



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Tecumseh Local School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State

April 1, 2014

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Executive Summary

Purpose and Scope of the Audit

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

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

Performance Audit Overview

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

The Auditor of State's Ohio Performance Team (OPT) conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight in their efforts to improve program performance and operations; reduce costs; facilitate decision-making by parties with responsibility for overseeing or initiating corrective action; and contribute to public accountability.

Audit Methodology

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

In consultation with the District, the following 10 Ohio school districts were identified as peers: Bellefontaine City School District (Logan County), Clyde-Green Exempted Village School

District (Sandusky County), Geneva Area City School District (Ashtabula County), Girard City School District (Trumbull County), Hillsboro City School District (Highland County), Hubbard Exempted Village School District (Trumbull County), Midview Local School District (Lorain County), Norwalk City School District (Huron County), Urbana City School District (Champaign County), and Wauseon Exempted Village School District (Fulton County). Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the State Employment Relations Board (SERB), the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the National State Auditors Association (NSAA), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the Ohio School Facilities Commission (OSFC).

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

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

Noteworthy Accomplishment

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes a noteworthy accomplishment identified during the course of this audit.

- **Food Service:** The District's Food Service function operates without any general fund subsidies while providing a free breakfast to all District students. The district produces its meals with 31% fewer daily labor hours when compared to industry benchmarks and has an overall meal cost that is 7.8% lower than the peer average. The District's Food Service operations are self-sustaining and are managed effectively while maintaining a Food Service fund balance of \$967,987 at the time of the audit.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The District should further study the following issues:

- **Facilities:** Explore the potential cost savings associated with the district's warehouse. TLSL currently stores supplies in its 1908 historic building. The District should assess

the costs and potential savings associated with relocating its storage. TLSD is encouraged to explore all possible cost savings related to its non-academic buildings.

- **Human Resources – Substitute Staff Calling Function:** Investigate the possibility of automating the substitute staff calling function. Upper Arlington City School District uses the Educational Service Center of Central Ohio to implement an automated educational substitute ordering system called AESOP. The Arlington teachers are trained to use the online or phone system to report their absence, and then substitutes can search the system for openings. Administrators can choose which substitutes to call based on District preferences. In addition, administrators have a better way of tracking teacher absences. According to the Clark County Educational Service Center, the District has the infrastructure in place to implement this system.
- **Transportation:** Consider reducing the size of the bus fleet. During the course of the audit, TLSD discontinued high school busing for FY 2013-14. This change occurred in order to reduce the costs associated with its transportation operations. In an attempt to further reduce daily operating costs, the District combined its elementary and middle school students on the same tier. The result was an increase in the bus fleet's size in order to transport all of its riders at once. Although no data was available at the time of the audit to compare the costs related to such changes, the District is encouraged to explore possible ways to reduce the size of its bus fleet. Further, the District should analyze the potential costs and benefits of running one tier to determine the most efficient, cost effective transportation methodology.
- **Food Service:** The District should re-evaluate its Indirect Cost Rate Proposal to ensure that it includes all indirect costs associated with the Treasurer's office, the Human Resources office, Custodial Services, Maintenance Services, Utilities, and any other activity or staff member that impacts multiple Federal programs within the district. During the course of the audit it was noted that the District has an exceptionally large balance in its Food Service fund. Recovering indirect costs from the Food Service fund will bolster the General fund and allow the District greater flexibility when making its appropriations.

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1 Develop and implement an official Strategic Plan	N/A
R.2 Develop a formal purchasing procedures manual	N/A
R.3 Post board meeting minutes and budget reports on the District website	N/A
R.4 Eliminate 5.0 FTE office/clerical positions	\$159,452
R.5 Eliminate 11.0 FTE general education teaching positions	\$479,787
R.6 Contract out psychological services	\$9,227
R.7 Eliminate 8.0 FTE monitoring staff positions	\$57,911
R.8 Eliminate 4.0 FTE Educational Service Personnel Positions	\$255,548
R.9 Develop and implement a comprehensive staffing plan	N/A
R.10 Eliminate pension pick-ups for administrative staff	\$145,832
R.11 Explore alternative methods and procedures to assist in efficiently routing buses	N/A
R.12 Implement internal control procedures for T-1 Reports	N/A
R.13 Close the Administrative building	\$9,824
R.14 Develop a comprehensive preventive maintenance plan	N/A
Total Cost Savings from Performance Audit Recommendations	\$1,117,581

The following table shows the District’s ending fund balances as projected in the October 2013 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Financial Forecast with Performance Audit Recommendations

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Oct 2013 Ending Fund Balance	\$301,251	\$557,184	(\$115,796)	(\$1,608,604)	(\$4,250,235)
Performance Audit Total Cost Savings ¹	\$0	\$1,188,730	\$2,419,070	\$3,693,279	\$5,008,364
Revised Ending Fund Balance	\$301,251	\$1,745,914	\$2,303,274	\$2,084,675	\$758,129

Source: TLSD October 2013 five-year forecast and AOS recommendations

Note: Although the District should seek to implement recommendations as soon as practical, there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2014-15 through FY 2017-18 only.

¹ Cost savings from staff reductions are adjusted to include forecasted increases of salaries and benefits through FY 2017-18. Salaries are forecasted to increase 6.0% for FY 2014-15 and 1.7% per year FY 2015-16 through FY 2017-18. Benefits are forecasted to increase 7.5%, 7.5%, 7.7%, and 7.9% respectively.

While the performance audit recommendations are based on the District’s operations during FY 2011-12, implementation of all recommendations may not be possible until FY 2014-15 as some recommendations require contract negotiations and others simply would not be implementable until the start of a new fiscal year. If TLSD implements the recommendations within the performance audit, projections for FY 2017-18 would change from a \$4.2 million deficit to a projected surplus of \$750,000. However, the forecasted fund balance trend from FY 2015-16 through FY 2017-18 indicates the District needs to remain vigilant in their efforts to balance revenues and expenses.

Background

Tecumseh Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government and provides educational services as mandated by State statute and federal guidelines.

The District was established in 1875 through the consolidation of existing land areas and school districts. The District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 229 non-certificated employees, 312 certificated full-time teaching personnel, including administrators, who provide services to 3,274 students and other community members. The District currently operates six instructional buildings, one administrative building, one warehouse, and one garage.

Financial Status

Table 1 shows TLSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's May and October 2013 five-year forecasts. This information is an important measure of the financial health of the District and serves as the basis for identification of conditions leading to fiscal status designation by AOS and ODE.

Table 1: TLSD Financial Condition Overview

May 2013 Forecast					
	Forecast FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Total Revenues and Other Financing Source	\$25,998,101	\$26,400,745	\$26,839,953	\$25,701,862	\$24,729,515
Total Expenditure and Other Financing Uses	\$27,239,410	\$26,727,043	\$27,649,018	\$28,633,088	\$29,685,039
Results of Operations	(\$1,214,309)	(\$326,298)	(\$809,065)	(\$2,931,226)	(\$4,955,524)
Beginning Cash Balance	\$2,067,607	\$826,298	\$500,000	(\$309,065)	(\$3,240,291)
Ending Cash Balance	\$826,298	\$500,000	(\$309,065)	(\$3,240,291)	(\$8,195,815)
Outstanding Encumbrances	\$650,000	\$500,000	\$500,000	\$500,000	\$500,000
Fund Balance June 30 for Certification	\$176,298	\$0	(\$809,065)	(\$2,687,092)	(\$5,536,218)
October 2013 Forecast					
	Forecast FY 2013-14	Forecast FY 2014-15	Forecast FY 2015-16	Forecast FY 2016-17	Forecast FY 2017-18
Total Revenues and Other Financing Source	\$26,657,018	\$28,342,358	\$27,204,490	\$26,231,763	\$26,238,220
Total Expenditure and Other Financing Uses	\$26,663,218	\$28,086,425	\$28,930,669	\$29,830,969	\$30,986,249
Results of Operations	(\$6,200)	\$255,933	(\$1,726,179)	(\$3,599,206)	(\$4,748,029)
Beginning Cash Balance	\$1,457,451	\$1,451,251	\$1,707,184	(\$18,995)	(\$3,618,201)
Ending Cash Balance	\$1,451,251	\$1,707,184	(\$18,995)	(\$3,618,201)	(\$8,366,230)
Outstanding Encumbrances	\$605,404	\$605,404	\$605,404	\$605,404	\$605,404
Fund Balance June 30 for Certification	\$301,251	\$557,184	(\$115,796)	(\$1,608,604)	(\$4,250,235)

Source: TLSD’s May 2013 and October 2013 five-year forecasts as submitted to ODE.

Table 1 projects TLSD’s fund balance will erode from a FY 2013-14 fund surplus of \$301,251 in FY 2013-14 to a deficit of \$4,250,235 by FY 2017-18.

A reduction of future deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, TLSD’s operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District.

Revenue, on the other hand, is not directly controlled by school districts, but instead by Federal and State laws and regulations as well as support from local taxpayers. ODE’s Local Tax Effort Index¹ is a tool designed to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education while considering the residents’ ability to pay. In FY 2012-13, TLSD’s Local Tax Effort Index was 0.97. The average of the other six school districts in Clark County was 1.00795. If TLSD’s revenue increases, the District may be able to address the projected deficits with fewer reductions to services.

¹ A value of 1 indicates average local tax support, while values below 1 or above 1 reflect below average or above average support, respectively.

Recommendations

R.1 Develop and implement an official Strategic Plan

The District does not have a comprehensive strategic plan linking goals and action plans to the budget and other related plans (five-year financial forecast, capital plan, etc.).

Recommended Practices on the Establishment of Strategic Plans (GFOA, 2005) indicates that all governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. GFOA goes on to indicate that the strategic plan establishes logical links between spending and goals, and that the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. The logical links between authorized spending and annual goals should be based on identified needs, projected enrollment, and revenues. Finally, GFOA recommends that agencies regularly monitor progress toward planned goals and make updates every one to three years based on changing conditions.

Steps in the strategic planning process include the following:

- Initiate the Strategic Planning Process
- Prepare a Mission Statement
- Assess Environmental Factors
- Identify Critical Issues
- Agree on a Small Number of Broad Goals
- Develop Strategies to Achieve Broad Goals
- Create an Action Plan
- Develop Measurable Objectives
- Incorporate Performance Measures
- Obtain Approval of the Plan
- Implement the Plan
- Monitor Progress
- Reassess the Strategic Plan

According to OAC 3301-35-03(A), a strategic plan guides school districts and key stakeholders in the ongoing measurement of performance to assure adequate progress is being made toward strategic goals and objectives.

By developing and implementing a comprehensive strategic plan, Tecumseh LSD can gain a better perspective on its future financial needs and develop a more comprehensive approach to balancing finances with its educational mission. In addition, a strategic plan can serve as a tool to improve communication between the District and community, provide direction for the Board, and align the planning and budgeting processes. Having a strategic plan will ensure that the mission and goals created are realistic and fiscally attainable.

R.2 Develop a formal purchasing procedures manual

The District's purchasing policies do not mandate a formal purchasing process, or address receipt and distribution of goods. As a result, the policies are not consistent with best practices.

According to Introduction to Public Procurement (The National Institute of Governmental Purchasing (NIGP), 2009), purchasing manuals should include guidelines and steps for preparing procurement requisitions; developing specifications; receiving and inspection; and reporting and documenting supplier performance.

"Agencies usually have three "levels" of procurement manuals: a policy manual for the guidance of agency personnel, a procedures manual with detailed guidance and instruction for procurement staff, and a vendor manual for the information and guidance of suppliers and potential suppliers."

Procedures manuals should be tailored to meet agency requirements and, at a minimum, should include:

- The procurement goals, objectives, and responsibilities.
- A step-by-step outline of the procurement process, including the processing of requisitions, solicitations, bid evaluation and awards, preparation and issuance of purchase orders and contracts, follow-up, and contract administration.
- Guidelines and steps for client departments for preparing procurement requisitions, developing specifications, receiving and inspection, and reporting and documenting vendor performance.
- A step-by-step outline of the property and supply management programs, including inventory control and management and the transfer or disposal of surplus property.
- Other special procedures, such as a description of a cooperative purchasing program, how to process invoices for payment and how to process call-ups against term contracts and blanket purchase orders.
- A listing of the important forms used in the procurement process, instructions to bidders and general conditions governing contracting, and a glossary of procurement terms used in the manual.

The development, approval, and distribution of a comprehensive purchasing manual will assist the District in communicating its official position on purchasing practices, and improve the consistency of application of those practices.

R.3 Post board meeting minutes and budget reports on the District website

The Government Finance Officers Association (GFOA) has long encouraged governments to demonstrate accountability and transparency by making financial information of the highest quality readily accessible to citizens and other interested parties. A government's web site is especially well suited for this purpose.

Benefits of using the government's web site to communicate financial information include:

- Heightened awareness. Many potential users of a government's financial information may only discover that it is available because they find it on the web site.
- Universal accessibility. Information furnished on a web site is readily available to a wide range of potential users (e.g., citizens, rating agencies, regulatory agencies, other governments, and the press) without charge.
- Increased potential for interaction with users. A web site can offer two-way, multi-conversational, or interactive formats. This capacity may be especially helpful for proposed documents or for citizen surveys.
- Enhanced diversity. A web site may offer the possibility of providing the same financial information in a variety of languages, which may be needed pursuant to the policies of a particular governmental entity.
- Facilitated analysis. Computerized tools can be used to find, extract, and analyze data presented in electronic form.
- Increased efficiency. Presenting all financial information in a single location can help to avoid calls for redundant specialized reports (e.g., reproducing data already presented in the comprehensive annual financial report or the budget document).
- Lowered costs. Electronic publication can be accomplished relatively quickly and can reduce or eliminate many of the costs associated with producing a hardcopy report, including those associated with handling and mailing the reports.
- Contribution to sustainability. Using a web site to disseminate financial information may reduce paper consumption, thereby contributing to the core value of sustainability.
- Broadened potential scope. The use of hyperlinks allows for easy referencing of relevant information from other sites.

Electronic publication can also help the government meet the objective of providing financial information on a timely basis. Once published electronically, potential users should be informed that financial documents are available at the web site. Local newspapers, cable television, council meetings, mailings, and the printed document itself (if prepared) can be used for this purpose. For users without access to the Internet, other electronic media (e.g., CDs or flash drives) should be made available at locations such as local libraries or the city hall. Before electronic publication, the government should consult with their counsel to ensure that any legal issues related to the distribution of the financial information have been appropriately addressed, including compliance with all applicable provincial, state and federal laws and regulations (e.g., American Disabilities Act).

Posting the Board minutes and budget on the website will result in citizens becoming more aware of the District's financial goals and activities. Through easier accessibility, the public will become more informed about, interactive with, and analytical of the District's activities. Posting more information on the website will increase efficiency and lower the cost of information dissemination, making the District more sustainable.

R.4 Eliminate 5.0 FTE office/clerical positions

The District currently employs 24.7 FTE office and clerical staff. This includes 18.7 FTEs whose functions relate to general office activities and act as building, departmental, or administrative secretaries. Further, 4.0 FTEs are employed in the Treasurer’s office to assist the Treasurer with the financial operations of the District, while the remaining 2.0 FTEs are classified as general office staff for bookkeeping and alternative learning. In some cases, functions are split between different positions and departments. For example, two different employees are responsible for completing the District's EMIS reporting. According to the Student EMIS Coordinator, the District has consolidated many office and clerical positions over the last five years, leaving many staff members sharing or picking up additional duties.

Table 2 compares the District’s office and clerical staff on a per 1,000 student basis to the peers.

Table 2: TLSD Office / Clerical Staffing Comparison

	TLSD		Peer Avg.	Difference	
Students ¹	3,014		2,345	669	
Staffing Categories	TLSD ² FTEs	TLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below)
Office/Clerical	24.67	8.18	6.39	1.79	5.40

Source: TLSD FY 2011-12 and peer district FY 2011-12 staffing data as reported to ODE.

Note: TLSD’s operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² Adjustments were made to TLSD’s EMIS data to reflect accurate staffing at the time of the assessment.

Table 2 shows that TLSD has 5.4 FTE more Office / Clerical employees per 1,000 students than the peers.

Financial Implications: Reducing the District’s office and clerical staff by 5.0 FTEs will save the District \$117,244 in salaries and \$42,208 in benefits for a total of **\$159,452**. These savings were calculated using the five FY 2011-12 lowest salaries for clerical workers (\$117,244) and include an average benefit of 36.3 percent (\$42,208). Eliminating these positions will allow the District to reorganize its staff and assign duties more efficiently and effectively.

R.5 Eliminate 11.0 FTE general education teaching positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) 3301-35-05 requires a ratio of general education teachers to students, district-wide, of at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel.

Table 3 compares TLSD’s general education teaching staff ratio to the State minimum requirements for FY 2012-13.

Table 3: FY 2012-13 General Education Teacher Comparison

General Education Teachers FTEs	122.48
Regular Student Population ¹	2,765
Current Regular Student to General Education Teacher Ratio	22.5:1
State Minimum Required Teachers (based on 25:1 ratio)	110.6
General Education Teachers Above State Minimum Requirement	11.0

Source: TLSD and OAC

¹ Regular Student Population is used to calculate the required number of General Education Teachers. Regular Student Population typically differs from “Student Enrollment” used in other calculations because Regular Student Population excludes Special Education and Open Enrollment Students.

As illustrated in **Table 3**, TLSD staffs at a level that is 11.0 FTEs above the State minimum requirement for general education teachers. While it is not a common practice in Ohio to operate at or near State minimums, TLSD may need to make significant staffing reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation. If the District determines that staffing reductions are necessary in order to function within its current operating budget, it should first consult with ODE to ensure it maintains compliance with State requirements. Further reductions to teaching staff may negatively affect student achievement.

Financial Implication: Eliminating 11.0 FTE general education teaching positions would save **\$479,787** in salaries and benefits annually. These savings were calculated using the FY 2011-12 base salary for a teacher with a bachelor’s degree (\$32,001) and include an average benefit of 36.3 percent (\$11,616).² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

R.6 Contract out psychological services

TLSD employs 3.0 FTE Psychologists on 7.5 hour-per-day, 205-day contracts to serve the District’s five academic facilities. Currently, 1.0 FTE Psychologist is assigned to the high school and middle school, while the remaining 2.0 FTEs are assigned to the three elementary schools. In FY 2012-13, the District expended \$307,136 on salaries and benefits for its psychological staff. This does not include the STRS pension pick-up of 7.7 percent for each employee. (Pension pick-up is addressed in recommendation **R.11**)

² The average benefit percentage is calculated by taking the District’s total employee retirement and insurance benefits divided by the District’s total personal service expenditures in FY 2011-12.

Table 4 compares the number of psychologists employed by the District compared to the peers.

Table 4: TLSD Psychologist Staffing Comparison

	TLSD		Peer Avg.	Difference	
Students ¹	3,014		2,345	669	
Staffing Categories	TLSD ² FTEs	TLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Psychologists	3.0	1.0	.6	.4	1.2

Source: TLSD FY 2011-12 and peer district FY 2011-12 staffing data as reported to ODE.

Note: TLSD’s operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² Adjustments were made to TLSD’s EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that, when added or subtracted, would bring TLSD’s number of employees per 1,000 students in line with the peer average.

Table 4 shows that TLSD has 1.2 FTEs more Psychologists per 1,000 students than the peers. However, the District educates 21 percent more Special Education students than the peer average.

The Treasurer of the Clark County Educational Service Center (ESC) stated that if the District contracted out its psychological services with the ESC, it could receive 3.0 FTE Psychologists (based on five years’ experience, family insurance coverage, and a 253 day contract) for \$90,303 per FTE. Thus, the District could provide its current level of service for \$297,909.

Financial Implication: The District would save **\$9,227** by contracting to the ESC. Subcontracting its psychological services would also allow the District to expand or contract services based on the District’s enrollment and need.

R.7 Eliminate 8.0 FTE monitoring staff positions

During FY 2012-13 TLSD employed 21 employees (20.1 FTEs) for monitoring purposes. In total, the District expended slightly less than \$250,000 from the General Fund for these contracts.

Table 5 compares the District’s monitoring staff to the peers.

Table 5: Monitoring Staff Comparison

	TLSD		Peer Avg.	Difference	
Students¹	3,014		2,345	669	
Staffing Categories	TLSD² FTEs	TLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below)³
Monitoring	20.1	6.7	1.3	5.4	
Adjustments ⁴	(8.2)	(2.7)	0.0	(2.7)	
Total	11.9	4.0	1.3	2.7	8.0

Source: TLSD FY 2011-12 and peer district FY 2011-12 staffing data as reported to ODE.

Note: TLSD’s operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² Adjustments were made to TLSD’s EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that, when added or subtracted, would bring TLSD’s number of employees per 1,000 students in line with the peer average.

⁴ Excluded positions the District may not be able to reduce because of safety or collective bargaining, such as classroom or bus aides. The Latchkey program is self-funding, thus is excluded.

As shown in **Table 5**, adjustments were made to the number of monitoring staff in order to give a more accurate representation of the positions that could be reduced without affecting classroom performance and student safety. Bus monitors, bus aides, classroom aides, and latchkey staff were excluded from the assessment. Although the monitoring staff was adjusted from 20.1 FTEs to 11.9 FTEs for this analysis, the District was still 8.0 FTEs above the peer average when calculated on a per 1,000 student basis.

Financial Implication: Reducing the District’s monitoring staff by 8.0 FTEs will allow the District to become more efficiently staffed at a level closer to the peers. Further, reductions in this area will save the District **\$57,911** in salaries and benefits. These savings were calculated for eight FTEs using the lowest FY 2011-12 salary per FTE for a monitoring staff employee (\$5,311) and include an average benefit of 36.3 percent (\$1,928). However, since many of these contracts are related to lunchroom monitoring, the District could also explore moving these expenditures from the General Fund to the Food Service Fund.

R.8 Eliminate 4.0 FTE Educational Service Personnel Positions

During FY 2013-14 the District will expend \$1,417,508 on Educational Service Personnel. Educational Service Personnel (ESP) includes K-8 art, music, and physical education teachers; counselors; librarians; social workers; and visiting teachers. During FY 2011-12, District employed 18.0 FTE ESP staff, including: 5.0 FTE Physical Education Teachers; 3.0 FTE Music Teachers; 2.0 FTE Art Teachers; 4.0 FTE Guidance Counselors; 2.0 FTE Librarians; and 2.0 FTE School Nurses.

According to Ohio Administrative Code (OAC) §3301-35-05(A)(4), “A minimum of five full-time equivalent educational service personnel shall be employed district-wide for each one thousand students in the regular student population as defined in section 3317.023 of the Revised Code.”

Table 6 compares the Districts current ESP staff to the minimum required ESP staff as stated in OAC §3301-35-05(A)(4).

Table 6: ESP Comparison to State Minimum Requirement

Current ESP FTEs	18.0
Regular Student Population ¹	2,765
State Minimum Required ESP (based on 5 ESP per 1,000 Regular Students)	13.8
ESP Above State Minimum Requirement	4.2

Source: TLSD and OAC§3301-35-05(A)(4)

¹ Regular Student Population is used to calculate the required number of General Education Teachers. Regular Student Population typically differs from “Student Enrollment” used in other calculations because Regular Student Population excludes Special Education and Open Enrollment Students.

As shown in **Table 6**, the District employs 4.2 FTEs more than the state required minimum. Therefore, the District could reduce its ESP staff by 4.2 FTEs and still remain in compliance with state staffing requirements.

Financial Implication: The District could save **\$255,548** in salaries and benefits by reducing its total educational service personnel from 18.0 FTEs to 14.0 FTEs. These savings were calculated using the four FY 2011-12 lowers salaries for an ESP employee (\$187,489) and include an average benefit of 36.3 percent (\$68,059).

R.9 Develop and implement a comprehensive staffing plan

The District currently does not have a staffing plan to ensure the efficient and effective use of staffing resources. According to the Assistant Superintendent, Tecumseh LSD does not have a formal staffing plan or any formal document detailing staffing levels or related planning. Further, the District has implemented numerous organizational changes in the last year and has reorganized its administrative, certified, and classified staff by combining and eliminating positions. However, due to the reorganization, some positions have multiple unrelated job functions and may not be as efficient as possible.

Lakota Local School District has established a staffing plan that incorporates staffing allocation factors such as state and federal regulations, workload measures, and other leading practices. In general, staffing benchmarks in Lakota’s plan are aligned with available General Fund revenues, which assist the District in ensuring a balanced budget. In addition, Cincinnati City School District has developed a staffing plan that incorporates state requirements, contractual agreements, available resources, and educational goals. The plan also includes central and site-based administrators in the process and serves as a valuable tool for the District’s leadership team and administration.

Implementing a comprehensive staffing plan will allow the District to efficiently and effectively allocate its staffing resources. While the District's overall staffing ratios are below the peer district average, developing a plan with workload measures, ratios, and performance indicators will ensure that all of the District's goals are being adequately planned for and addressed.

R.10 Eliminate pension pick-ups for administrative staff

While TLSD's classified and certificated employees make required employee retirement contributions through salary deductions to the State Employees Retirement System (SERS) or State Teachers Retirement System (STRS), 21 of the District's administrators receive a fringe benefit whereby the Board makes this contribution for them. In addition to the District's senior level administrators (Superintendent, Assistant Superintendent, Treasurer, and Special Education Director), 17 other administrative employees, including principals, assistant principals, psychologists, directors and department managers receive this fringe benefit.

STRS and SERS require employees to contribute 10 percent and employer's to contribute 14 percent of employees' gross salaries.³ Usually, the employer deducts the employee's 10 percent contribution from his or her paycheck—this is called the salary reduction method and is generally applied before taxes. In some instances, employers may elect to pay the employee share on behalf of the employee as an additional benefit, often in lieu of higher salary. Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits. While many of the peers offer this benefit to administrative staff, Norwalk City School District does not provide a pension benefit for any of its administrative employees.

Financial Implication: If TLSD eliminates the retirement benefit for its 21 administrators it would save **\$145,832** annually. The District may decide to take a gradual approach to decreasing this benefit such as a percentage decrease or elimination at individual contract expiration/renewal.

R.11 Explore alternative methods and procedures to assist in efficiently routing buses

According to TLSD's Transportation Supervisor, the district buses all eligible riders in the district and adjusts the routes after the first week if students do not ride the bus. This practice limits the District's route planning abilities, particularly during the beginning of the year, as the District does not know who will actually be riding the bus. The practice therefore expends time and resources to schedule stops at homes that may not send riders.

Sycamore Community Schools is an example of a school district that requires parents to submit a transportation registration form on a yearly basis to indicate whether their students will require school transportation. Further, the form allows parents to communicate the student's transportation method, daycare center, emergency contact information, and authorized guardians.

³ Due to recent changes to STRS outline in Sub. S.B. 342, beginning July 1, 2013 member contributions will increase by 4 percent, phased in at 1 percent per year beginning July 1, 2013, through July 1, 2016

Adopting a policy that requires all parents to submit a **transportation request form** will allow Tecumseh LSD to more efficiently plan for the number of actual riders each bus will transport and adjust routes accordingly.

R.12 Implement internal control procedures for T-1 Reports

The District's T-1 Report data was determined to be unreliable. The District does not have written control procedures to ensure accuracy when reporting transportation data to the Ohio Department of Education. For example, the ridership reported to ODE for the 2013 Fiscal Year varies when compared to the count sheets recorded by the district's bus drivers. This variance is due to adjustments that occurred to remove students who were double counted on shuttles or to correct errors by district bus drivers. However, there is no documentation for these corrections. Also, the district did not separate riders who live within one mile of their assigned school as instructed by ODE.

School districts in Ohio are required to submit T-1 transportation forms that report ridership data to ODE. ODE's T-1 Report instructions state that "students must be reported according to the type of school they attend, and must be separated based upon how far they live from the school." Furthermore, the District must "maintain membership records showing students that are transported to and from school."

Implementing formal control procedures over its T-1 data will ensure accurate submission of ridership data to ODE and assist the District in the management and planning of its bus fleet operations.

R.13 Close the Administrative building

The District's administrative offices are located in a renovated farm house in front of the high school. The building was obtained by the district in 1956. A large addition was constructed during the 1970 school year, increasing the building's overall size to 4,513 square feet. The building costs \$13,583 per year to operate and has periodic capital expenditures that are very costly to the District. For example, during FY2011-12, the District spent \$21,558 on a new roof and downspouts.

The District Office is being utilized despite having available space for offices in the newly constructed academic buildings that have recently undergone an energy efficiency retrofit.

Financial Implication: Closing the administrative building will reduce custodial, maintenance and utility expenses by an estimated **\$9,824** per year. Eliminating custodial services for the building will save \$2,593 annually, and benchmarks from NCEES indicate that the District will reduce general maintenance costs by 90% or \$2,637 and building utility costs by 60% or \$4,594.

R.14 Develop a comprehensive preventive maintenance plan

Tecumseh LSD's maintenance personnel currently maintain records of preventive maintenance activity on an individual basis; however, they cannot be easily accessed by other personnel.

The Planning Guide for Maintaining School Facilities (NCES, 2003) indicates that "... a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative." NCES goes on to say that a good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district then decides on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services, as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

The national center for educational statistics states that record keeping is important for many reasons, including providing individuals with information about the equipment and the servicing they require. Record keeping also helps to justify the costs associated with preventive maintenance. Keeping individual records that are not easily accessible to other users creates a significant obstacle to managing and maintaining the District's assets.

Appendix A: Scope and Objectives

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

In consultation with ODE and the District, the Ohio Performance Team (OPT) identified the following scope areas for detailed review: financial management, human resources, transportation operations, facility operations, and food services. Based on the agreed upon scope OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. Objectives and scope areas assessed in this performance audit include:

- **Financial Management**
 - What has been the District's financial history (including; use of emergency school loans, spending reserve, history of deficit spending, other issues that are affecting the District's financial situation)?
 - Is the District's strategic planning process consistent with leading practices?
 - Is the District's financial information valid and reliable?
 - Does the District maintain an effective process for preparing the financial forecast?
 - Are the District's budgeting practices comparable to best practices?
 - Are the District's purchasing and vendor payment practices comparable to best practices?
 - Is the District's financial communication consistent with leading practices?

- **Human Resources**
 - What is the Organizational Structure and Function of the Human Resource operations at the District?
 - Are the District's collective bargaining agreements consistent with leading practices?
 - Are the District's Athletics and other Supplemental Contracts comparable to best practices?
 - Is the District's EMIS data accurate and reliable?
 - Is the District's staffing efficient compared to peers?
 - Are the District's salaries comparable to the peers?
 - Are the District's health benefits comparable to leading practices?
 - Is the District's special education program efficient?
 - How does special education spending and population compare to peers?
 - Is the District's sick leave usage comparable to State averages?

- **Transportation**
 - How have ridership levels changed over the past three years?
 - How have transportation expenditures changed over the past three years?
 - Does the District utilize its buses in an efficient manner?
 - How can the District improve the accuracy and reliability of its transportation data?
 - Does the District report and verify its T-1 data in accordance with ODE instructions?
 - Does the District have written procedures and guidelines that ensure accurate and timely reporting of transportation data (T-forms) to ODE?
 - Does the District make efficient use of routing software?
 - Does the District maintain an appropriate number of spare buses?
 - Is the District's bus replacement planning practice consistent with best practices?
 - Does the District procure fuel in a cost-effective manner?
 - Is the District's preventive maintenance plan consistent with best practices?

- **Facilities**
 - How do the District's facilities expenditures compare to peer districts?
 - What is the department's organizational structure and staffing level and how do they compare to benchmarks?
 - Is Tecumseh LSD's facility-related data reliable for use?
 - Is the District's custodial and maintenance staffing efficient compared to peers and other benchmarks?
 - Does the District effectively manage overtime and substitute costs?
 - Does the District make effective use of technology?
 - Are the District's preventive maintenance efforts consistent with best practices?
 - Is the District's capital planning effort consistent with best practices?

- **Food Services**
 - What is the financial status of the District's Food Service Fund?

Appendix B: Additional Comparisons

Staffing

Table A1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at TLSD and the average of the peer districts. According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

TLSD and Peer data are from FY 2011-12 as reported to ODE through the Education Management Information System (EMIS). The staffing levels in **Table A1** have been presented on a per 1,000 student basis because staffing levels are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases differences attributable to the size of the peer districts. It should be noted that adjustments were made to TLSD’s EMIS data to reflect accurate staffing at the time of the assessment.⁴

Table A1: TLSD Staffing Comparison

	TLSD		Peer Avg.	Difference	
Students ¹	3,014		2,345	669	
Staffing Categories	TLSD FTEs ²	TLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Administrative	14.00	4.64	5.54	(0.90)	(2.71)
Office/Clerical	24.67	8.18	6.39	1.79	5.40
General Education Teachers	122.48	40.64	45.80	(5.16)	(15.55)
All Other Teachers	33.00	10.95	11.22	(0.27)	(0.81)
Education Service Personnel (ESP)	18.00	5.97	6.77	(0.80)	(2.41)
Educational Support	9.00	2.99	2.70	0.29	0.87
Other Certificated	1.00	0.33	0.63	(0.30)	(0.90)
Non-Certificated Classroom Support	32.58	10.81	7.48	3.33	10.04
Other Professional and Technical Staff	17.44	5.79	4.28	1.51	4.55

Source: TLSD FY 2011-12 and peer district FY 2011-12 staffing data as reported to ODE.

Note: TLSD’s operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² Adjustments were made to TLSD’s EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that, when added or subtracted, would bring TLSD’s number of employees per 1,000 students in line with the peer average.

⁴ The assessment reflects TLSD’s staffing levels as of June 2013.

As illustrated in **Table A1**, TLSD was below the peer average in five of nine staffing categories compared. However, due to the District's projected deficit, general education and ESP teachers were also assessed in relation to State minimum standards (see **R.6 and R.9**).

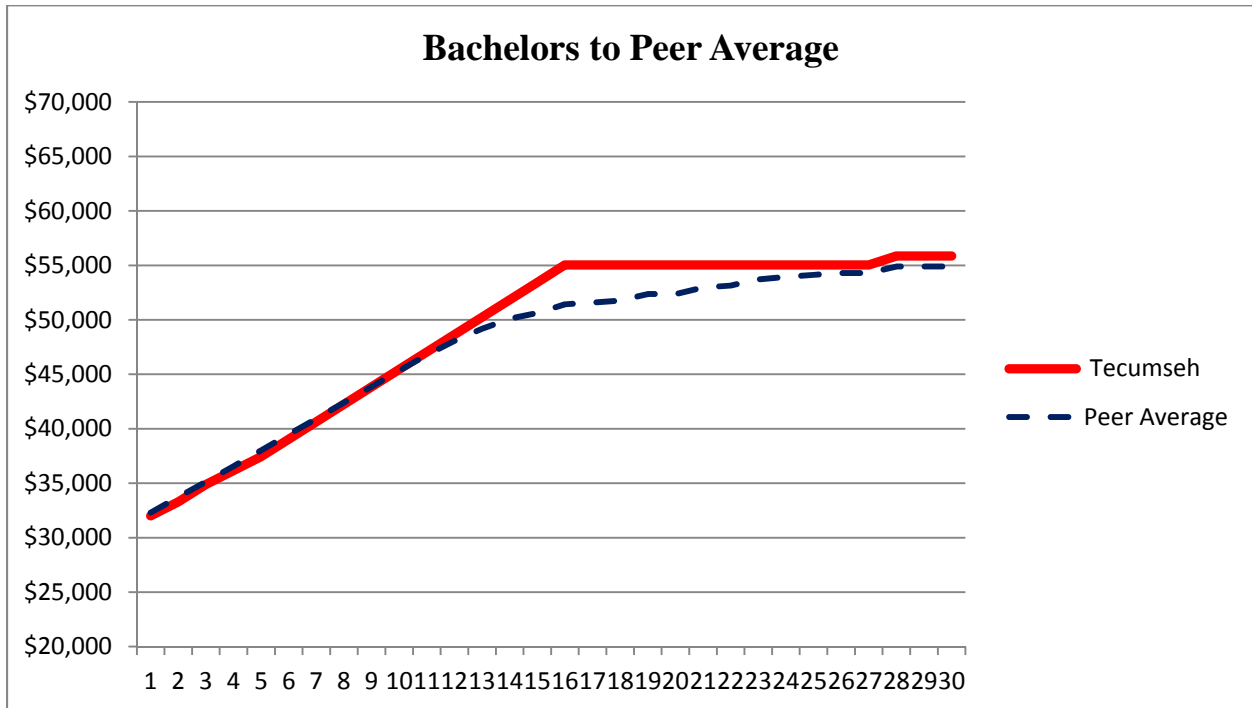
Salary

TLSD's starting wages and step increases were compared to the respective peer averages. This was completed using negotiated salary schedules from FY 2011-12 collective bargaining agreements for TLSD and the peer districts. The following positions were included in the comparison:

- Teacher (Bachelor's Degree and Master's Degree);
- Custodian;
- Clerical / Secretary;
- Bus Driver; and
- Food Service.

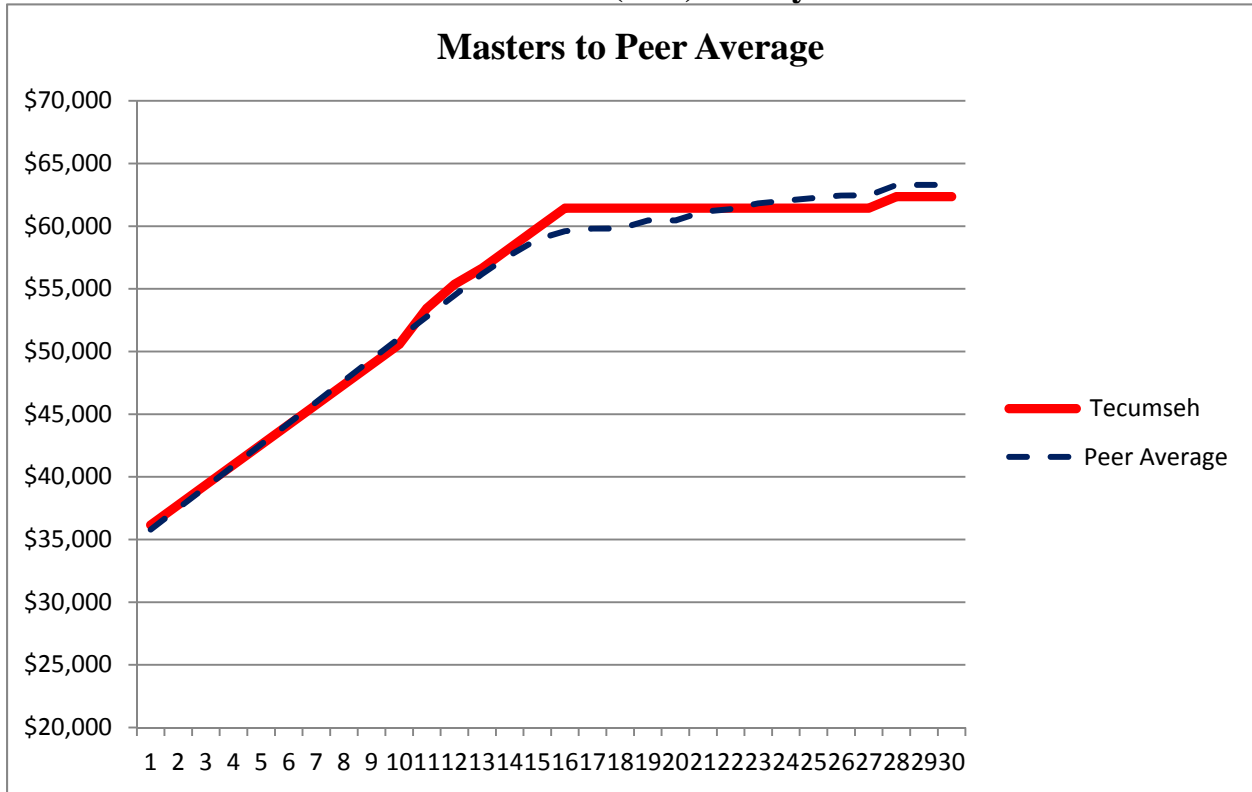
The following charts represent the results within each of the comparisons. Certificated compensation (**Chart A1** and **Chart A2**) is shown as annual salary while classified compensation is shown as hourly rates (**Chart A3, Chart A4, Chart A5, and Chart A6**). Both categories show salaries and wages at step 0 through step 30 of the salary schedules. While salaries in all areas compared were consistent with the peer district averages, TLSD should examine all opportunities to address potential deficits if savings cannot be identified and achieved in other areas of operation.

Chart A1: Teacher (BA) Salary Schedule



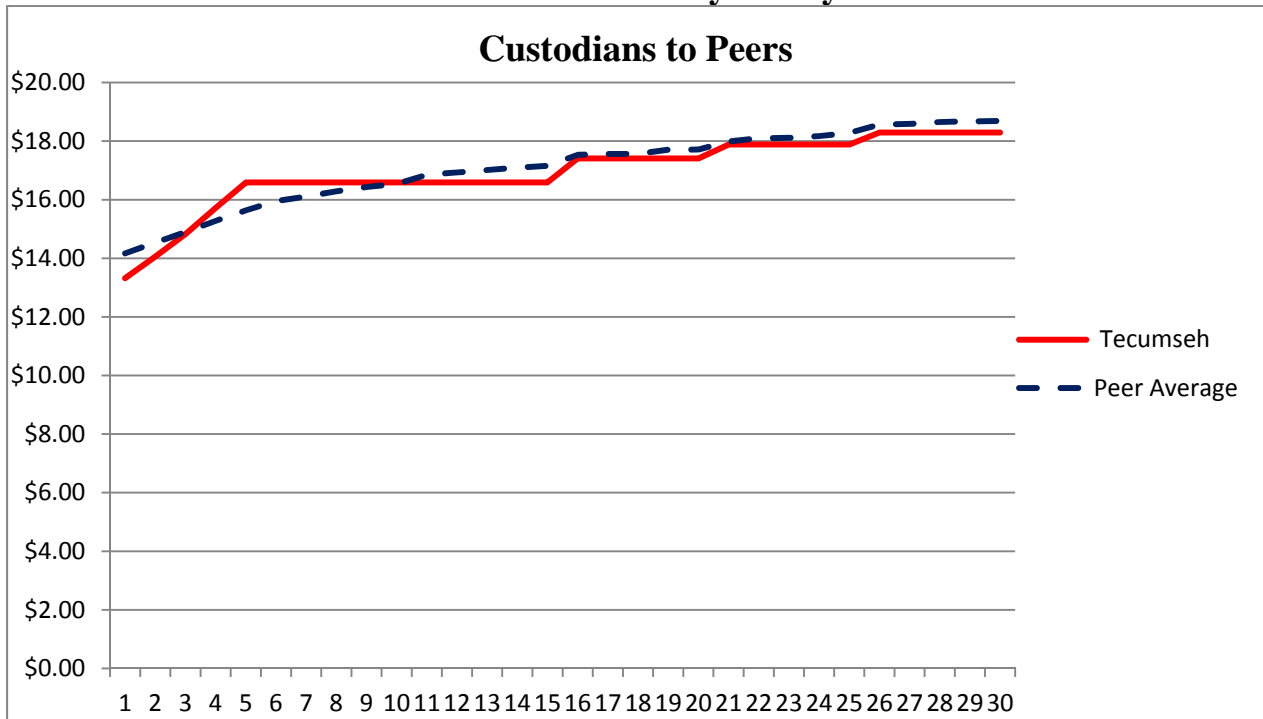
Source: TLSL and peer districts' FY 2011-12 salary schedules

Chart A2: Teacher (MA) Salary Schedule



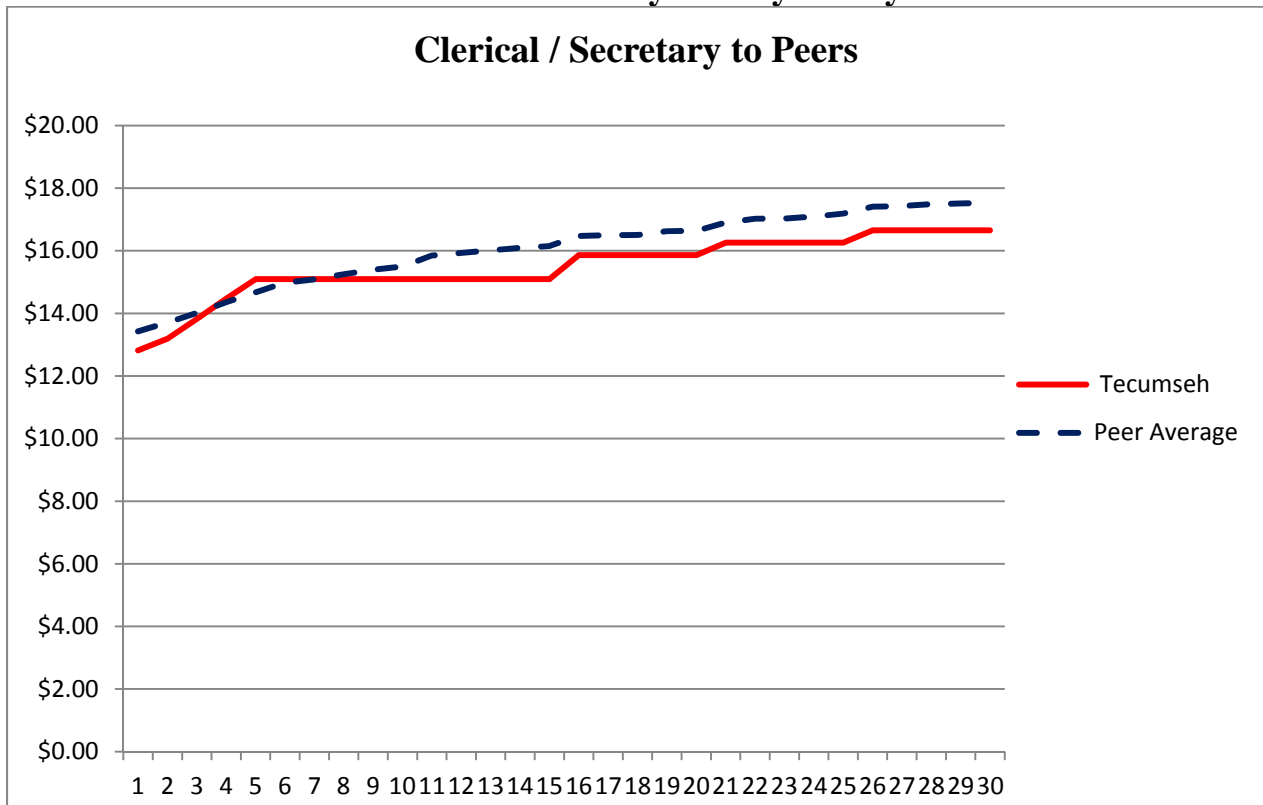
Source: TLSL and peer districts' FY 2011-12 salary schedules

Chart A3: Custodian Hourly Salary Schedule



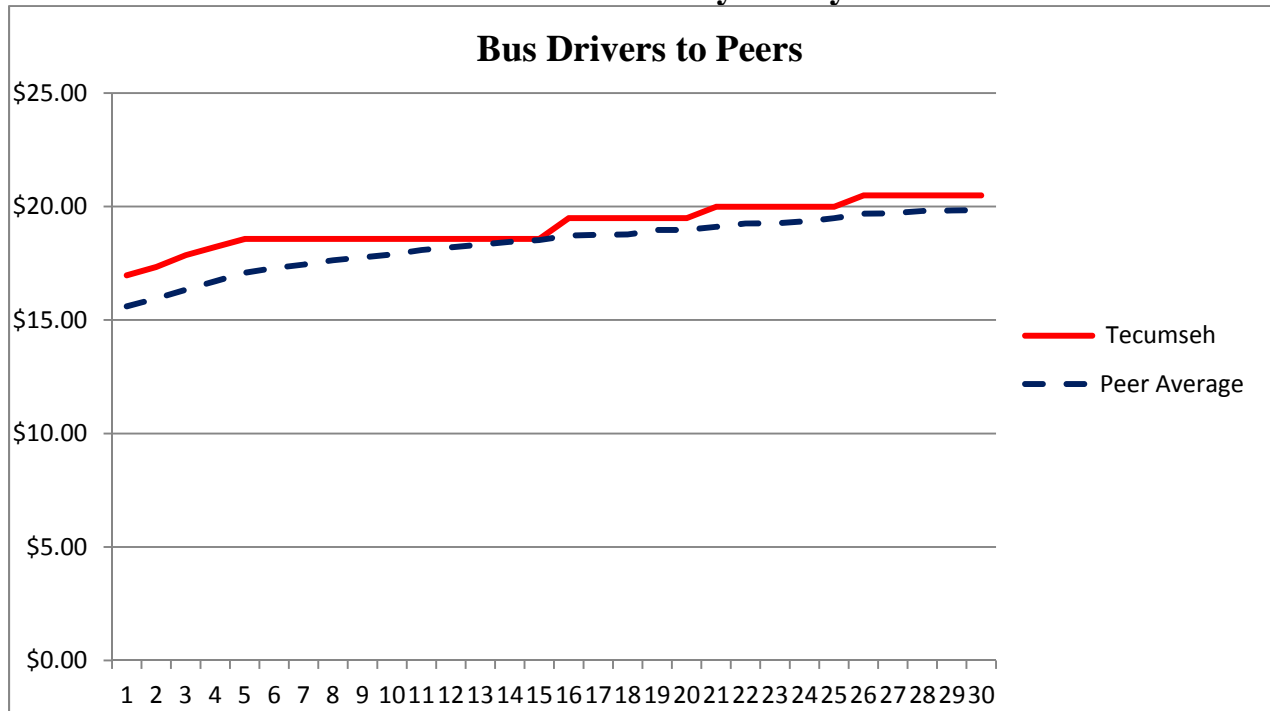
Source: TLSLD and peer districts' FY 2011-12 salary schedules

Chart A4: Clerical/Secretary Hourly Salary Schedule



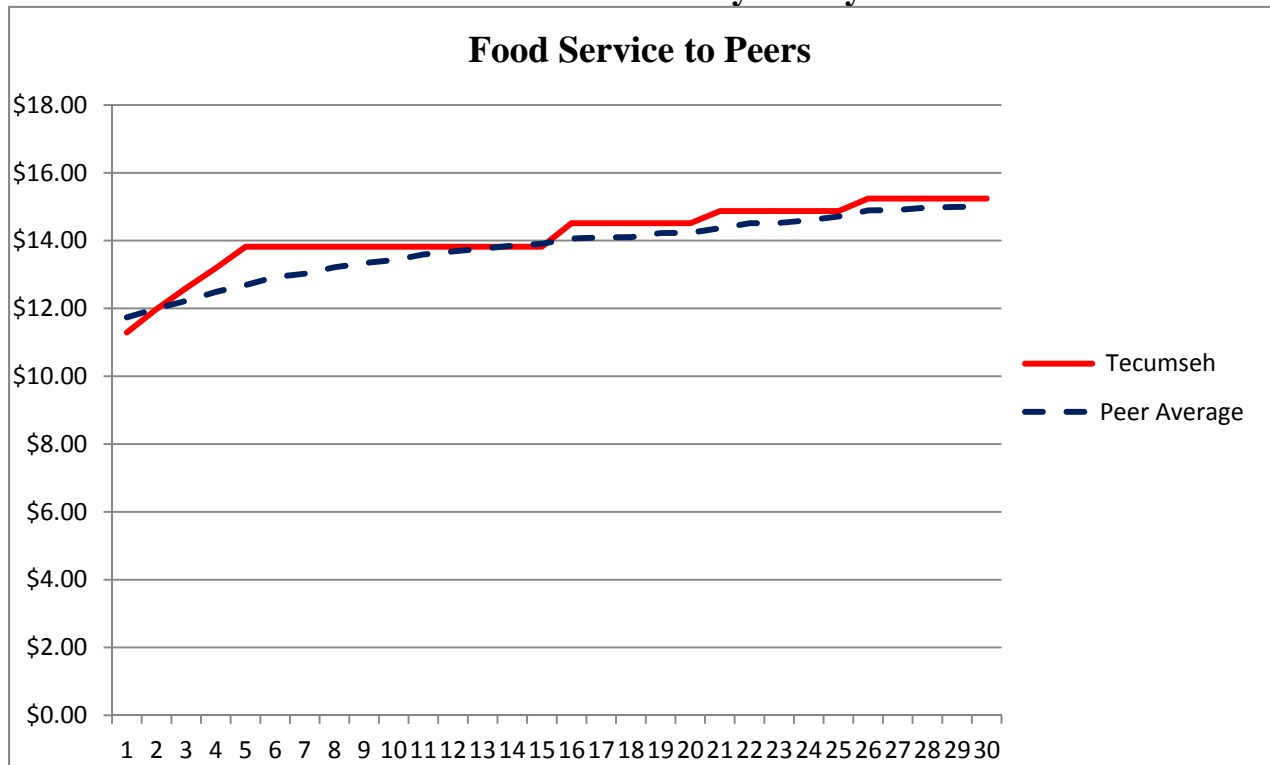
Source: TLSLD and peer districts' FY 2011-12 salary schedules

Chart A5: Bus Driver Hourly Salary Schedule



Source: TLSD and peer districts' FY 2011-12 salary schedules

Chart A6: Food Service Hourly Salary Schedule



Source: TLSD and peer districts' FY 2011-12 salary schedules

Client Response

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



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March 3, 2014

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

Dear Auditor Yost,

On behalf of the Tecumseh School District, we would like to thank the Performance Audit staff for their professionalism and willingness to provide information to our district. We appreciate the fact they did acknowledge cost reductions and reduced staff the district has made.

Prior to the audit, Tecumseh Local School District made many reductions to prevent a deficit on our 5-year Forecast. We have reduced or eliminated programs, staffing, and benefits from our budget that total over 8 million dollars. Our staff now pays 2% more for insurance and our administrators now pay for their insurance. Our administrators' salaries are not above our local school districts therefore we do offer the pick-up on the pick-up. The staff has not received raises in 4 out of the last 5 contracts. The one raise was 0.75% that came with a 1% insurance increase. The district restructured our schools a few years ago. We went from neighborhood schools to a grade level approach.

The high number of monitors and aides is due to the reductions we have made in Educational Service Personnel (ESPs). Over the past few years, TLSD has eliminated 5 ESPs from the middle school. With the loss of these positions, we had to find a place for our students. These students must now be monitored in study halls. Another factor that inflates our monitor and aide numbers is the high number of special education students that require one-on-one care.

Although it would be nice to have a new central office, TLSD believes the community voted for new schools and not on a place to house central office.

On November 3, 2003, the Tecumseh Local School District residents passed a bond levy for the Ohio School Facilities Commission Project for a period of 28 years. We refinanced the bond issuance in December 2012 and January 2013 saving the taxpayers approximately \$2,000,000 over the remaining life of the levy. Upon passing the bond levy (November 3,

"Learning for all - whatever it takes"

2003) for the Ohio School Facilities Commission Project Tecumseh Local School District was required to pass a .5 mill Classroom Facilities Maintenance Levy for a 23 year period. The Ohio School Facilities Commission Project required a maintenance and purchase plan prior to the completion of the OSFC Project. In the OSFC Maintenance/Purchase plan Tecumseh has money allocated for two warehouse buildings. Tecumseh Local School District has made numerous cuts and asked for numerous levies for the General Fund and we have always thought the new warehouse building(s) would cloud the potential passing or renewing levies for the General Fund.

Prior to 2003 the General Fund supplemented the Food Service fund more than \$450,000 to maintain a positive cash balance over a period of time. We attempted to have a resolution created by our district's attorney to transfer the \$450,000 back to the General Fund from the Food Service Fund. However, due to federal subsidies (federal grants) we were not able to transfer the funds. However, we charge the food service for electric, gas, water and sewer, telephone, unemployment, SERS Surcharge, repairs and maintenance directly relating to the Food Service.

As far as the General Fund Strategic Plan the superintendent and other administrators meet to discuss the state mandates and educational requirements. They review the staffing, class sizes, state requirements annually and the forecast reflects the aforementioned. Tecumseh Local School District's majority of expenditures are salaries and benefits as in any other public school. We participate in various cooperatives to take advantage of group discounts, such as health insurance, fleet, property, liability, supplies, electric, and gas.

We have a budgeting plan in place in our Board Policy that is on our website.

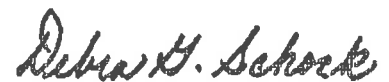
The district has a purchasing procedure in place and the Ohio State Auditor reviews the procedures annually. We have the procedures in our Board Policy posted on our website.

With respect to our T-1 reports, in the past there was no funding for students riding less than one mile, however, for tracking purposes, the bus supervisor is now tracking students riding less than one mile.

We thank you for your time and efforts on our behalf.



Bradley A Martin
Superintendent



Debra Schock
Treasurer

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Dave Yost • Auditor of State

TECUMSEH LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**