districts and the State average salaries for FY 2006-07.

**Table 3-2: Teacher Salaries, Experience, and Student-Teacher Ratios
Comparison—Seneca County Districts**

	Number of Classroom Teachers FY 2006-07	Average Teacher Salary FY 2006-07	Beginning Teacher Salary FY 2004-05	Staff Years of Experience Percentage			Pupil-Teacher Ratio
				0 - 4	4 - 10	10+	
BLSD	14.34	\$32,350	\$22,703	29.4%	29.4%	41.2%	11.51
Fostoria City SD	95.00	\$45,830	\$26,249	35.0%	15.6%	49.4%	16.22
Hopewell-Loudon Local SD	37.50	\$44,942	\$26,182	24.0%	12.0%	64.0%	19.44
New Riegel Local SD	21.67	\$38,939	\$25,596	27.9%	10.5%	61.6%	15.83
Old Fort Local SD	26.52	\$41,692	\$23,862	15.8%	19.0%	65.2%	15.54
Seneca East Local SD	46.50	\$46,199	\$24,514	14.7%	9.8%	75.5%	16.88
Tiffin City SD	117.85	\$47,904	\$27,220	15.4%	13.7%	70.9%	20.44
County Average	57.51	\$44,251	\$25,604	22.1%	13.4%	64.4%	17.39
State Average	123.14	\$52,596	\$28,192	21.1%	19.4%	59.5%	19.48

Source: ODE District Profile Report FY 2006-07

As shown in **Table 3-2**, BLSD is below the average teacher pay in the county by 26.9 percent. In addition, the District is below the State average teacher pay by 38.5 percent. The District has a smaller percentage of teachers with 10 plus years of experience than either the County or State. However, the District is below the county pupil-teacher ratio by 33.8 percent and is below the State pupil-teacher ratio by 40.9 percent.

BLSD’s master contract with the Bettsville Education Association includes a salary schedule for FY 2006-07 and FY 2007-08. The contract does not clearly state salary increases. However, the salary schedule, as confirmed by the Treasurer, indicates a 2 percent negotiated wage increase each year in the contract term for certificated employees. Additionally, the salary schedule indicates a step schedule by years of experience and the various levels of degrees (no degree,

bachelors, masters, etc). Employees who work 180 days also receive a step increase of 4 to 5 percent on September 1 of each year.

Classified employees do not have a contract with the District. The wage increase for these employees is determined during the forecasting process and depends on the amount of funds available. Historically, this increase has been approximately 2 percent per year.

During the audit, the District negotiated a zero percent wage increase for FY 2008-09 with the Bettsville Education Association. Step increases, however, are still in effect. In exchange, the District agreed not to increase the employee benefit co-pay or deductibles, with the exception of proportional increases in the employee's share of health care insurance premiums.

Benefits

BLSD picks up the employees' retirement contribution for the Treasurer, Superintendent, and Assistant Principal. Other District employees make retirement contributions through salary reductions, with the District paying its required contribution.

Table 3-3 compares BLSD's FY 2006-07 insurance premiums to the State Employee Relations Board (SERB) estimated averages for the Toledo Region, Kaiser Foundation's 2007 survey, and Ohio Education Association (OEA) survey. BLSD's medical insurance plan includes medical and prescription drug coverage. Therefore, for an accurate comparison to the premiums of the industry benchmark, SERB's premiums in each of the categories were combined to provide an estimated average for medical and prescription premiums.

Table 3-3: BLSD Health Care Premium Comparison (FY 2006-07)

	Employee Contribution	District Contribution	Total Monthly Premium	Annual Premium	Employee Percent of Premium	District Percent of Premium
BLSD						
Single ¹	\$19.25	\$365.69	\$384.94	\$4,619.28	5.0%	95.0%
Family	\$93.19	\$838.74	\$931.93	\$11,183.16	10.0%	90.0%
SERB Estimated -Toledo Region²						
Single	N/A	N/A	\$400.45	\$4,805.40	7.2%	N/A
Single & Child/+1	N/A	N/A	\$770.79	\$9,249.48	8.1%	N/A
Single & Spouse	N/A	N/A	\$823.56	\$9,882.72	8.2%	N/A
Family	N/A	N/A	\$1,048.58	\$12,582.96	9.8%	N/A
Kaiser Estimated – PPO³						
Single	N/A	N/A	\$450.92	\$5,411.04	16.0%	N/A
Family	N/A	N/A	\$1,095.85	\$13,150.20	28.0%	N/A
OEA Estimated PPO⁴						
Certificated						
Single	N/A	N/A	\$392.20	\$4,706.40	N/A	N/A
Family	N/A	N/A	\$1,000.64	\$12,007.68	N/A	N/A
Classified						
Single	N/A	N/A	\$429.40	\$5,152.80	N/A	N/A
Family	N/A	N/A	\$1,106.27	\$13,275.24	N/A	N/A

Source: BLSD, Healthcare Premiums, Kaiser, and SERB 2008 Update

¹ Employees hired after 7/12/04 pay 10 percent (\$38.49)

² SERB premiums are estimates using the 2006 SERB report.

³ Kaiser premiums are estimates using the Kaiser Foundation 2007 survey.

⁴ OEA premiums are estimates using 2005-06 survey.

As shown in **Table 3-3**, BLSD employee's percentage share of single coverage premiums for FY 2006-07 was lower than the SERB and Kaiser average percentages. The employee share for family coverage was also lower than the Kaiser average, but higher than SERB percentages. Overall, BLSD has lower single and family premiums than SERB, Kaiser, and OEA surveys. The District's membership in the North Central Ohio Trust, its health insurance consortium, has resulted in lower premium amounts than the benchmark averages for both family and single plans.

Audit Objectives for the Operations Section

The following is a list of the questions used to evaluate the human resources and facilities management functions at BLSD:

- Is the District's current allocation of personnel efficient and effective?

- Is the District's compensation package in line with other high performing Districts, State averages, and industry practices?
- How does the cost of benefits offered by the District compare with State averages and industry benchmarks?
- Does the District provide special education programs for students with disabilities that maximize resources and are compliant with State and federal regulations?
- Does the District provide effective and efficient programs to meet the needs of at-risk students, including English for Speakers of Other Languages (ESOL), Title I, and alternative education?
- Does the District provide an appropriate range of accelerated programs?
- Does the District provide effective and efficient workforce development programs (such as vocational-technical education) that meet the needs and expectations of the community?
- Does the facility maintenance operation use appropriate performance and cost-efficiency measures and interpretive benchmarks to evaluate each function, and does it use these in management decision making?
- Are District energy management practices comparable to best practices?
- Are the District's facility management and planning practices comparable to best practices?
- Does the District have a system for prioritizing maintenance needs?

Recommendations

Staffing

- R3.1 BLSD should consider making reductions in its administrative staff by sharing administrative personnel with other districts. Sharing personnel would reduce the cost impact that statutorily required positions have on BLSD.**

As shown in **Table 3-1**, BLSD has a significantly higher level of administrative staff (per 1,000 students) than the peer average. Due to the small BLSD enrollment, employing just the statutorily required Superintendent, Treasurer, and Assistant Principal causes the District to compare unfavorably with the peer average. An approach the District could take to reduce personnel in these areas would be to share administrative services with other school districts.

There are several examples within the State of job sharing between districts. The Mississinawa Local School District and Ansonia Local School District (Fall 2007 enrollments of 736 and 751, respectively) use the services of the Darke County Educational Service Center treasurer. Fairport Harbor Exempted Village School District employs a treasurer from South Euclid-Lyndhurst City School District on a part-time basis. A publication, *Driving More Money into the Classroom: The Promise of Shared Services* (Deloitte, 2005), states that sharing services creates economies of scale and consistency of processes and results that come with more centralized models of operations. It also allows districts to maintain the benefits of decentralized control, allowing individual administrators to retain oversight of curriculum, education, and other aspects of non-shared processes. By sharing processes that are not mission-critical, while retaining local control of the most important aspects of education, shared services can combine the best of big and small.

Financial Implication: Sharing administrative staff would be beneficial to the participating districts by reducing salary and benefit costs proportional to the agreed split of staff time in each district. For example, sharing the Treasurer's time with another district could save 50 percent, or approximately \$37,000 in salaries and benefits. This effect could also be achieved by employing a part-time treasurer.

- R3.2 BLSD should eliminate up to four certificated positions (one per year for the next four years) through attrition. Leaving positions vacant as teachers retire or resign will help the District transition to higher student-teacher ratios. BLSD should continue to monitor student-teacher ratios and take the opportunity to reduce positions as needed.**

Table 3-1 shows that BLS D has approximately 37 percent more teaching FTEs per 1,000 students (97.22 FTEs) than the peer average (71.08 FTEs). **Table 3-4** further examines BLS D’s educational staff by grade level and the minimum number of classroom teachers needed for the current enrollment.

Table 3-4: Comparison of Regular Student-Teacher Ratios

	Regular Students	Regular Teachers	Student/Teacher Ratio
Elementary K-4:	79	5.0	15.8
Middle School 5-8:	71	4.0	17.8
High School 9-12:	65	8.0	8.1
Subtotal	215	17.0	12.6
Total classrooms/teachers needed	8.6	9.0	
Teachers in excess of needed classrooms		8.0	

Source: ODE EMIS reports and BLS D student list and teaching periods.

BLS D staffs one teacher for each elementary grade (K-4). As shown in **Table 3-4**, there is one elementary teacher for every 16 students. ODE staffing recommends not more than 25 students for each teacher, which would indicate four classrooms for kindergarten through the 4th grade. The 3rd grade has only nine students. This grade level could be combined with another grade level to create a greater level of efficiency.

In the high school, there are eight teachers coded in EMIS. However, four other teachers, including middle school and other teaching staff, are high school course instructors. One teacher is the technology coordinator. Some of the teachers are both middle school and high school instructors.

During the audit, the Superintendent prepared a teaching schedule for FY 2008-09 that eliminated middle school block scheduling. With the elimination of block scheduling and by arranging both the high school and middle school on the same bell schedule, the District was able to eliminate 1.0 FTE teaching position and reduce 5.0 teaching positions to part-time. Additionally, the Superintendent was able to reschedule the elementary teachers to perform lunch and recess duties during some of the non-scheduled time in FY 2007-08.

The District should continue to closely monitor teacher time and assign regular duties during free time that enhances the learning of students. By improving the efficiency and effectiveness of its teaching staff, the District can offset the effect that reducing teacher positions may have on academic performance.

Financial Implication: Eliminating four teaching positions over four years starting in FY 2008-09 will save approximately \$50,600 in salary costs and \$34,300 in benefit costs for

a total of \$84,900 the first year. The cumulative total savings for the four-year period will be approximately \$700,000.

R3.3 BLSD should consider hiring special education teachers as District employees and discontinue the practice of contracting for special needs services from the North Central Ohio Educational Service Center (NCOESC). The District should continue to evaluate its special education program for FY 2008-09 to ensure that it is in line with District goals.

During FY 2007-08, the District contracted for two special education teachers from NCOESC. Each teacher is responsible for approximately 11 students throughout the school day, which is less than the maximum established by ODE at any grade level. FY 2006-07 special education teacher costs averaged \$58,800 per teacher, including benefits and agency fees. In comparison, the District's regular education teachers' average salary and benefits cost was approximately \$46,300.

The District monitors the effectiveness of its special education program through report card results. The District's Comprehensive Continuous Improvement Plan (CCIP) also has strategies and outcomes to address improving special education and at-risk student performance. However, it does not include strategies or performance measures to control special education costs. The District's FY 2006-07 report card shows that it did not meet targeted goals in mathematics, discipline, and least restrictive environment set for the special education program. The failure to meet targets may have been exacerbated by the lack of on-site management of one of the teacher's work time and confusion as to who was responsible for on-site management of NCOESC employees.

The high costs and the failure to meet the performance targets set for the District's special education program raises questions about the value of the contract between BLSD and NCOESC. The contract does not appear beneficial to the District in terms of controlling special education costs or ensuring program success.

Financial Implication: If the District would hire its own special education teachers, it may be able to reduce its costs from \$58,800 per teacher to \$46,300 for a savings of \$12,500 per teacher per year. The total savings to the District for two teachers is \$25,000.

Facilities

Summary of Operations

BLSD is housed in a single building, separated into three areas for elementary, middle, and high school students. The building also houses the District's administrative offices. Although students do not intermingle among grade levels, some teachers move between middle and high school classrooms. BLSD has one full-time maintenance/custodial/groundskeeper position and two part-time employees that perform custodial and light groundskeeping duties. All three positions report to the Assistant Principal.

Financial Data

Table 3-5 shows a comparison of BLSD's FY 2006-07 maintenance and custodial expenditures per square foot to information from the peer districts and AS&U's 37th *Annual Maintenance and Operations Cost Study*.

Table 3-5: Maintenance and Operating Expenditures per Square Foot

	BLS D	Similar District Average	BLS D Percent Variance from Peer Average	AS&U National Median 2007-08
District Square Feet	72,056	262,605	(72.6%)	N/A
Personal Services/ Benefits per Square Foot	\$1.47	\$2.56	(42.6%)	\$2.05
Purchased Services Excluding Utilities	\$0.15	\$0.77	(80.2%)	\$0.21
Utilities	\$1.59	\$ 1.43	13.8%	\$1.52
• Electricity	\$0.90	\$0.68	33.7%	N/A
• Water & Sewerage	\$0.04	\$0.09	(54.4%)	N/A
• Gas	\$0.64	\$0.62	4.0%	N/A
• Coal	\$0.00	\$0.00	0.0%	N/A
• Oil	\$0.00	\$0.04	(100.0%)	N/A
Materials and Supplies	\$0.12	\$0.39	(70.1%)	\$0.38
Other	\$0.00	\$0.00	0.0%	\$0.40
Capital Outlay	\$ 0.00	\$0.03	(100.0%)	N/A
Miscellaneous	\$ 0.00	\$0.00	(100.0%)	N/A
Total General Fund	\$3.33	\$5.15	(35.5%)	\$4.56

Source: ODE 4502 Statement P and Q FY 2006-07

As **Table 3-5** shows, BLSD's total General Fund maintenance and operations expenditures were 35 percent below the peer average and 27 percent below the AS&U median. The only expenditure classification in which BLSD significantly outspent the peers (33.7 percent higher) was electricity (see **R3.5**).

Recommendations

- R3.4 BLSD should develop benchmarks and performance measures for maintenance, custodial, and groundskeeping duties. Appropriate benchmarks and performance measures help to ensure that all personnel are familiar with work expectations and can promote greater accountability.**

The maintenance/custodial staff have a plan of the building with color-coded areas showing each person's cleaning responsibility. There are no benchmarks, standards, or records of performance. The District does not determine maintenance and operations staffing levels using any established benchmark and does not have a formal system to measure employee productivity.

Performance Measures and Benchmarks in Local Government Facilities Management (International City/County Management Association (ICMA), 2002) states that performance measures of a department or program reflect the array of services provided and, ideally, much more. A good set of measures also reveals the quality and efficiency of services and the effectiveness of the services in achieving their intended purposes.

By collecting and tabulating performance measures, a program manager or supervisor can track the volume of activity in a given program, the efficiency with which services are provided, the quality of services, and their effectiveness. Performance benchmarks go one step further by providing context for assessing these performance measures. Benchmarks allow program managers to judge performance relative to an outside point of reference. Such benchmarks may include relevant standards, norms, and the performance targets and results achieved by outstanding performers of a given service.

Due to the small size of the District, administrators may not feel the need to implement a formal method of performance standards. However, including benchmarks and performance measures, and discussing them with staff, could foster a greater level of efficiency and enhance worker job satisfaction, as employees are more familiar with the employer's expectations.

- R3.5 BLSD should update its policies and procedures to include comprehensive energy management and conservation practices. The implementation of policies and procedures will help generate cost savings through improved conservation practices and monitoring. In addition, the District should evaluate the advantages of joining an energy purchasing consortium.**

As shown in **Table 3-5**, BLSD's total utility expenditures were 13.8 percent higher per square foot than the peer average. High utility expenditures were primarily driven by electricity costs that were 33.7 percent higher per square foot than the peer average.

BLSD does not use a consortium to purchase electricity or other utilities. Furthermore, the District does not participate in energy conservation measures beyond manual temperature controls. For example, there are no signs in the rooms or halls to remind students and teachers to turn off lights, nor does the District implement other energy saving practices.

School Operations and Maintenance: Best Practices for Controlling Energy Costs (Princeton Energy Resources International, 2004) suggests various best practices and programs for controlling energy costs. The following is a list of programs, not currently in place, that could be helpful to the District:

- Energy tracking and accounting - includes collecting, recording and tracking monthly energy costs for analysis;
- Voluntary energy awareness - includes educating the faculty, staff, and students to be aware of energy costs and to do their part to control costs, such as “turn off the lights” stickers in the bathrooms;
- Performance contracting - includes a contractual agreement with a performance contractor to provide energy services in exchange for a percentage of the savings; and
- Quick fix and low cost - includes identifying and repairing simple building problems such as weather-stripping around doors and windows.

Due to the small size of the District, administrators have not put an emphasis on controlling energy costs. The lack of an energy conservation plan and purchasing procedures has caused BLSD to incur excessive energy costs that may be avoided.

Financial Implication: In FY 2006-07, the District spent \$65,171 on electricity and \$46,243 on gas. Purchasing cooperatives and best practices in energy conservation could save the District 5 to 15 percent in utility costs. If the District was able to reduce its 2006-07 utility costs by 10 percent, it could save approximately \$11,000 per year.

- R3.6 BLSD should update its Ohio School Facilities Commission (OSFC) facility master plan to reflect the future direction of the District. In carrying out this process, the District should work with a cross-section of school personnel, parents, students, and community members to ensure all stakeholders have input regarding the District’s facility needs and future plans. In addition, the District should ensure that the master plan reflects current building configurations and student demographics and incorporates student enrollment projections, a capital improvement plan, and a formal preventive maintenance schedule (See R3.8). The plan should be monitored and updated on an annual or biennial schedule.**

The OFSC produced all required facility planning documentation for BLSD during its OSFC construction project in 2000. The OSFC planning documents include a master plan, enrollment projections, capacity analyses, and facility utilization assessments. They also include funding estimates, but do not contain anticipated funding sources. The OSFC planning documents have not been updated since they were created in 2000.

Creating a Successful Facility Master Plan (School Planning & Management, 2001) defines a facility master plan as one that specifies identified projects, the timing of the projects, sequencing of the projects, and their estimated cost. A district-wide facility master plan is typically a 10-year plan and is important in determining and securing financing and providing the macro scope of projects. A facility master plan should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.

A facility master plan, if developed appropriately, can potentially have a significant impact on the quality of education in a school district. Further, *The Visionary Master Plan* (AS&U, 2003) states that a master plan can organize and analyze future construction projects while addressing and prioritizing deferred-maintenance issues. Effective planning is a continuous process; it does not end when the planning document is delivered.

BLSD should update its facility master plan regularly to reflect building improvements that have been made, changes in demographics, and other educational directions. The District's educational programs and academic achievements should be linked to the District's facility master plan, the comprehensive continuous improvement plan (CCIP) and the District-wide strategic plan.

R3.7 BLSD should develop a formal five-year capital improvement plan (CIP) and update it on an annual basis to ensure that critical repair work or equipment replacement is completed. The capital improvement plan should include a capital project categorization and prioritization system that provides administration with a breakdown between maintenance tasks and capital projects, ensures work is completed in a timely manner, and minimizes both safety hazards and facility deterioration. The five-year capital improvement plan should also be linked to the District-wide strategic plan.

The District does not have a capital improvement plan. As a result, BLSD is not in a position to plan ahead for major repairs, replacements, or upgrades of its facilities and equipment.

The GFOA indicates that a government should have a process in place for evaluating proposed capital projects and financing options, and developing a long-range capital

improvement plan that integrates projects, time frames, and financing mechanisms. The capital plan should project at least five years into the future and should fully integrate into the government's overall financial plan. The process for developing the plan should allow many opportunities for stakeholder involvement in prioritizing projects and project review. Upon being developed, the GFOA further recommends that districts have the capital plan approved by the governing body.

Without the development and implementation of a five-year capital improvement plan, the District may experience abrupt and unplanned increases in capital expenditures, which could overly burden the General Fund. Through improved planning, financing sources can be identified and secured before they are needed, helping to eliminate the significant effect of unforeseen capital costs on the District's finances.

R3.8 BLSO should implement a formal work order system. Once the work order system is established, BLSO should implement and include a formal preventive maintenance program. Using manufacturer-recommended maintenance cycles, a coordinator could develop a calendar of preventive maintenance activities.

The District does not formally document any preventive maintenance activities. According to the Maintenance Coordinator, all work requests are verbal and are informally prioritized based on his experience. The Maintenance Coordinator takes into consideration life and safety needs first. Due to the age and renovations to the District's building, the lack of preventive maintenance has yet to result in significant capital repairs with the exception of the roof. However, the District is required, under the constraints of the OSFC project, to conduct preventive maintenance activities to maintain its building.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003), states that a facilities maintenance plan details an organization's strategy for proactively maintaining its facilities. Effective maintenance plans manage capital investment responsibilities and include accurate assessments of existing facilities, incorporate the perspectives of various stakeholder groups, and focus on preventive measures. As with any successful management endeavor, good facilities maintenance plans integrate best practices of planning, implementation, and evaluation. Responsible facilities maintenance planning demands that attention be given to a wide range of other issues that influence organizational budgeting, including insurance coverage, land acquisition, equipment purchases, and building construction and renovation.

The definition of what constitutes "proper maintenance" changes over the life of the equipment or building. Knowing the age and condition of a facility or piece of equipment is a prerequisite for maintaining it properly. When an organization knows the status of its facilities and equipment, the need for maintenance, repairs, and upgrades becomes much clearer.

Lack of a formal preventive maintenance program and work order system may result in increased repair and capital expenditures in the future and may burden the General Fund for capital repairs which could potentially have been avoided.

The work order system could be a manual paper-based process using paper work order forms and maintaining records on a basic spreadsheet at minimal cost to the District. This system would improve accountability by helping the District formally prioritize, assign, and monitor work order requests in accordance with recommended practices. Additionally, a work order record would provide information needed to develop a formal preventive maintenance program.

Financial Implications Summary

The following table summarizes the estimated annual cost savings associated with the recommendations in this section of the performance audit.

Financial Implications for the Operations Section

Recommendation	Annual Cost Savings
R3.1 Share administrative services with other districts.	\$37,000
R3.2 Eliminate one teaching position per year (total of four teaching positions over four years).	\$84,900
R3.3 Eliminate ESC contract and hire two special education teachers.	\$24,900
R3.5 Join a purchasing cooperative and institute best practices in energy conservation.	\$11,000
Total	\$157,800

District Response

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

As noted in the response, BLSD does not agree with every conclusion drawn in the audit report. At several points throughout the audit, BLSD was asked to comment on the factual information contained in the report. Where warranted, AOS modified the report based on the District's comments.

The response states that auditors did not consider prior administrative position consolidations. However, auditors considered this in relation to the student population and found that providing the statutorily required administrative positions (superintendent, treasurer, principals) created a financial strain on the District because of its limited resources. While the District response notes that BLSD has considered consolidating functions or outsourcing certain positions but reached no conclusion, the audit suggests that continuing work toward position consolidation or reductions may be needed.

BLSD has made some reductions in teaching personnel and classified staff during the audit. Certificated personnel reductions were noted and taken into consideration in the **operations** section of the report (see the analyses associated with **R3.2**). In the draft report, the EMIS coordinator was discussed in conjunction with high school teaching personnel as this employee is responsible for aspects of library and media operations. In the final report, this reference was deleted. The change in wording had no bearing on the analyses in the report. The classified reduction was included in *subsequent events* portion of the **executive summary**.

Bettsville Local Schools



118 WASHINGTON STREET
P.O. BOX 6
BETTSVILLE, OH 44815
PHONE: (419) 986-5166 FAX: (419) 986-6039

November 21, 2008

Mary Taylor, CPA
Auditor of State
88 E. Broad Street
Columbus, OH 43215

Dear Ms. Taylor:

This letter is in response to the findings and recommendations found in the audit report of the Bettsville Local School District.

R3.1 BLSD should consider making reductions in its administrative staff by sharing administrative personnel with other districts. Sharing personnel would reduce the cost impact that statutorily required positions have on BLSD.

We did not see anything in your report that points out the cost-containment measures we have already taken in regard to administrative reductions. One of the first measures taken in July of 2007 (when I was hired at BLSD) was to combine the positions of Superintendent and Principal into one position. As the Superintendent/Principal of BLSD, I now hold one position that was previously held by two separate people prior to my arrival. At that time, we also chose not to fill the position of Athletic Director but combined it with the position of Assistant Principal. Your report recommends that we share administrative personnel with other districts. Prior to hiring our new Treasurer (who officially began here on 7/1/2008 under a two-year contract), we did explore with our ESC the concept of sharing or receiving Treasurer services from the ESC. A successful arrangement was not worked out. Our Board of Education and the Board of Education of a neighboring school district also met to discuss sharing resources. There has been no progress in this regard as the BLSD Board is not interested, at this time, in merging or consolidating with another school district.

The current administrative staffing at BLSD is only 3.0 FTE, not the 4.2 FTE number as reported in the Performance Audit. We currently have on staff one Superintendent/ Principal, one Assistant Principal/ Athletic Director and one Treasurer. All administrative staff is performing two or more jobs.

R3.2 BLS D should reduce up to four certificated positions (one per year for the next four years) by attrition. Leaving positions vacant as teachers retire or resign will help the District transition to higher student-teacher ratios. BLS D should continue to monitor student/teaching ratios and take the opportunity to reduce positions as needed.

As we entered the current 2008-09 school year, which began on August 21, 2008, we have already eliminated the equivalent of 2.5 certificated positions since the completion of the past 2007-08 school year. We cut one certificated middle school teaching position and reduced four other certificated teaching positions from full time to .63 FTE, .52 FTE, .62 FTE, and .73 FTE respectively. We see no mention of this in your report. Consequently, we are already transitioning to higher student-teacher ratios and will do so in the future. Your report indicates that our third grade class has only 9 students. That should now read 4th grade as those students are now in Grade 4. The report suggests a 25-1 student-teacher ratio. The suggestion is to combine grade 4 with another grade level. If we do so, we will still be over the 25-1 student-teacher ratio with the combined class being taught by one teacher instead of two teachers.

The report indicates that our EMIS coordinator is a teacher, she is not. She is a non-certificated classified employee.

We also did not see in your report that we also eliminated a full time classified employee position. Our head cook retired and we did not fill her position with a new person from outside the district. Our current employees are absorbing her duties.

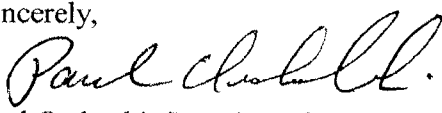
R3.3 BLS D should consider hiring special education teachers as District employees and discontinue the practice of contracting for special needs services from the North Central Ohio Educational Service Center (NCOESC). The District should continue to evaluate the special education program for FY 2008-09 to ensure that it is in line with District goals.


As we entered the current 2008-09 school year, we have already discontinued the practice of contracting for one special needs teacher from the NCOESC. Last year we had two special needs teachers from the NCOESC. As one NCOESC teacher was non-renewed at the end of last school year, we replaced him with our own BLS D employee. To eliminate the other NCOESC teacher is not as easy. First, our pay scale is much less than the NCOESC pay scale. To get rid of the current teacher and bring her on as a BLS D employee would result in a significant pay loss to her. Plus, she has no guarantee of a job with the NCOESC if we cut her position and make it a BLS D position. From a human relations standpoint, I cannot do that to her.

R2.1 BLS D should review the methodology and assumptions used to support key revenue line-items in its five-year forecast.

The new treasurer has revised and updated the five-year forecast and all of the assumptions related to it. The assumptions that are attached to the five-year forecast are being expanded as time permits.

Sincerely,


Paul Orshoski, Superintendent


Roger Luhring, Treasurer

Cost-Containment Measures

Beginning with the 2007-2008 school year

1. Combined the positions of Superintendent and Principal into one position.
2. Did not fill the position of Athletic Director but combined it with the position of Assistant Principal.
3. Reduced an Art teaching position from 1.0 FTE (Full Time Equivalent) to .58 FTE.
4. Passed a Five-Year 1% Renewal School District Income Tax Levy in November 2007.

Beginning with the 2008-2009 school year

1. Extended for one calendar year, the Master Contract between the Bettsville Education Association and the Bettsville Local School District Board of Education with no Cost of Living increase for Bettsville Education Association members.
2. Eliminated 1.0 FTE Middle School Language Arts/Social Studies teaching position.
3. Reduced the position of High School Science Teacher from 1.0 FTE to .73 FTE.
4. Reduced the position of K-12 Music Teacher from 1.0 FTE to .62 FTE.
5. Reduced the position of K-12 Physical Education Teachers from 1.0 FTE to .52 FTE.
6. Reduced Purchased Services Costs from the NCOESC for Special Education and Gifted teaching positions.
7. Switched from three (3) lunch periods to two (2) to reduce hourly labor costs in the kitchen and in the supervision of students during lunch periods.
8. Placed the high school and middle school on the same bell schedule to allow for better sharing of teachers between grades 7-12.
9. Absorbed with current employees, the Head Cook Position vacated by the retirement of a former employee.