



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Conneaut Area City School District,

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

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

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

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

Sincerely,

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

Dave Yost  
Auditor of State  
July 13, 2017

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# Executive Summary

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## Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of Conneaut Area City School District (CACSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve CACSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, Transportation, and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

## Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

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

OPT conducted this performance audit in accordance with GAGAS. These standards required 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.

## Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically. A “Local Peers” set was selected for a comparison of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

**Table 1: Peer Group Definitions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Champion Local School District (Trumbull County)</li> <li>• Fairland Local School District (Lawrence County)</li> <li>• Lake Local School District (Wood County)</li> <li>• Lakeview Local School District (Trumbull County)</li> <li>• Milton-Union Exempted Village School District (Miami County)</li> <li>• Norwayne Local School District (Wayne County)</li> <li>• St. Marys City School District (Auglaize County)</li> <li>• Tuslaw Local School District (Stark County)</li> <li>• Wauseon Exempted Village School District (Fulton County)</li> </ul>
<b>Local Peers (Compensation, Benefits, and Bargaining Agreements)</b>
<ul style="list-style-type: none"> <li>• Champion Local School District (Trumbull County)</li> <li>• Buckeye Local School District (Ashtabula County)</li> <li>• Lakeview Local School District (Trumbull County)</li> <li>• Girard City School District (Trumbull County)</li> <li>• Jefferson Area Local School District (Ashtabula County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• Bryan City School District (Williams County)</li> <li>• Clyde-Green Springs Exempted Village School District (Sandusky County)</li> <li>• Maysville Local School District (Muskingum County)</li> <li>• Shelby School District (Richland County)</li> <li>• Wauseon Exempted Village School District (Fulton County)</li> </ul>

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: American Schools and Universities (AS&U), the Association of Government Accountants (AGA), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics (NCES), the Ohio Department of Education (ODE), and the Ohio State Employment Relations Board (SERB). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.



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 Conneaut Area City School District for their cooperation and assistance throughout this audit.

### **Noteworthy Accomplishment**

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

- **Expenditure Reduction Plan:** In March 2017, CACSD implemented an expenditure reduction plan projected to save approximately \$640,000 for FY 2017-18. Of the total projected savings, \$615,400 was attributed to the reduction of nine certificated positions and \$24,600 was attributed to the reduction of six supplement contracts. Implementing an expenditure reduction plan shows the District has been proactive in improving its financial condition.

## Summary of Recommendations

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

**Table 2: Summary of Recommendations**

Recommendations		Savings
<b>R.1</b>	<b>Improve stakeholder access to financial information</b>	N/A
<b>R.2</b>	<b>Eliminate 1.0 FTE ESP teacher position</b>	\$49,100
<b>R.3</b>	<b>Renegotiate collective bargaining agreement provisions</b>	N/A
<b>R.4</b>	<b>Decrease employer costs for health insurance</b>	\$98,800
<b>R.5</b>	<b>Complete T Reports as prescribed by ODE</b>	N/A
<b>R.6</b>	<b>Develop a bus replacement program</b>	N/A
<b>R.7</b>	<b>Decrease food service expenditures and/or increase revenues</b>	N/A
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$147,900</b>

**Table 3** shows the District’s ending fund balances as projected in the May 2017 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.

**Table 3: Financial Forecast with Performance Audit Recommendations**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Original Ending Fund Balance</b>	<b>\$3,061,239</b>	<b>\$3,088,596</b>	<b>\$3,315,321</b>	<b>\$3,119,056</b>	<b>\$2,616,992</b>
<b>Cumulative Balance of Performance Audit Recommendations</b>	<b>\$0</b>	<b>\$147,900</b>	<b>\$295,800</b>	<b>\$443,700</b>	<b>\$591,600</b>
<b>Revised Ending Fund Balance</b>	<b>\$3,061,239</b>	<b>\$3,236,496</b>	<b>\$3,611,121</b>	<b>\$3,562,756</b>	<b>\$3,208,592</b>

Source: ODE and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2017-18 through FY 2020-21 only.

As shown in **Table 3**, implementing the performance audit recommendations would allow the District to increase its projected positive ending fund balance during the forecast period.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of

planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.<sup>1</sup> Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

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<sup>1</sup> IDEA Part B does not have a MOE waiver option.

## Background

On November 22, 2016, the Auditor of State (AOS), in consultation with the Ohio Department of Education (ODE) determined that it was appropriate to conduct a performance audit of CACSD. **Table 4** shows CACSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, encumbrances, and ending fund balance as projected in the District's October 2016 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions, possibly leading to formal designation by AOS and ODE.

**Table 4: CACSD Financial Condition Overview (October 2016)**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$16,804,200	\$16,570,917	\$16,493,513	\$16,426,274	\$16,378,191
Total Expenditure	\$17,923,006	\$18,309,358	\$18,994,902	\$19,713,411	\$20,466,813
<b>Results of Operations</b>	<b>(\$1,118,806)</b>	<b>(\$1,738,441)</b>	<b>(\$2,501,389)</b>	<b>(\$3,287,137)</b>	<b>(\$4,088,622)</b>
Beginning Cash Balance	\$3,708,002	\$2,589,196	\$850,755	(\$1,650,634)	(\$4,937,771)
<b>Ending Cash Balance</b>	<b>\$2,589,196</b>	<b>\$850,755</b>	<b>(\$1,650,634)</b>	<b>(\$4,937,771)</b>	<b>(\$9,026,393)</b>
Encumbrances	\$125,000	\$125,000	\$125,000	\$125,000	\$0
<b>Ending Fund Balance</b>	<b>\$2,464,196</b>	<b>\$725,755</b>	<b>(\$1,775,634)</b>	<b>(\$5,062,771)</b>	<b>(\$9,026,393)</b>

Source: CACSD and ODE

As shown in **Table 4**, the District's October 2016 five-year forecast projected deficit spending in each forecasted year. This cumulative deficit spending depleted all cash starting in FY 2018-19, culminating in a fund deficit of approximately \$9 million by FY 2020-21.

In March 2017, the CACSD Board of Education (BOE or the Board) approved an expenditure reduction plan to be implemented beginning in FY 2017-18 (see **Noteworthy Accomplishment**). The expenditure reduction plan eliminated nine certificated positions and six supplemental contracts. The expenditure reduction plan anticipates an annual savings of approximately \$615,400 for the reductions to certificated staff and approximately \$24,600 for reductions to supplement contracts for a total reduction of approximately \$640,000. These reductions were not included in the October 2016 forecast.

In May 2017, CACSD released an updated financial forecast which incorporated the expenditure reduction plan and additional revenue from a 5.0 mill emergency levy approved by voters in May 2017. **Table 5** summarizes this forecast, showing total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balances.

**Table 5: CACSD Financial Condition Overview (May 2017)**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
Total Revenue	\$16,829,533	\$16,754,277	\$17,160,171	\$17,203,014	\$17,281,019
Total Expenditure	\$17,351,296	\$16,726,920	\$16,933,446	\$17,399,279	\$17,908,083
<b>Results of Operations</b>	<b>(\$521,763)</b>	<b>\$27,357</b>	<b>\$226,725</b>	<b>(\$196,265)</b>	<b>(\$627,043)</b>
Beginning Cash Balance	\$3,708,002	\$3,186,239	\$3,213,596	\$3,440,321	\$3,244,056
<b>Ending Cash Balance</b>	<b>\$3,186,239</b>	<b>\$3,213,596</b>	<b>\$3,440,321</b>	<b>\$3,244,056</b>	<b>\$2,616,992</b>
<b>Encumbrances</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$0</b>
<b>Ending Fund Balance</b>	<b>\$3,061,239</b>	<b>\$3,088,596</b>	<b>\$3,315,321</b>	<b>\$3,119,056</b>	<b>\$2,616,992</b>

Source: CACSD and ODE

As shown in **Table 5**, the District projected a much improved financial condition with a positive ending fund balance in each year of the forecast due to implementation of the expenditure reduction plan and the passage of the emergency levy.

### *Property Tax Revenue Overview<sup>2</sup>*

CACSD's single largest source of revenue is from State funding, which in FY 2015-16 totaled approximately \$11.3 million, or 66.1 percent, of the District's total revenue of \$17.1 million. The second largest source of revenue is from property tax collections, which totaled approximately \$4.6 million, or 27.3 percent, of the District's total revenue. Property tax rates are calculated in mills, each of which is one/one thousandth of assessed property value (i.e., one dollar for every \$1,000 assessed). The District's property taxes for FY 2016-17 were levied based on a total of 36.390 voted mills, including:

- 28.890 mills of continuing outside millage;
- 3.700 mills of continuing inside General Fund millage;
- 1.500 mills of continuing permanent improvement millage; and
- 2.300 mills for the Ohio classroom facilities bond.<sup>3</sup>

**Table 6** shows the amount of CACSD's voted millage dedicated to educating children, capital projects, and building upkeep in comparison to all other districts in Ashtabula County. This is important because it shows the amount of voted millage which is used for District operating expenses.

<sup>2</sup> The analyses contained in this section do not include the District's 5.0 mill emergency levy which was passed in May 2017.

<sup>3</sup> The permanent improvement millage and the Ohio classroom facilities bond are not included in the General Fund.

**Table 6: Ashtabula County School District Millage Rates**

District	Current Expense Millage	Permanent Improvement Millage	Ohio Classroom Facility/Other	Total Millage
<b>Conneaut Area City Schools</b>	<b>32.59</b>	<b>1.50</b>	<b>2.30</b>	<b>36.39</b>
Ashtabula Area City Schools	40.30	2.50	8.05	50.85
Buckeye Local Schools	43.41	1.90	N/A	45.31
Geneva Area City Schools	45.39	0.85	4.50	50.74
Grand Valley Local Schools	40.66	1.55	5.80	48.01
Jefferson Area Local Schools	43.47	2.80	6.46	52.73
Pymatuning Valley Local Schools	30.73	N/A	4.00	34.73
<b>Ashtabula County Peer Average</b>	<b>40.66</b>	<b>1.92</b>	<b>5.76</b>	<b>47.06</b>
<b>Difference</b>	<b>(8.07)</b>	<b>(0.42)</b>	<b>(3.46)</b>	<b>(10.67)</b>
<b>Percent Difference</b>	<b>(19.85%)</b>	<b>(21.88%)</b>	<b>(60.07%)</b>	<b>(22.67%)</b>

Source: CACSD and Ashtabula County Auditor

As shown in **Table 6**, CACSD has a total of 36.390 voted millage compared to the Ashtabula County peer average of 47.062 mills. Of the voted 36.390 total millage, 32.590 mills are dedicated to the General Fund and used for the education of students compared to the Ashtabula County peer average of 40.660 mills; a difference of 8.07 mills, or 19.8 percent.

However, because property tax rates are calculated in mills based on the assessed property value within the District, the amount of revenue that one mill can generate differs by district. **Table 7** shows the assessed property value for each school district within Ashtabula County and the amount of revenue generated by one mill. This type of analysis is important because it not only shows each district’s property wealth, but also the effect property wealth has on generating revenue based on one mill.

**Table 7: Property Wealth’s Effect on Millage**

District	Assessed Property Value <sup>1</sup>	Revenue generated from 1 Mill
<b>Conneaut Area City Schools</b>	<b>\$216,768,870</b>	<b>\$216,769</b>
Ashtabula Area City Schools	\$421,891,940	\$421,892
Buckeye Local Schools	\$226,351,290	\$226,351
Geneva Area City Schools	\$337,506,140	\$337,506
Grand Valley Local Schools	\$181,889,470	\$181,889
Jefferson Area Local Schools	\$246,792,580	\$246,793
Pymatuning Valley Local Schools	\$180,251,980	\$180,252
<b>Ashtabula County Peer Average</b>	<b>\$265,780,567</b>	<b>\$265,781</b>
<b>Difference</b>	<b>(\$49,011,697)</b>	<b>(\$49,012)</b>
<b>Percent Difference</b>	<b>(18.4%)</b>	<b>(18.4%)</b>

Source: CACSD and Ashtabula County Auditor

<sup>1</sup> Assessed property value is 35.0 percent of real value.

As shown in **Table 7**, CACSD has an assessed property value of approximately \$216.7 million compared to the Ashtabula County peer average of approximately \$265.7 million, a difference of approximately \$49 million. As such, one mill in CACSD will generate \$216,769 compared to the Ashtabula County peer average of \$265,781. This is a difference of \$49,012, or 18.4 percent, per mill.

Although CACSD has a lower overall property value compared to the Ashtabula County peer average, property value is largely driven by the number of residential housing units, which in turn affects the number of students able to attend the district. **Table 8** shows the student enrollment per district and the operating revenue associated with each student. This type of analysis is important because it normalizes the differences between district size and property value into a single unit; the amount of voted operating millage revenue dedicated to educate a student.

**Table 8: Property Wealth Normalized to Students**

District	Student Enrollment	Property Tax Revenue per Student
<b>Conneaut Area City Schools</b>	<b>1,670</b>	<b>\$2,692</b>
Ashtabula Area City Schools	3,998	\$4,040
Buckeye Local Schools	1,556	\$3,874
Geneva Area City Schools	2,313	\$3,178
Grand Valley Local Schools	1,131	\$3,213
Jefferson Area Local Schools	1,716	\$3,075
Pymatuning Valley Local Schools	1,224	\$3,555
<b>Ashtabula County Peer Average</b>	<b>1,990</b>	<b>\$3,489</b>
<b>Difference</b>	<b>(320)</b>	<b>(\$797)</b>
<b>Percent Difference</b>	<b>(16.1%)</b>	<b>(22.8%)</b>

Source: CACSD, Ashtabula County Auditor, and ODE

As shown in **Table 8**, CACSD has 1,670 students enrolled compared to the Ashtabula County school district average of 1,990; a difference of (320) students or (16.1) percent. Likewise, dividing each districts’ voted operating revenue by the number of enrolled students, CACSD receives \$2,692 per student compared to the Ashtabula County average of \$3,489; a difference of (\$797) per student or (22.8) percent.

Revenue is not directly controlled by school districts, but instead by federal and State laws, and support from local residents. ODE uses the Local Tax Effort Index to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. A local tax effort of 1.0 represents the State-wide average of all school districts. **Table 9** shows the District’s local tax effort in comparison to both the primary peers and Ashtabula County peers. This is important for demonstrating the degree to which CACSD’s operation is supported by local revenue relative to similar districts.

**Table 9: Local Tax Effort Comparison**

District Local Tax Effort Index FY 2015-16	
<b>Conneaut Area CSD</b>	<b>0.6598</b>
<b>Primary Peers</b>	
Buckeye LSD, Ashtabula County	0.7873
Buckeye LSD, Jefferson County	0.5046
East Clinton LSD, Clinton County	1.2550
Girard CSD, Trumbull County	0.7937
Ironton CSD, Lawrence County	0.6407
Kenton CSD, Hardin County	1.8582
South Point LSD, Lawrence County	0.6976
Struthers CSD, Mahoning County	1.0707
Washington-Niles LSD, Scioto County	0.6749
Willard CSD, Huron County	1.0512
<b>Primary Peer Average</b>	<b>0.9334</b>
<b>Difference</b>	<b>(0.2736)</b>
<b>% Difference</b>	<b>(29.3%)</b>
<b>Ashtabula County</b>	
Ashtabula Area CSD, Ashtabula County	0.8062
Buckeye LSD, Ashtabula County	0.7873
Geneva Area CSD, Ashtabula County	0.8151
Grand Valley LSD, Ashtabula County	1.0834
Jefferson Area LSD, Ashtabula County	0.8602
Pymatuning Valley LSD, Ashtabula County	1.7137
<b>Ashtabula County Peer Average</b>	<b>1.0110</b>
<b>Difference</b>	<b>(0.3512)</b>
<b>% Difference</b>	<b>(34.7%)</b>

Source: ODE

As shown in **Table 9**, the District’s local tax effort was 0.6598 for FY 2015-16 while the primary peer average was 0.9334, signifying that it receives 29.3 percent less means-adjusted local taxpayer support than the primary peers. In comparison to all other districts in Ashtabula County, the District’s means-adjusted local taxpayer support is 34.7 percent less than the County peer average of 1.0110.

**Table 10** shows the District’s levy history from May 2005 through May 2017. This information assists in determining the availability of additional local resources over time.

**Table 10: Local Tax Levy History**

Year-Month	Type of Levy	Tax Rate	Result
2005-May	Permanent Improvements (New)	1.50 mills	Fail
<b>2005-November</b>	<b>Permanent Improvements (Renewal)</b>	<b>1.50 mills</b>	<b>Pass</b>
2006-November	Emergency	6.80 mills	Fail
2008-March	Emergency	6.80 mills	Fail
<b>2009-November</b>	<b>Permanent Improvements (Renewal)</b>	<b>1.50 mills</b>	<b>Pass</b>
<b>2014-November</b>	<b>Permanent Improvements (Renewal)</b>	<b>1.50 mills</b>	<b>Pass</b>
<b>2017-May</b>	<b>Emergency</b>	<b>5.00 mills</b>	<b>Pass</b>

Source: Ashtabula County Board of Elections and Ohio Secretary of State



As shown in **Table 10**, until May 2017, the District had continually failed to pass any new money. Further research showed that the District had not passed a new operating levy or emergency levy since 1984. However, the District has been successful in passing renewal levies for continuous permanent improvements.

Eliminating 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, the District's management, operations, and resulting expenses were examined by OPT in an effort to identify areas of potential cost savings. If the District's revenue increases, it may be able to address projected deficits without making significant reductions to operations.

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# Recommendations

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## R.1 Improve stakeholder access to financial information

CACSD reports its five-year forecast and board meeting minutes to the public on its website. However, the District has the opportunity to present other key financial information on its website, including: annual financial reports, budgets, and financial planning documents.

*Content Guidelines for the Citizen-Centric Report* (AGA, 2010) encourages governments to provide meaningful and understandable information about the financial condition and performance of the government entity to its stakeholders in a four-page citizen-centric report. The AGA publication highlights the following content that should appear in this type of report:

- Strategic goals;
- Performance report on key services and activity;
- Cost for servicing the citizens and how those costs were paid; and
- Challenges moving forward.

In addition, *Best Practices, Website Posting of Financial Documents* (GFOA, 2009) recommends that every government use its website as a primary means of communicating financial information to interested parties. GFOA recognizes the following benefits from having well-maintained and updated information available online:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Increased efficiency;
- Lowered costs;
- Contribution to sustainability; and
- Broadened potential scope.

CACSD should improve access to financial information for stakeholders. Specifically, the District should make its budget and all other relevant financial information easily accessible to the public. By not making all financial information available on its website, the District increases the risk that it will not be able to fully engage with community stakeholders and provide meaningful input based on readily available financial information. Taking steps to improve access to financial information will help to ensure accountability and transparency to stakeholders and the community.

**R.2 Eliminate 1.0 FTE ESP teacher position**

Educational Service Personnel (ESP) teacher positions include K-8 art, music, and physical education teachers as well as counselors, librarians and media specialists, school nurses, social workers, and visiting teachers. In FY 2016-17, the District employed 8.25 FTE ESP teachers, which included 2.0 FTE art teachers, 3.24 FTE music teachers, and 3.00 FTE physical education teachers.

Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, “The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students.” This revision effectively eliminated State minimum staffing levels for ESP staffing.

**Table 11** shows the District’s FY 2016-17 ESP staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing ESP staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 11: ESP Teacher Staffing Comparison**

	CACSD	Primary Peer Avg.			
Students Educated <sup>1</sup>	1,646	1,624			
Students Educated (Thousands)	1.646	1.624			
<b>Total FTEs for Comparison</b>	<b>8.25</b>	<b>6.64</b>			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
Art Education K-8	2.00	1.22	0.92	0.30	0.49
Music Education K-8	3.25	1.97	1.69	0.28	0.46
Physical Education K-8	3.00	1.82	1.48	0.34	0.56
<b>Totals for Comparison</b>	<b>8.25</b>	<b>5.01</b>	<b>4.09</b>	<b>0.92</b>	<b>1.51</b>

Source: CACSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of office/clerical FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 11**, CACSD had a staffing level that was 1.51 FTE ESP teachers higher than the primary peer average.

**Financial Implication:** Eliminating 1.0 FTE ESP teacher position could save **\$49,100** in salaries and benefits, annually. This was calculated for the least tenured full-time ESP staff and an

average benefits ratio of 44.3 percent.<sup>4</sup> The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

### R.3 Renegotiate collective bargaining agreement provisions

The District has collective bargaining agreements with the Conneaut Education Association (certificated CBA) and the Conneaut Classified Employees Association (classified CBA).<sup>5</sup> An analysis of these CBAs identified the following provisions that exceeded State minimum standards and/or typical provisions in local peer districts:

- **Holidays:** The District's classified CBA entitles 12-month employees to 11 paid holidays and employees who work less than 12-months to eight paid holidays. These levels are consistent with the local peer average of 11.8 paid holidays for 12-month employees and 8.8 paid holidays for employees who work less than 12-months. However, ORC § 3319.087 states 11-month and 12-month employees are entitled to a minimum of seven paid holidays, and nine-month and 10-month employees six paid holidays. Direct savings from reducing the number of holidays could not be quantified, however, a reduction would increase the number of available work hours at no additional cost to the District.
- **Vacation:** The District's classified CBA entitles employees with annual vacation accrual whereby they earn 515 vacation days over the course of a 30-year career. This is consistent with the local peer average of 517 days, but exceeds the ORC § 3319.084 minimum of 460 days. Providing employees with more vacation days could increase substitute and overtime costs. Although direct savings from reducing the vacation schedule could not be quantified, a reduction would increase the number of available work hours at no additional cost to the District.
- **Maximum Sick Leave Accrual and Severance Payout:** The classified CBA entitles employees to earn 320 sick days and the certificated CBA entitles employees to earn 315 sick days. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative up to 120 days. Providing an accrual in excess of State minimum levels represents potential for increased financial liability when sick leave is paid out to retiring employees. Additionally, the District's CBAs entitle certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, the certificated CBA entitles employees to a payment of 25.0 percent of unused sick leave for a maximum of 70 days and the classified CBA entitles employees to a maximum of 60 days. In comparison, the local peer maximum sick leave payout average is 71 days for certificated employees and 76 days for classified employees. However, the District's sick leave payout is higher than the minimum established by ORC § 124.39, which allows school employees to be paid for 30 days (25.0 percent of 120 days) of unused sick leave at retirement. Allowing employees to receive payout in excess of State minimums becomes costly at employee retirement.

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<sup>4</sup> Calculated using the FY 2015-16 personal services expenditures divided by the employees' retirement/insurance benefits expenditures from the October 2016 five-year forecast.

<sup>5</sup> Both CBAs expire on June 30, 2018.

Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights would be beneficial to the District's financial position.

#### **R.4 Decrease employer costs for health insurance**

Although it is common for a public employer to cover the majority of the cost of employee health insurance, employee contributions are typically used to offset those costs. In FY 2016-17, CACSD's certificated staff contributed 11.0 percent of the single and family medical, dental, and vision premiums with a negotiated increase to 12.0 percent in FY 2017-18. However, administration employees are not required to contribute toward medical, dental, and vision premiums. Further, classified employees are only required to contribute 5.0 percent to health, dental, and vision premiums.

It is common for school districts to require some level of medical, dental and vision insurance contribution from employees, but this is often the product of collective bargaining negotiations within each district. For example, the local peers have the following provisions in place:

- **Buckeye LSD** requires a medical insurance contribution of 6 percent for classified employees and 8 percent for certificated. Both certificated and classified employees contribute zero percent of the cost of vision and dental insurance.
- **Champion LSD** requires a medical insurance contribution of 10 percent for classified and certificated employees. Both certificated and classified employees contribute zero percent of the cost of vision and dental insurance.
- **Girard CSD** requires a medical insurance contribution of 10 percent for classified and certificated employees. Both certificated and classified employees contribute zero percent of the cost of vision and dental insurance.
- **Jefferson LSD** requires a medical insurance contribution of 14 percent for classified and certificated employees. Both certificated and classified employees contribute zero percent of the cost of vision and dental insurance.
- **Lakeview LSD** requires a medical insurance contribution of 10 percent for classified and certificated employees. Both certificated and classified employees contribute 10 percent of the cost of vision and dental insurance.

**Table 12** shows CACSD's administration and classified medical, dental, and vision Board cost for these benefits compared to the certificated contribution (i.e., 11.0 percent). This comparison provides a benchmark to determine if District employees are contributing an appropriate amount relative to other district employees.

**Table 12: Monthly Board Health Insurance Cost Comparison**

<b>Medical Board Cost</b>					
<b>Plan Type</b>	<b>Board Cost</b>	<b>Board Cost with 11% Employee Contribution</b>	<b>Difference</b>	<b>Number of Plans</b>	<b>Annual Savings</b>
Administration-Single	\$626.00	\$557.14	\$68.86	2	\$1,652.64
Administration-Family	\$1,635.00	\$1,455.15	\$179.85	17	\$36,689.40
Certificated-Single	\$557.14	\$557.14	\$0.00	28	\$0.00
Certificated-Family	\$1,455.15	\$1,455.15	\$0.00	79	\$0.00
Classified-Single	\$594.70	\$557.14	\$37.56	8	\$3,605.76
Classified-Family	\$1,553.25	\$1,455.15	\$98.10	43	\$50,619.60
<b>Total Medical Board Cost</b>					<b>\$92,567.40</b>
<b>Dental Board Cost</b>					
<b>Plan Type</b>	<b>Board Cost</b>	<b>Board Cost with 11% Employee Contribution</b>	<b>Difference</b>	<b>Number of Plans</b>	<b>Annual Savings</b>
Administration-Single	\$40.00	\$35.60	\$4.40	2	\$105.60
Administration-Family	\$99.00	\$88.11	\$10.89	17	\$2,221.56
Certificated-Single	\$35.60	\$35.60	\$0.00	28	\$0.00
Certificated-Family	\$88.11	\$88.11	\$0.00	79	\$0.00
Classified-Single	\$38.00	\$35.60	\$2.40	8	\$230.40
Classified-Family	\$94.05	\$88.11	\$5.94	42	\$2,993.76
<b>Total Dental Board Cost</b>					<b>\$5,551.32</b>
<b>Vision Board Cost</b>					
<b>Plan Type</b>	<b>Board Cost</b>	<b>Board Cost with 11% Employee Contribution</b>	<b>Difference</b>	<b>Number of Plans</b>	<b>Annual Savings</b>
Administration-Single	\$7.00	\$6.23	\$0.77	2	\$18.48
Administration-Family	\$13.00	\$11.57	\$1.43	17	\$291.72
Certificated-Single	\$6.23	\$6.23	\$0.00	28	\$0.00
Certificated-Family	\$11.57	\$11.57	\$0.00	79	\$0.00
Classified-Single	\$6.65	\$6.23	\$0.42	3	\$15.12
Classified-Family	\$12.35	\$11.57	\$0.78	43	\$402.48
<b>Total Vision Board Cost</b>					<b>\$727.80</b>
<b>Total Annual Savings</b>					<b>\$98,846.52</b>

Source: CACSD

As shown in **Table 12**, if the District were to increase administration and classified employee contributions to equal the current contribution percentage for certificated employees, it could save \$98,800 annually.

**Financial Implication:** The District could save an average of **\$98,800**, annually, by increasing the administration and classified employee contributions to 11.0 percent for single and family plan medical, dental, and vision insurance.

## R.5 Complete T Reports as prescribed by ODE

School districts in Ohio are required to report information about transportation operations to ODE on an annual basis in accordance with ORC § 3327.012 and OAC 3301-83-01. The T-1 Form certifies the actual number of and type of pupils transported, daily miles traveled, and buses used in the transportation program. School districts are required to complete the T-1 Form by recording the average number of pupils enrolled and regularly transported to school, as well as the average daily miles traveled for pupil transportation, excluding non-routine and extracurricular miles, during the first full week of October. ODE then uses the T-1 Form to calculate pupil transportation funding on a per mile or per student basis, whichever is greater, pursuant to ORC § 3327.012. In FY 2016-17, CACSD was funded on a per mile basis.

The District's FY 2016-17 T-1 Report and October 2016 bus driver count sheets were reviewed for consistency and accuracy. The District reported a total of 1,146 Type I riders on the T-1 Report.<sup>6</sup> The District's practice has been to report the number of potential riders on a single day rather than the actual riders for the morning routes. However, *T-1 Report Instructions* (ODE, 2016) states, "Districts shall count all riders on their first conveyance to school for each day of the count week, and then report the average daily riders for the week."

The District should ensure it completes the T-1 Report in accordance with the guidelines prescribed by ODE. Adhering to ODE's instructions will help to ensure the District will receive the appropriate amount of pupil transportation funding.

## R.6 Develop a bus replacement program

CACSD does not have a bus replacement plan. According to the National Association of State Directors of Pupil Transportation Services (NASDPTS) in *School Bus Replacement Considerations* (NASDPTS, 2002), the replacement of school buses should be a planned process. The plan should incorporate the maintenance data collected by the District into the decision making process for bus replacements. The plan should also allow the District to establish its priorities with regard to safety and emissions features. Additionally, the NASDPTS recommends a combined approach to school bus replacement that considers both age and mileage in which replacement thresholds are set between 12 and 15 years, or 150,000 to 200,000 miles, respectively. Currently, 15 of 21 buses owned by CACSD are at least 12 years old.

The District should implement a bus replacement program. Although finances may be an obstacle for replacing buses on a schedule set by the District, a bus replacement plan would allow it to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state of the fleet. Adopting these plans could serve to reduce overall operating costs and help to anticipate and avoid the potential need to replace a major portion of the fleet at the same time.

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<sup>6</sup> Type I riders are those transported on board-owned, leased, and operated school buses.

**R.7 Decrease food service expenditures and/or increase revenues**

CACSD provides food service to its four buildings using a central kitchen model. The central kitchen is located in Conneaut Middle School and the three remaining schools have satellite kitchens to which food is delivered daily. Food service operations are accounted for in an enterprise fund (i.e., the Food Service Fund), which is used to account for services whose costs are intended to be funded by fees and/or charges. The financial performance of an enterprise fund is measured in terms of positive or negative operations.

**Table 13** shows the results of operations for the Food Service Fund from FY 2013-14 to FY 2015-16. Analysis of the historical results of this fund can provide an indication of the efficiency of the food service operation.

**Table 13: Food Service Fund Performance**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Beginning Fund Balance	\$228,790.70	\$173,373.43	\$102,358.91
Revenues	\$640,692.51	\$615,142.20	\$661,413.61
Expenditures	\$696,109.78	\$686,156.72	\$729,715.91
<b>Results of Operations</b>	<b>(\$55,417.27)</b>	<b>(\$71,014.52)</b>	<b>(\$68,302.30)</b>
Advances-In from General Fund	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$173,373.43</b>	<b>\$102,358.91</b>	<b>\$34,056.61</b>

Source: CACSD

As shown in **Table 13**, the Food Service Fund has consistently experienced negative results of operations. The District has not transferred money from the General Fund because of a positive cash reserve in the Food Service Fund; however, based on the three year average results of operations, a transfer may be required in FY 2016-17 because the negative results of operations have averaged approximately \$64,900 in each of the previous three years.

**Table 14** shows total expenditures and receipts of the Food Service Fund and expenditures per meal versus receipts per meal for FY 2015-16. This table is important because it shows the deficit of the Food Service Fund, per meal, for FY 2015-16.

**Table 14: Expenditures vs Receipts**

<b>Total Receipts FY 2015-16</b>	<b>Total Expenditures FY 2015-16</b>	<b>Net Profit/(Loss)</b>
\$661,414	\$729,716	(\$68,302)
<b>Receipts per meal</b>	<b>Expenditures per meal<sup>1</sup></b>	<b>Net per meal</b>
\$3.48	\$3.84	(\$0.36)

Source: CACSD

<sup>1</sup> This is based on 190,195 total meals in FY 2015-16.

As shown in **Table 14**, CACSD’s Food Service Fund operated at a \$68,300 deficit in FY 2015-16. This is attributed to expenditures exceeding incoming revenue/receipts by \$0.36 per meal. In order to prevent the need for a General Fund subsidy to the rFood Service Fund, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following actions:



- Increase breakfast and lunch prices;
- Increase food service participation;
- Decrease labor costs;
- Restructure food service operations in the District; and/or
- Decrease food costs through competitive bidding.

Making these changes would help prevent a General Fund subsidy in the future, help the Food Service Fund remain self-sufficient, and allow for more resources to be dedicated to student instruction.

## **Appendix A: Scope and Objectives**

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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 the Department and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Six of the 13 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

**Table A-1: Audit Objectives and Recommendations**

Objective	Recommendation
<b>Financial Management</b>	
Does the five-year forecast reasonably and logically project future revenues and expenditures?	N/A
Is financial communication consistent with leading practices?	R.1
Are the extracurricular activities appropriate in relation to the peers and/or financial condition?	N/A
<b>Human Resources</b>	
Are staffing levels comparable to peers and OAC/State minimums, where applicable, and are they appropriate based on the District’s financial condition?	R.2
Are salaries comparable to local peers and are they appropriate based on the District’s financial condition?	N/A
Are collective bargaining agreement provisions consistent with ORC minimums, leading practices, and/or local peers, and are they appropriate based on the District’s financial condition?	R.3
Are insurance benefits, including cost and coverage provided, consistent with regional market rates and leading practices and appropriate based on the District’s financial condition?	R.4
<b>Facilities</b>	
Is facilities staffing efficient compared to industry standards and appropriate based on the District’s financial condition?	N/A
Are facility expenditures comparable to benchmarks and appropriate based on the District’s financial condition?	N/A
<b>Transportation</b>	
Are T-form procedures consistent with leading practices and/or ODE requirements?	R.5
Is the fleet size efficient compared to leading practices and appropriate based on the District’s financial condition?	N/A
Are the bus replacement practices consistent with leading practices and appropriate based on the District’s financial condition?	R.6
<b>Food Service</b>	
Are staffing levels in-line with industry standards and/or leading practices and appropriate based on the District’s financial condition?	R.7

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.

## Appendix B: Additional Comparisons

### Extracurricular Expenditures

**Table B-1** shows a comparison of the District’s FY 2015-16 student extracurricular activity net cost per pupil to the local peer average and primary peer average. This comparison is important for determining whether the District’s net cost for student extracurricular activity programs was consistent with similar districts in the region.

**Table B-1: Student Extracurricular Activity Net Cost Comparison**

	CACSD			Primary Peer Avg.	Local Peer Avg.
<b>Students</b>	<b>1,646</b>			<b>1,598</b>	<b>1,619</b>
<b>Activity Type</b>	<b>Rev.</b>	<b>Exp.</b>	<b>Net Cost <sup>1</sup></b>		
Academic Oriented	\$23,638	\$73,109	(\$49,471)	N/A	N/A
Occupation Oriented	\$0	\$0	\$0	N/A	N/A
Sport Oriented	\$57,871	\$317,424	(\$259,553)	N/A	N/A
School & Public Service Co-Curricular	\$37,098	\$104,415	(\$67,317)	N/A	N/A
Other Extracurricular	\$22,885	\$0	\$22,885	N/A	N/A
<b>Total</b>	<b>\$141,492</b>	<b>\$494,948</b>	<b>(\$353,456)</b>	<b>(\$372,567)</b>	<b>(\$370,337)</b>
<b>Net Cost Per Student</b>			<b>(\$214.74)</b>	<b>(\$233.15)</b>	<b>(\$228.74)</b>

Source: CACSD, local peers, and primary peers

<sup>1</sup> The primary and local peers do not code academic, occupation, sports and school and public services in the detail CACSD reports theirs. As such, AOS could only show the peers net cost and net cost per student for the peer averages.

As shown in **Table B-1**, the District’s student extracurricular activity net cost per pupil was lower than both the local peer and primary peer average.

General Staffing

**Table B-2** shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average for FY 2015-16. Peer data was as reported to ODE through EMIS. Adjustments were made to the District’s EMIS data to reflect accurate staffing levels for FY 2016-17.

**Table B-2: General Staffing Comparison**

	CACSD	Primary Peer Avg.	Difference
Students Educated <sup>1</sup>	1,646	1,624	22
Students Educated (thousands)	1.646	1.624	0.022

Classification	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
Administrative	11.00	6.68	6.72	(0.04)	(0.06)
Office/Clerical	10.63	6.46	6.83	(0.37)	(0.61)
General Education Teachers	77.75	47.24	47.49	(0.25)	(0.42)
Education Service Personnel	8.25	5.01	4.11	0.90	1.48
Other Educational	6.00	3.65	4.38	(0.73)	(1.21)
Professional	8.42	5.12	5.62	(0.50)	(0.83)
Non-Certificated Support	10.71	6.51	8.03	(1.52)	(2.51)
Technical Staff	2.00	1.22	0.67	0.55	0.90

Source: CACSD, ODE, and primary peers

Note: The District’s operational staffing, including custodians, maintenance workers, bus drivers, and food service employees are not included in the peer comparison. These were based on industry and operational standards. Also, positions dedicated to an individual education plan (IEP) were not assessed.

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of employees per 1,000 students in line with the peer average.

As shown in **Table B-2**, District staffing levels were above the peer average for education service personnel and technical staff. Because of the District’s positive financial condition projected in its May 2017 five-year forecast, only classifications greater than the peer average by 1.0 FTE or more warranted recommendation (see **R.2** for greater detail). Positions whose staffing levels are dictated by individualized education programs (IEPs) or OAC 3301-51-09 were not assessed.

*Salaries*

As part of the initial scope and objectives, salary and wage schedules for certificated and classified employees were compared to the local peers in an attempt to determine opportunities for adjustment. **Table B-3** shows the District’s FY 2016-17 salary schedules compared to the local peers over the course of 30 years. Comparing career compensation to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis.

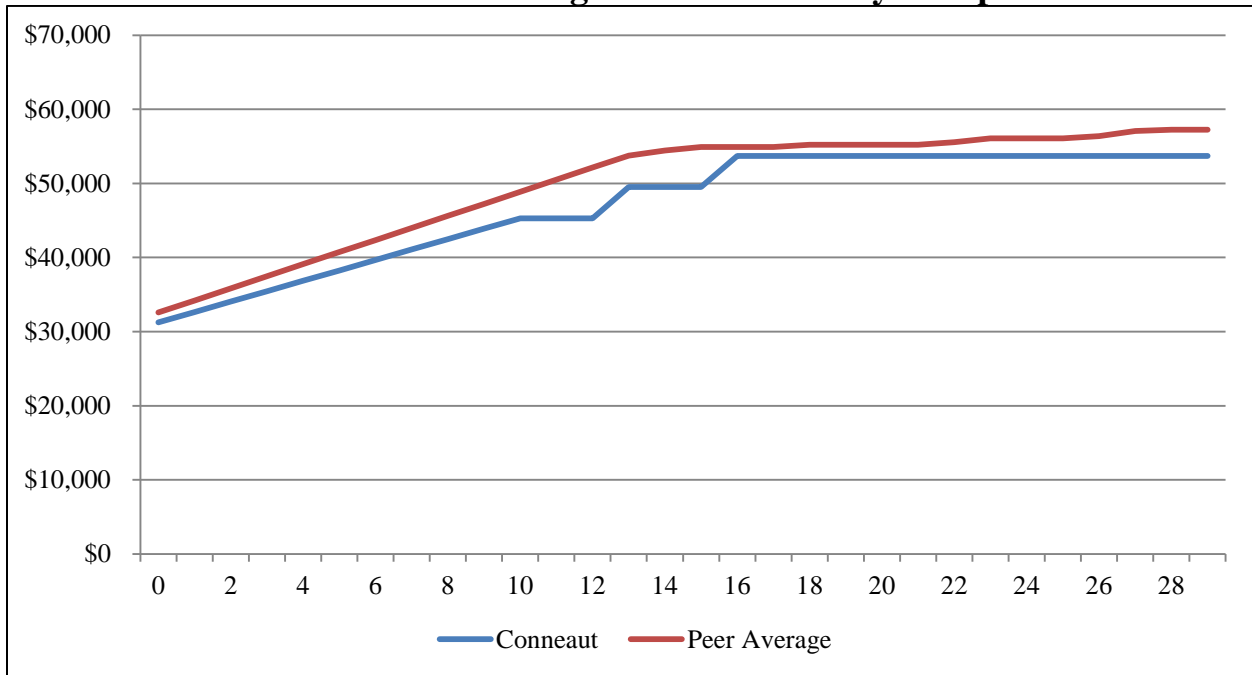
**Table B-3: Career Compensation Comparison**

	CACSD	Local Peer Average	Difference	Percent Difference
<b>Certificated: 30-Year Salary</b>				
Bachelor’s Degree	\$1,412,180	\$1,496,205	(\$84,025)	(5.6%)
Master’s Degree	\$1,685,334	\$1,721,070	(\$35,736)	(2.1%)
<b>Classified: 30-Year Salary</b>				
Custodian	\$1,064,669	\$1,051,649	\$13,020	1.2%
Maintenance	\$1,117,792	\$1,097,864	\$19,928	1.8%
Bus Driver	\$390,831	\$404,632	(\$13,801)	(3.4%)
Clerical	\$817,404	\$824,777	(\$7,373)	(0.9%)

Source: CACSD and local peers

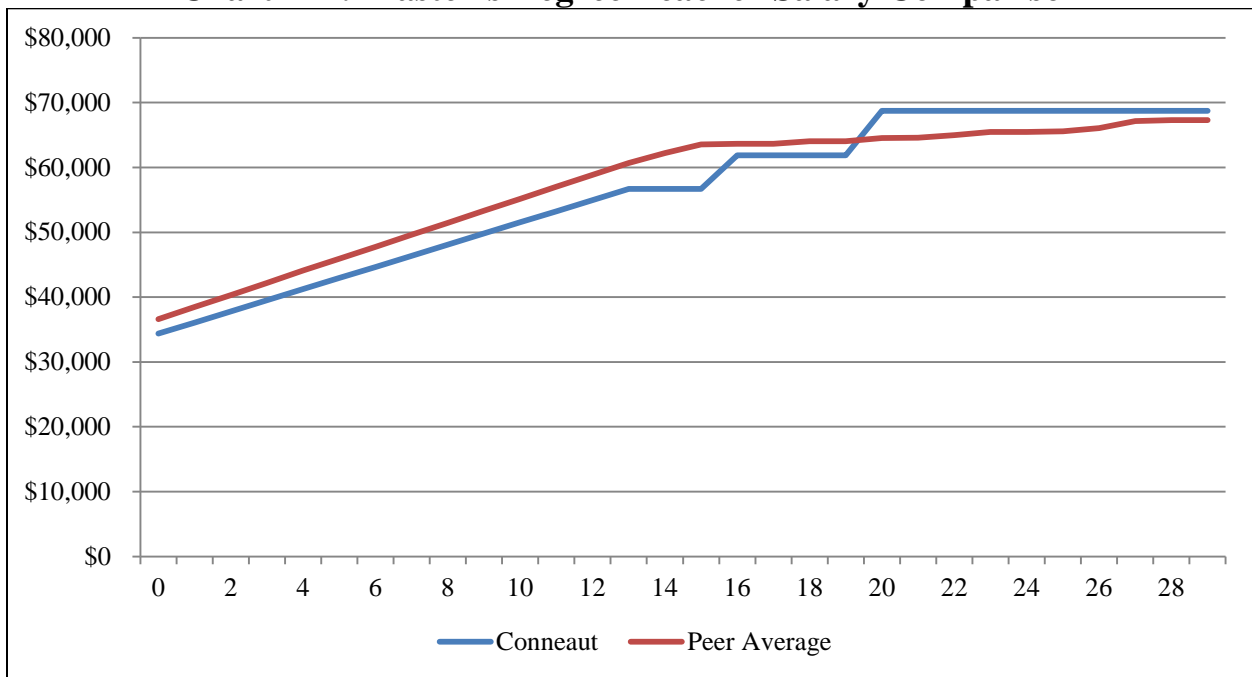
As shown in **Table B-3**, the District’s career compensation for certificated and classified staff was lower than, or comparable to, the local peer average. **Charts B-1** through **B-6** show comparisons of CACSD’s certificated and classified salary schedules to the local peer averages for FY 2016-17 over the course of 30 years. It is important to examine the beginning salaries and steps in the pay schedule to identify the cause of the variation relative to the local peer districts.

**Chart B-1: Bachelor's Degree Teacher Salary Comparison**



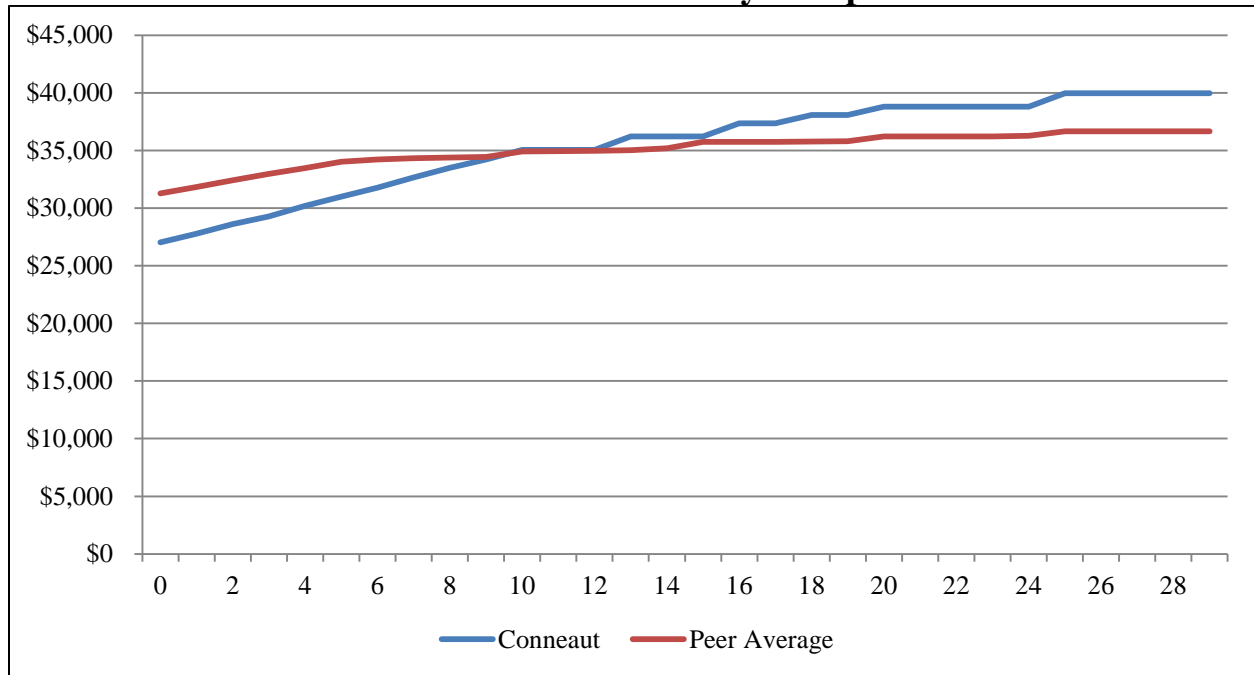
Source: CACSD and SERB

**Chart B-2: Master's Degree Teacher Salary Comparison**



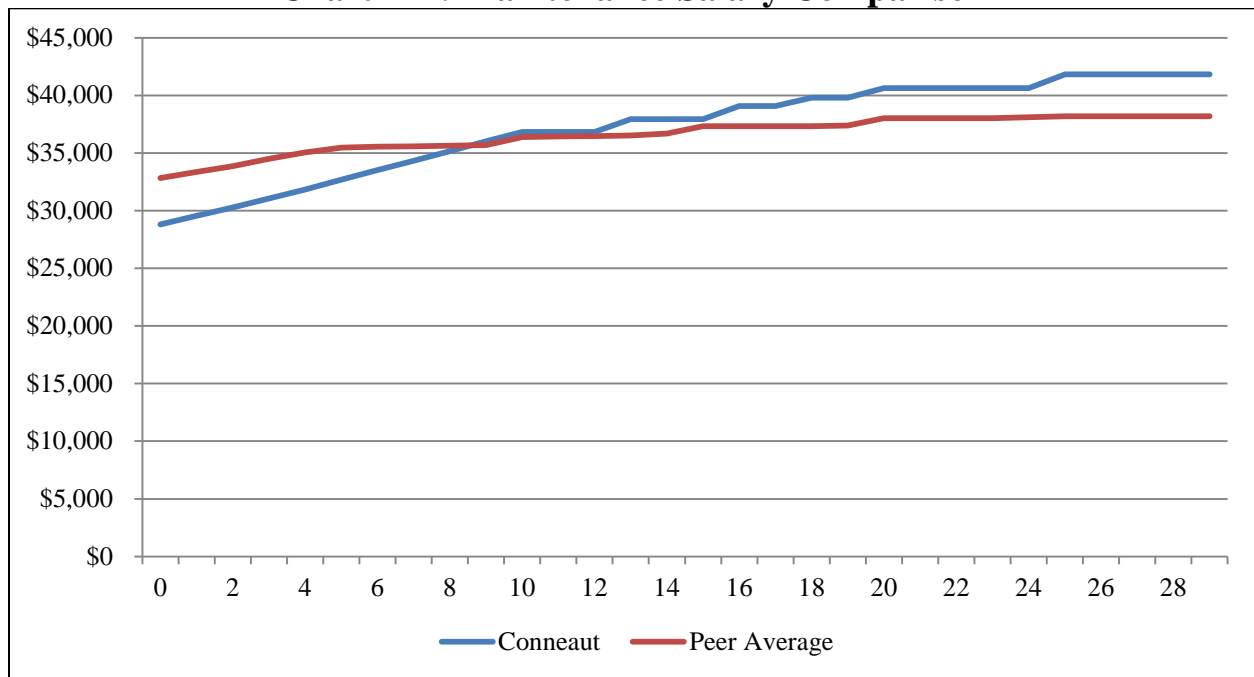
Source: CACSD and SERB

**Chart B-3: Custodian Salary Comparison**



Source: CACSD and SERB

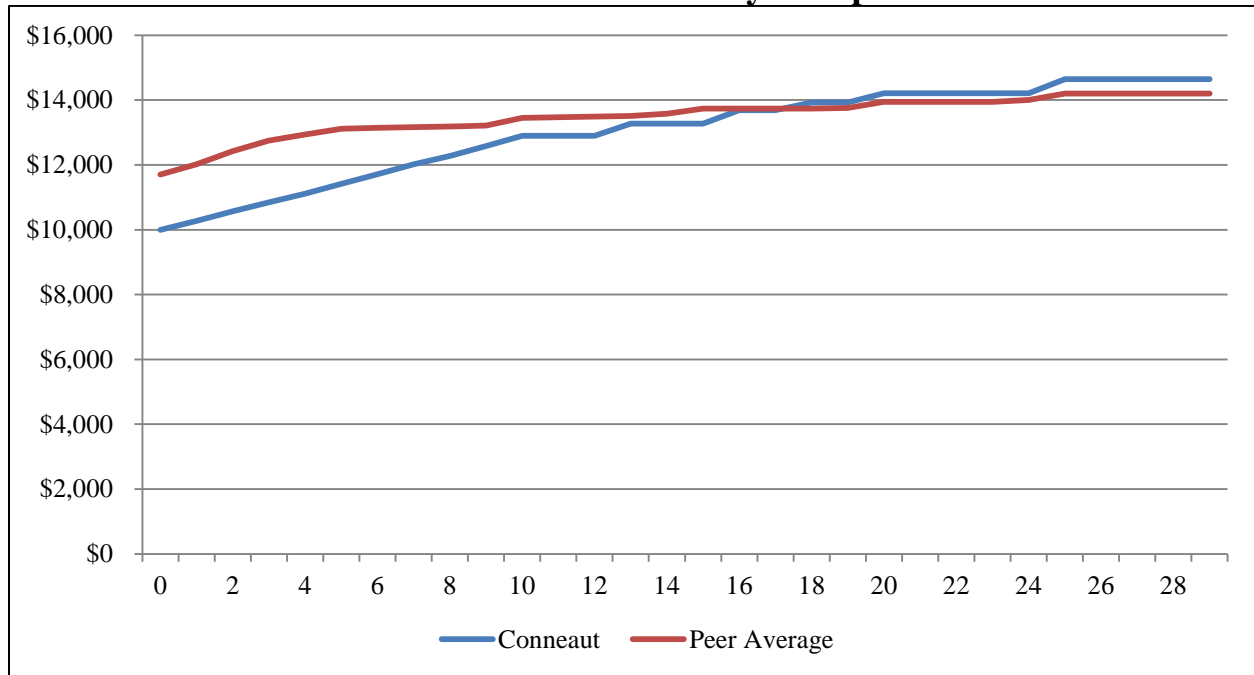
**Chart B-4: Maintenance Salary Comparison**



Source: CACSD and SERB

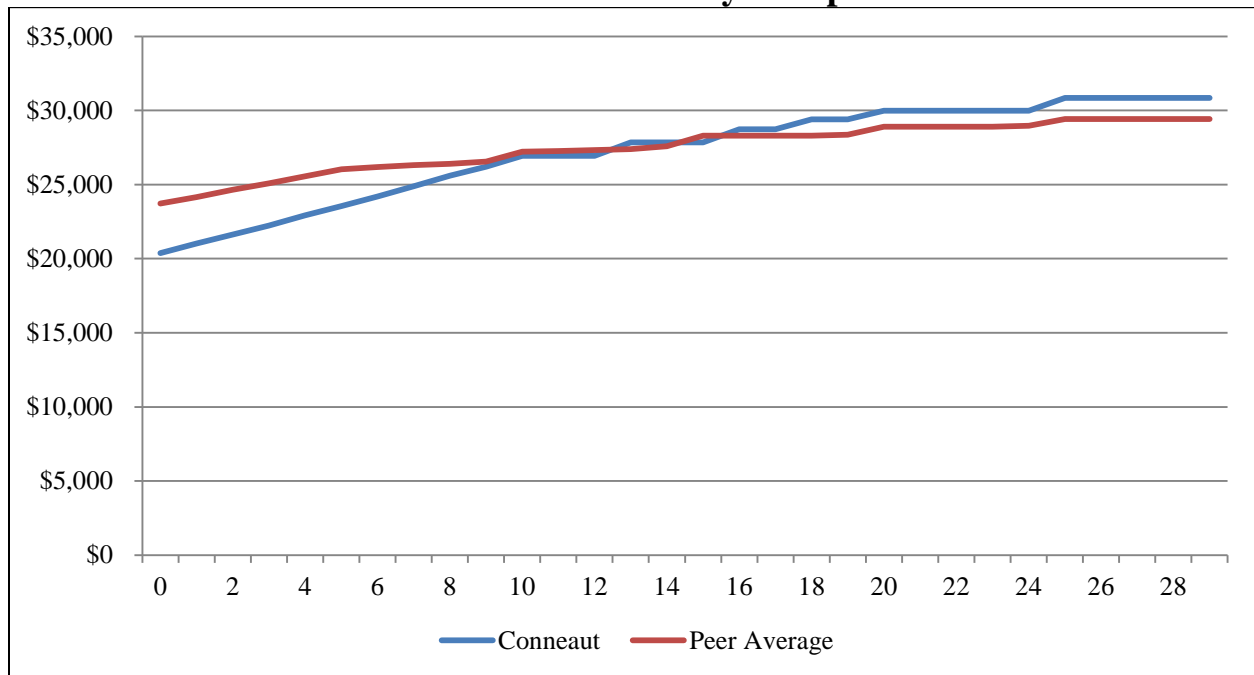


**Chart B-5: Bus Driver Salary Comparison**



Source: CACSD and SERB

**Chart B-6: Clerical Salary Comparison**



Source: CACSD and SERB

As shown in **Charts B-1** through **B-6**, beginning salaries were lower than the peer average for each position.

*Building and Grounds*

**Table B-4** shows the District’s buildings and grounds staffing for FY 2016-17 compared to industry benchmarks from American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

**Table B-4: Buildings and Grounds Staffing Comparison**

<b>Grounds Staffing</b>	
Grounds FTEs	2.0
Acreage Maintained	121.9
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	3.0
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(1.0)</b>
<b>Custodial Staffing</b>	
Custodial FTEs	11.7
Square Footage Cleaned	420,354
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	14.2
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>(2.5)</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	3.0
Square Footage Maintained	420,354
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	4.4
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(1.4)</b>
<b>Total Buildings &amp; Grounds Staffing</b>	
Total FTEs Employed	16.7
Total Benchmarked Staffing Need	21.6
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(4.9)</b>

Source: CACSD, ODE, AS&U, and NCES

As shown in **Table B-4**, CACSD is below the benchmarks for each staffing category, including custodial staffing at NCES Level 3. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), Level 3 cleaning is the norm for most school facilities, is acceptable to most stakeholders, and does not pose any health issues.

**Table B-5** shows a comparison of CACSD’s facilities expenditures per square foot to the primary peer average for FY 2015-16. This comparison allows for a standardized comparison of the District to its primary peers.

**Table B-5: Facilities per Square Foot Comparison**

	<b>CACSD</b>	<b>Primary Peer Average</b>	<b>Difference</b>	<b>Percent Difference</b>
Salaries and Wages	\$1.35	\$1.67	(\$0.32)	(19.16%)
Employee Benefits	\$0.92	\$0.86	\$0.06	6.98%
Purchased Services (Excluding Utilities)	\$0.14	\$0.77	(\$0.63)	(81.81%)
Utilities	\$1.27	\$1.27	\$0.00	0.00%
Water & Sewage	\$0.10	\$0.13	(\$0.03)	(23.08%)
Sub-Total Energy	\$1.17	\$1.14	\$0.03	2.63%
Electric	\$1.08	\$0.97	\$0.11	11.34%
Gas	\$0.09	\$0.17	(\$0.08)	(47.06%)
Supplies & Materials	\$0.34	\$0.44	(\$0.10)	(22.73%)
Capital Outlay	\$0.01	\$0.04	(\$0.03)	(75.00%)
<b>Total Expenditures per Square Foot</b>	<b>\$4.03</b>	<b>\$5.05</b>	<b>(\$1.02)</b>	<b>(20.20%)</b>

Source: CACSD

As shown in **Table B-5**, CACSD incurred facilities expenditures that were \$1.02, or 20.2 percent, lower per square foot than the primary peer average.

# Appendix C: Five-Year Forecasts

Chart C-1 shows the District's October 2016 Five-Year Forecast.

**Chart C-1: CACSD October 2016 Five-Year Forecast**

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	3,857,531	3,823,682	3,770,596	3,809,415	3,852,218	3,861,649	3,880,500	3,913,306
1.020 Tangible Personal Property Tax	251,252	280,812	283,450	293,567	303,930	313,048	322,439	332,113
1.035 Unrestricted Grants-in-Aid	10,815,431	10,806,167	10,963,208	10,744,983	10,637,606	10,542,206	10,445,003	10,339,304
1.040 Restricted Grants-in-Aid	558,769	560,646	338,130	576,624	546,830	528,888	513,112	507,544
1.050 Property Tax Allocation	587,043	614,176	616,209	585,295	587,549	590,165	591,949	596,488
1.060 All Other Operating Revenue	391,721	470,071	1,071,451	752,510	631,785	646,557	662,270	678,437
1.070 Total Revenue	16,461,747	16,555,554	17,043,044	16,762,393	16,559,917	16,482,513	16,415,274	16,367,191
2.050 Advances-In		8,836			10,000	10,000	10,000	10,000
2.060 All Other Financial Sources	110,713	123,756	66,005	41,807	1,000	1,000	1,000	1,000
2.070 Total Other Financing Sources	110,713	132,592	66,005	41,807	11,000	11,000	11,000	11,000
2.080 Total Revenues and Other Financing Sources	16,572,460	16,688,146	17,109,049	16,804,200	16,570,917	16,493,513	16,426,274	16,378,191
3.010 Personnel Services	8,491,289	8,837,874	8,973,439	9,842,745	9,895,618	10,165,118	10,441,958	10,726,337
3.020 Employees' Retirement/Insurance Benefits	4,135,626	4,170,351	3,977,106	4,199,313	4,418,837	4,716,939	5,036,526	5,379,253
3.030 Purchased Services	2,893,763	3,123,608	2,917,112	3,083,623	3,176,286	3,272,132	3,371,280	3,473,772
3.040 Supplies and Materials	341,127	331,628	338,817	368,160	380,196	392,660	405,567	418,935
3.050 Capital Outlay	31,514	42,492	65,703	60,900	63,945	67,142	70,499	74,024
4.010 Debt Service: All Principal (Historical)	110,000	32,292	147,575					
4.050 Debt Service: Principal - HB 264 Loans				115,000	115,000	115,000	115,000	115,000
4.060 Debt Service: Interest and Fiscal Charges	9,050	8,554	-25,127	9,059	8,737	8,415	8,093	7,771
4.300 Other Objects	234,539	194,604	185,845	224,205	230,738	237,496	244,487	251,721
4.500 Total Expenditures	16,246,908	16,741,403	16,580,470	17,903,006	18,289,358	18,974,902	19,693,411	20,446,813
5.010 Operational Transfers - Out	7,575	7,150	7,292	10,000	10,000	10,000	10,000	10,000
5.020 Advances - Out	8,836			10,000	10,000	10,000	10,000	10,000
5.040 Total Other Financing Uses	16,411	7,150	7,292	20,000	20,000	20,000	20,000	20,000
5.050 Total Expenditure and Other Financing Uses	16,263,319	16,748,553	16,587,762	17,923,006	18,309,358	18,994,902	19,713,411	20,466,813
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	309,141	-60,407	521,287	-1,118,806	-1,738,441	-2,501,389	-3,287,137	-4,088,622
7.010 Beginning Cash Balance	2,937,981	3,247,122	3,186,715	3,708,002	2,589,196	850,755	-1,650,634	-4,937,771
7.020 Ending Cash Balance	3,247,122	3,186,715	3,708,002	2,589,196	850,755	-1,650,634	-4,937,771	-9,026,393
8.010 Outstanding Encumbrances	240,781	117,000	125,000	125,000	125,000	125,000	125,000	
10.010 Fund Balance June 30 for Certification of Appropriations	3,006,341	3,069,715	3,583,002	2,464,196	725,755	-1,775,634	-5,062,771	-9,026,393
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,006,341	3,069,715	3,583,002	2,464,196	725,755	-1,775,634	-5,062,771	-9,026,393
15.010 Unreserved Fund Balance June 30	3,006,341	3,069,715	3,583,002	2,464,196	725,755	-1,775,634	-5,062,771	-9,026,393

Source: CACSD and ODE

Chart C-2 shows the District’s May 2017 Five-Year Forecast.

**Chart C-2: CACSD May 2017 Five-Year Forecast**

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	3,857,531	3,823,682	3,770,596	3,832,294	4,378,656	4,790,352	4,808,599	4,855,335
1.020 Tangible Personal Property Tax	251,252	280,812	283,450	298,845	336,629	367,726	378,562	388,976
1.035 Unrestricted Grants-in-Aid	10,815,431	10,806,167	10,963,208	10,819,682	10,265,698	10,277,241	10,287,284	10,290,829
1.040 Restricted Grants-in-Aid	558,769	560,646	338,130	473,668	467,633	453,318	440,730	436,288
1.050 Property Tax Allocation	587,043	614,176	616,209	602,310	605,000	607,892	609,005	615,065
1.060 All Other Operating Revenue	391,721	470,071	1,071,451	760,928	643,661	652,641	667,834	683,527
1.070 Total Revenue	16,461,747	16,555,554	17,043,044	16,787,726	16,697,277	17,149,171	17,192,014	17,270,019
2.050 Advances-In		8,836			10,000	10,000	10,000	10,000
2.060 All Other Financial Sources	110,713	123,756	66,005	41,807	47,000	1,000	1,000	1,000
2.070 Total Other Financing Sources	110,713	132,592	66,005	41,807	57,000	11,000	11,000	11,000
2.080 Total Revenues and Other Financing Sources	16,572,460	16,688,146	17,109,049	16,829,533	16,754,277	17,160,171	17,203,014	17,281,019
3.010 Personnel Services	8,491,289	8,837,874	8,973,439	9,645,386	8,951,005	8,965,024	9,091,426	9,219,610
3.020 Employees' Retirement/Insurance Benefits	4,135,626	4,170,351	3,977,106	4,031,841	4,028,710	4,090,192	4,317,914	4,582,995
3.030 Purchased Services	2,893,763	3,123,608	2,917,112	2,994,069	3,063,220	3,151,870	3,243,471	3,338,133
3.040 Supplies and Materials	341,127	331,628	338,817	295,657	339,543	351,010	362,894	375,210
3.050 Capital Outlay	31,514	42,492	65,703	87,495	60,000	63,000	66,150	69,458
4.010 Debt Service: All Principal (Historical)	110,000	32,292	147,575					
4.050 Debt Service: Principal - HB 264 Loans				115,000	115,000	115,000	115,000	115,000
4.060 Debt Service: Interest and Fiscal Charges	9,050	8,554	-25,127	-17,011	-14,263	8,415	8,093	7,771
4.300 Other Objects	234,539	194,604	185,845	158,859	163,705	168,934	174,332	179,906
4.500 Total Expenditures	16,246,908	16,741,403	16,580,470	17,311,296	16,706,920	16,913,446	17,379,279	17,888,083
5.010 Operational Transfers - Out	7,575	7,150	7,292	30,000	10,000	10,000	10,000	10,000
5.020 Advances - Out	8,836			10,000	10,000	10,000	10,000	10,000
5.040 Total Other Financing Uses	16,411	7,150	7,292	40,000	20,000	20,000	20,000	20,000
5.050 Total Expenditure and Other Financing Uses	16,263,319	16,748,553	16,587,762	17,351,296	16,726,920	16,933,446	17,399,279	17,908,083
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	309,141	-60,407	521,287	-521,763	27,357	226,725	-196,265	-627,064
7.010 Beginning Cash Balance	2,937,981	3,247,122	3,186,715	3,708,002	3,186,239	3,213,596	3,440,321	3,244,056
7.020 Ending Cash Balance	3,247,122	3,186,715	3,708,002	3,186,239	3,213,596	3,440,321	3,244,056	2,616,992
8.010 Outstanding Encumbrances	240,781	117,000	125,000	125,000	125,000	125,000	125,000	
10.010 Fund Balance June 30 for Certification of Appropriations	3,006,341	3,069,715	3,583,002	3,061,239	3,088,596	3,315,321	3,119,056	2,616,992
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,006,341	3,069,715	3,583,002	3,061,239	3,088,596	3,315,321	3,119,056	2,616,992
15.010 Unreserved Fund Balance June 30	3,006,341	3,069,715	3,583,002	3,061,239	3,088,596	3,315,321	3,119,056	2,616,992

Source: CACSD and ODE

## Client Response

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



CONNEAUT AREA CITY SCHOOLS

"Home of the Spartans"

Lori A. Riley, Superintendent

June 27, 2017

David Yost  
Auditor of State  
88 East Broad St., 5<sup>th</sup> Floor  
Columbus, OH 43215-3506

Dear Auditor Yost:

On behalf of the Conneaut Area City School District Board of Education, we would like to thank you and your team for conducting our performance audit. We appreciate the time and effort your team spent with us. The process was helpful as the district was already in the process of implementing expenditure reduction plans for both the 2016/2017 and 2017/2018 school years prior to the audit beginning.

We appreciate your office providing recommendations including improving stakeholder access to financial information, eliminating an ESP teaching position, renegotiating collective bargaining agreement provisions, decreasing employer cost for dental and vision insurance, completing transportation reports, developing a bus replacement program, and decreasing food service expenditures and/or increasing revenues. We have reviewed the recommendations and will be addressing them as follows:

Recommendation 1: The fiscal office will work with technology to add a section to provide the current and subsequent board approved five year forecast and notes, along with monthly board approved reports to coordinate with the currently posted meeting minutes.

Recommendation 2: One full time physical education teaching position has been eliminated for the 2017/2018 school year. There will now be only two FTEs for K-8 physical education.

Recommendations 3 & 4: Will be addressed through negotiations with both bargaining units in the 2017/2018 school year for 7/1/2018 contract dates.

Recommendations 5 & 6: District leadership will work with the transportation supervisor to ensure transportation reports (T1 and T2) are completed in accordance with the guidelines prescribed by ODE to ensure the district will receive appropriate amount of pupil transportation funding. A bus replacement plan will be created to coordinate with the collection of permanent improvement tax levies.

Recommendation 7: District leadership will work with the food service supervisor to decrease expenditures and increase revenue to allow the food service fund to be self-sufficient and not require operations to be subsidized by general fund. Specifically, the district will address restructuring the food service operations, increasing food service participation and decreasing food and labor costs.

The leadership team is dedicated to good stewardship of taxpayer dollars and will use this document to assist in our decision making processes to continually improve our district. We appreciate your commitment to the audit process.

Sincerely,

  
Lori A. Riley  
Superintendent

  
Jacelynne J. Miranda  
Treasurer/CFO

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# Dave Yost • Auditor of State

CONNEAUT AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 13, 2017