



Dave Yost • Auditor of State



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

The Auditor of State's Office selected the Finneytown Local School District (FLSD or the District) for a performance audit based on its projected financial condition. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate governance officials and 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
May 16, 2017

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Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	1
Noteworthy Accomplishments.....	3
Summary of Recommendations.....	5
Background.....	8
Recommendations.....	9
R.1 Create a long-term strategic plan and link it to the budget	9
R.2 Consider eliminating General Fund subsidy of extracurricular activities.....	10
R.3 Eliminate 2.5 FTE administrative positions.....	12
R.4 Eliminate 2.0 FTE office/clerical positions.....	14
R.5 Eliminate 0.5 FTE other educational support staffing positions.....	15
R.6 Eliminate 16.0 FTE general education teacher positions.....	16
R.7 Eliminate 0.5 FTE educational service personnel position.....	17
R.8 Eliminate 2.0 FTE professional positions	18
R.9 Eliminate 1.0 FTE non-certificated support staffing positions	19
R.10 Renegotiate collective bargaining agreement provisions.....	20
R.11 Bring leave usage in line with employee medians	21
R.12 Eliminate 1.0 FTE maintenance position	23
R.13 Eliminate 0.5 FTE grounds keeper staffing position.....	24
R.14 Improve the facilities preventive maintenance program	25
R.15 Develop formal policies and procedures for compiling transportation data	26
R.16 Right-size the active bus fleet	27
R.17 Explore alternative bus maintenance service	29
R.18 Develop a data driven bus replacement plan.....	30
R.19 Make additional reductions to address the remaining deficit.....	32
Appendix A: Scope and Objectives	35
Appendix B: Additional Comparisons.....	36
Appendix C: Five-Year Forecast	46
Client Response	47

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Executive Summary

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 the Finneytown Local School District (FLSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve FLSD'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 Systems, Human Resources, Facilities, and Transportation. 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 similar districts with relatively lower per pupil spending and higher academic performance.¹ 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

Primary Peers
<ul style="list-style-type: none"> • Brooklyn City School District (Cuyahoga County) • Bucyrus City School District (Wyandot County) • Campbell City School District (Mahoning County) • Deer Park Community City School District (Hamilton County) • Fairview Park City School District (Cuyahoga County) • Madeira City School District (Hamilton County) • Mariemont City School District (Hamilton County) • North College Hill City School District (Hamilton County) • Northridge Local School District (Montgomery County) • St. Bernard-Elmwood Place City School District (Hamilton County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Lockland City School District (Hamilton County) • Mount Healthy City School District (Hamilton County) • North College Hill City School District (Hamilton County) • Reading Community City School District (Hamilton County) • Winton Woods City School District (Hamilton County) • Wyoming City School District (Hamilton County)
Transportation Peers
<ul style="list-style-type: none"> • Bucyrus City School District (Wyandot County) • Girard City School District (Trumbull County) • Campbell City School District (Mahoning County) • Fairview Park City School District (Cuyahoga 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 American Association of School Administrators (AASA), American School and University (AS&U), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics

¹ The primary demographic characteristics used in the peer selection process were total year-end enrollment, total expenditures per pupil, and total State and local revenues per pupil.

(NCES), the Ohio Department of Education (ODE), the State Employee Relations Board (SERB), the U.S. Energy Information Administration (EIA), and the U.S. Environmental Protection Agency (EPA). 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 Finneytown Local School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

Energy Costs: The District achieved significant reductions in energy costs in fiscal year (FY) 2015-16 as compared to FY 2013-14 through the use of fixed rate contracts with electric and natural gas suppliers and through the use of House Bill (HB) 264 Energy Conservation Program projects.² **Table 2** shows the District's energy costs from FY 2013-14 through FY 2015-16. This provides indication on the impact of the District's energy conservation and cost reduction efforts.

Table 2: Historical Energy Costs

	FY 2013-14	FY 2014-15	Annual % Change	FY 2015-16	Annual % Change	% Change from FY 2013-14
Electric	\$206,727	\$171,994	(16.8%)	\$157,745	(8.3%)	(23.7%)
Gas	\$108,114	\$87,470	(19.1%)	\$63,082	(27.9%)	(41.7%)
Total	\$314,841	\$259,464	(17.6%)	\$220,827	(14.9%)	(29.9%)

Source: FLSD

As shown in **Table 2**, the District reduced total energy costs by \$94,014, or 29.9 percent, in the three year period shown. Specifically, from December 2014 through December 2016, FLSD's fixed rate contracts enabled it to achieve a fixed electric rate of \$0.0484 per kilowatt hour (kWh), which, according to the U.S. Energy Information Administration (EIA), was \$0.0505 cents per kWh lower than the December 2015 average for Ohio.³ In addition, the District's fixed natural

² HB 264 Energy Conservation Program, administered by the Ohio Development Services Agency's Office of Energy in partnership with the Ohio Schools Facilities Commission, allows school districts to make energy efficiency improvements to their buildings and use the cost savings to pay for those improvements.

³ The U.S. Energy Information Administration is a division of the U.S. Department of Energy.

gas rate of \$0.0407 per dekatherm (DTH)⁴ for the period starting December 2015 and lasting until November 2019 was \$0.0407 cents per DTH lower than the national average of \$0.0750 cents per DTH in 2016, according to the EIA.

In FY 2011-12, FLSD also underwent a HB 264 project that consisted of various HVAC and energy efficiency upgrades. These upgrades contributed to the lowered energy costs shown above, and included the following installations:

- High efficiency lighting;
- Programmable thermostats;
- Computerized heating, ventilation, and air conditioning control;
- New hot water boilers; and
- Occupancy sensors.

⁴ One DTH equals one million British Thermal Units (BTU) and 1,000 cubic feet. One BTU is the energy required to raise the temperature of one pound of water one degree Fahrenheit.

Summary of Recommendations

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

Table 3: Summary of Recommendations

Recommendations		Savings
R.1	Create a long-term strategic plan and link it to the budget	N/A
R.2	Consider eliminating General Fund subsidy of extracurricular activities	\$341,900
R.3	Eliminate 2.5 FTE administrative positions	\$156,000
R.4	Eliminate 2.0 FTE office/clerical positions	\$61,200
R.5	Eliminate 0.5 FTE other educational support staffing positions	\$28,500
R.6	Eliminate 16.0 FTE general education teacher positions	\$910,800
R.7	Eliminate 0.5 FTE educational service personnel position	\$21,300
R.8	Eliminate 2.0 FTE professional positions	\$113,600
R.9	Eliminate 1.0 FTE non-certificated support staffing positions	\$22,200
R.10	Renegotiate collective bargaining agreement provisions	\$3,800
R.11	Bring leave usage in line with employee medians	\$35,500
R.12	Eliminate 1.0 FTE maintenance position	\$48,900
R.13	Eliminate 0.5 FTE grounds keeper staffing position	\$20,400
R.14	Improve the facilities preventive maintenance program	N/A
R.15	Develop formal policies and procedures for compiling transportation data	N/A
R.16	Right-size the active bus fleet	\$59,000
R.17	Explore alternative bus maintenance service	\$19,800
R.18	Develop a data driven bus replacement plan	N/A
R.19	Make additional reductions to address the remaining deficit	\$440,600
Cost Savings Adjustments ¹		(\$8,100)
Total Annual Cost Savings from Performance Audit Recommendations		\$2,275,400
R.16 Right-size the active bus fleet		
		\$5,200
Total One Time Revenue Enhancements		\$5,200
Total Impact of Performance Audit		
		\$2,280,600

¹ Adjustment was made to savings achievable in R.11 in order to reflect staffing changes recommended in R.6 and R.7.

Table 4 shows the District’s ending fund balances as projected in the October 2016 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 as well as District actions taken during the course of the audit that would have an impact on the forecast outside of the performance audit recommendations.

Table 4: Financial Forecast with Performance Audit Recommendations

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Original Ending Fund Balance	\$3,606,817	\$1,486,505	(\$1,352,059)	(\$5,039,618)	(\$9,688,147)
Cumulative Balance of Performance Audit Recommendations	N/A	\$2,280,600	\$4,556,000	\$6,831,400	\$9,106,800
Cumulative Balance of District Cost Saving Actions ¹	N/A	\$145,420	\$290,840	\$436,260	\$581,680
Revised Ending Fund Balance	\$3,606,817	\$3,912,525	\$3,494,781	\$2,228,042	\$333

Source: FLSD, 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.

¹ Represents District cost reductions measures taken outside of the performance audit recommendations. This includes savings from not filling vacancies that occurred during the course of the audit including 0.5 FTE facilities director, 0.5 FTE clerical, and 0.5 FTE grounds keeper.

As shown in **Table 4**, implementing the performance audit recommendations coupled with the District’s cost saving actions would allow it to avoid forecasted deficit conditions throughout the five-year forecast.

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.⁵ 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).

⁵ IDEA Part B does not have a MOE waiver option.

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.

It is important to note that the provision of special education services may have a significant impact on the FLSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

Background

In October 2016, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. This forecast served as the primary impetus of the performance audit. **Table 5** shows FLSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balances as projected in this forecast. The detail and financial results contained in the forecast 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 5: Financial Condition Overview (October 2016)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$19,323,367	\$19,211,937	\$19,311,807	\$19,308,453	\$19,222,348
Total Expenditure	\$20,237,844	\$21,332,249	\$22,150,372	\$22,996,012	\$23,870,878
Results of Operations	(\$914,477)	(\$2,120,312)	(\$2,838,565)	(\$3,687,559)	(\$4,648,530)
Beginning Cash Balance	\$4,521,294	\$3,606,817	\$1,486,506	(\$1,352,059)	(\$5,039,617)
Ending Cash Balance	\$3,606,817	\$1,486,505	(\$1,352,059)	(\$5,039,618)	(\$9,688,147)
Ending Fund Balance	\$3,606,817	\$1,486,505	(\$1,352,059)	(\$5,039,618)	(\$9,688,147)

Source: FLSD and ODE

As shown in **Table 5**, the District's October 2016 five-year forecast projects ending fund balance deficits starting in FY 2018-19 and extending through the remainder of the forecast period. This deficit condition is a direct result of stagnant revenue growth coupled with increasing expenditures. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$9.6 million by FY 2020-21.

During the course of the audit, the District received resignations from several positions that it will not fill for FY 2017-18 and beyond. Specifically, 1.0 FTE intervention specialist, 1.6 FTE regular education assistants, 1.8 FTE special education assistants, 1.0 FTE facilities director, 1.0 FTE clerical, 2.0 FTE custodial, and 1.0 FTE groundskeeper.⁶ Savings from these vacancies were not included in the District's October 2016 five-year forecast; however, estimated savings from vacancies that go beyond those identified in the performance audit are included in the cumulative balance of District cost saving actions shown in **Table 4**.

⁶ According to the *EMIS Reporting Manual* (ODE, 2015), an FTE is defined as 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.

Recommendations

R.1 Create a long-term strategic plan and link it to the budget

FLSD does not have a comprehensive strategic plan that guides long-term operations and spending decisions. Although the District prepares the required five-year financial forecasts, tax budgets, and annual appropriations, there are no formal connections between discussed goals, objectives, or performance measures and annual spending decisions. In FY 2016-17, the District hired a new Superintendent, providing the opportunity to develop formal strategic planning practices.

Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) indicates that governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan should establish logical links between spending and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and those envisioned for the future. The GFOA recommends the following steps when developing a strategic plan:

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

In addition to strategic planning, capital planning is also essential. The article *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should: identify and prioritize expected needs based on the entity's strategic plan, establish project scopes and costs, detail estimated amounts of funding from various sources, and project future operating and maintenance costs.

FLSD should strive to create and consistently build upon a strategic planning process. Without a strategic plan, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes, in turn, increasing the risk of inefficiently and/or ineffectively addressing its needs.

R.2 Consider eliminating General Fund subsidy of extracurricular activities

In FY 2015-16, the District expended over \$451,800 on student extracurricular activities, including salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. A portion of these expenditures were offset by generating revenue of approximately \$109,900 from receipts for admissions, sales, dues and fees, and other extracurricular activity, resulting in a net cost for student extracurricular activities of approximately \$341,900. This amount required subsidization from the General Fund.

Table 6 shows a comparison of the District’s FY 2015-16 student extracurricular activity net cost per pupil to the primary and local peer average. This comparison is important for determining whether the District’s net cost for student extracurricular activity programs was consistent with the primary and local peer groups.

Table 6: Student Extracurricular Activity Net Cost Comparison

	FLSD			Primary Peer Avg.	Local Peer Avg.
Students	1,374.0			1,412.8	2,082.0
Activity Type	Rev.	Exp.	Net Cost		
Academic Oriented	\$0	\$67,841	(\$67,841)	(\$99,402)	(\$98,966)
Occupation Oriented	\$0	\$0	\$0	(\$2,329)	(\$1,955)
Sport Oriented	\$0	\$335,200	(\$335,200)	(\$418,256)	(\$487,982)
School & Public Service Co-Curricular	\$0	\$48,776	(\$48,776)	(\$64,261)	(\$68,493)
Bookstore Sales	\$0	\$0	\$0	\$0	\$0
Other Extracurricular	\$28,870	\$0	\$28,870	\$25,212	\$11,270
Non-specified ¹	\$81,032	\$0	\$81,032	\$186,222	\$164,015
Total	\$109,902	\$451,817	(\$341,915)	(\$372,814)	(\$482,111)
Net Cost per Student			(\$248.85)	(\$263.88)	(\$231.56)

Source: FLSD, primary peers, and local peers

¹ Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

As shown in **Table 6**, the District’s student extracurricular activity net cost per pupil was lower than the primary peer average but higher than the local peer average. Although it is common for school districts in Ohio to subsidize extracurricular costs with General Fund money, the District is subsidizing a higher per pupil amount relative to the local peers. In addition, given the severity of the forecasted deficit conditions (see **Background**), the District is not in an optimal position to fund extracurricular activities and should evaluate all available options to reduce all associated expenditures and/or increase pertinent revenues.

Table 7 shows a comparison of the District’s per student extracurricular activity human resource expenditures, by activity type, as it compares to the local peer average. This analysis can assist the District in identifying opportunities to reduce its extracurricular activity costs as human resources expenditures represent a majority (65.5 percent) of the total cost of activities.

Table 7: Extracurricular Activity Human Resource Costs

	FLSD	Local Peer Avg.	Difference	% Difference
Number of Students	1,374	2,082	(708)	(34.0%)
Academic-Oriented HR Costs	\$47,126	\$55,849	(\$8,723)	(15.6%)
Costs per Student	\$34.30	\$26.82	\$7.47	27.9%
Occupation-Oriented HR Costs	\$0.00	\$158	(\$158)	(100.0%)
Costs per Student	\$0.00	\$0.08	(\$0.08)	(100.0%)
Sports-Oriented HR Costs	\$218,107	\$334,381	(\$116,274)	(34.8%)
Costs per Student	\$158.74	\$160.61	(\$1.87)	(1.2%)
School and Public Service Co-Curricular Activity HR Costs	\$30,909	\$20,472	\$10,437	51.0%
Costs per Student	\$22.50	\$9.83	\$12.66	128.8%
Total HR Related Costs	\$296,142	\$410,702	(\$114,560)	(28.0%)
Total Expenditures	\$451,817	\$657,397	(\$205,580)	(31.3%)
% of HR Expenditures of Total	65.5%	62.5%	3.0%	4.8%
Total HR Costs per Student	\$215.53	\$197.26	\$18.27	9.3%

Source: FLSD and local peers

As shown in **Table 7**, despite having total extracurricular expenditures 28.0 percent lower than the local peer average, human resource expenditures per pupil were \$18.27, or 9.3 percent higher than the local peer average. The variance in the human resource cost per student is a result of FLSD providing a similar number of programs (each requiring staff) with a significantly lower number of students compared to the local peer average.

Table 8 compares FLSD’s number of extracurricular positions to the local peer average. This analysis is important to provide an indication of the appropriate number of programs and positions relating to the District’s extracurricular programming.

Table 8: Students per Extracurricular Position Comparison

	FLSD	Local Peer Avg.	Difference	% Difference
Total Students	1,374.0	2,082.0	(708.00)	(34.0%)
Total Positions	102.5	109.3	(6.8)	(6.2%)
Students per Position	13.4	19.0	(5.6)	(29.5%)

Source: FLSD and local peers

As shown in **Table 8**, FLSD has only 6.2 percent fewer extracurricular activity positions despite having 708, or 34.0 percent, fewer students than the local peer average. As a result, the District has 5.6 fewer students per extracurricular position than the local peer average, a level 29.5 percent lower. A primary driver of extracurricular staff size is the number of programs offered. Despite the smaller relative size of its student body, FLSD still offers multiple sports programs at different levels, including middle school and junior varsity and separated programs by gender,

each with its own coaching staff. In addition, the District has 17 music and theater related positions compared to a local peer average of 13.

Analysis of the District's student extracurricular activity revenue by activity type was not feasible due to a lack of detailed financial coding of revenue receipts. For example, none of the revenue was identified to academic-oriented or occupational-oriented areas. In addition, there have historically been large amounts of revenue coded to other revenue without a specific breakout as to the source based on object coding. In determining the detail with which certain financial transactions should be coded, FLSD should consider the informational needs of the District, ODE, and other regulatory agencies. While the District records its financial transactions in accordance with Uniform School Accounting System (USAS); analysis of its student extracurricular activity financial transactions revealed that it does not select the most detailed USAS code when recording revenue.

When evaluating options to eliminate the General Fund subsidy of extracurricular activities, the District should consider the following:

- Right size the number of programs relative to student population;
- Implement pay to participate fees;
- Increase dues and fees;
- Increase sales;
- Increase booster funding/fundraising; and/or
- Charge the Student Activity Fund for use of District assets, such as vehicles.

Making the above changes could help eliminate the General Fund subsidy, allowing more resources to be dedicated to student instruction. The District should further evaluate all activities and their net cost by assigning revenues to appropriate activities and determining the efficiency of each activity. The District would then be in better position to decide which activities could increase revenue, reduce costs, or be eliminated if necessary.

Financial Implication: Reducing student activity expenditures and/or increasing revenue so that the Student Extracurricular Activity Fund is self-sufficient would save the District approximately **\$341,900** annually.

R.3 Eliminate 2.5 FTE administrative positions

During the course of the audit, FLSD accepted the resignation of 1.0 FTE director. The District does not plan to replace this position for FY 2017-18.

Administrators include personnel who perform management activities, such as developing policies for the school district and executing these policies through the direction of staff members at all levels. **Table 9** shows the District's FY 2016-17 administrative staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing administrative staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 9: Administrative Staffing Comparison

	FLSD	Primary Peer Avg.			
Students Educated ¹	1,515	1,412			
Students Educated (Thousands)	1.515	1.412			
Total FTEs with Special Education	13.00	10.22			
Total Special Education FTEs	0.00	0.77			
Total FTEs for Comparison	13.00	9.45			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Admin. Assistant	0.00	0.00	0.21	(0.21)	(0.32)
Assistant, Deputy/Associate Superintendent Assignment	0.00	0.00	0.21	(0.21)	(0.32)
Assist. Principal	3.00	1.98	1.06	0.92	1.39
Principal	3.00	1.98	1.98	0.00	0.00
Superintendent	1.00	0.66	0.71	(0.05)	(0.08)
Supervising/Managing/Directing	1.00	0.66	0.21	0.45	0.68
Treasurer	1.00	0.66	0.85	(0.19)	(0.29)
Coordinator	1.00	0.66	0.09	0.57	0.86
Education Administrative Specialist	1.00	0.66	0.18	0.48	0.73
Director	2.00	1.32	0.86	0.46	0.70
Other Official/Administrative	0.00	0.00	0.34	(0.34)	(0.52)
Totals for Comparison	13.00	8.58	6.70	1.88	2.85

Source: FLSD, ODE, and primary peers

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

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

As shown in **Table 9**, FLSD’s total administrative staffing per 1,000 students was 2.85 FTEs higher than the primary peer average.

Financial Implication: Eliminating 2.5 FTE administrative positions could save approximately **\$156,000** in salaries and benefits, annually.⁷ This was calculated using the lowest administrative staff salaries and an average benefits ratio of 30.5 percent.⁸ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

⁷ The 1.0 FTE director that resigned and will not be replaced effective in FY 2017-18 was compensated at a salary of \$91,800. This salary level represents an additional \$7,700 in savings that is included in the District cost savings actions in **Table 4**.

⁸ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.4 Eliminate 2.0 FTE office/clerical positions

During the course of the audit, FLSD accepted the resignation of 1.0 FTE clerical position. The District does not plan to replace this position for FY 2017-18.

Office/clerical personnel are responsible for general office activities or building, department, and/or administrative secretarial duties. **Table 10** shows the District’s FY 2016-17 office/clerical staffing compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Comparing office/clerical staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 10: Office/Clerical Staffing Comparison

	FLSD		Primary Peer Average	Difference	
Students Educated ¹	1,515		1,412	103	
Students Educated (thousands)	1.515		1.412	0.103	
	FTEs	FTE Per 1,000 Students	Peer FTE Per 1,000 Students	Difference Per 1,000 Students	Total Above/ (Below) ²
Accounting	0.00	0.00	0.07	(0.07)	(0.11)
Bookkeeping	2.00	1.32	0.78	0.54	0.62
Clerical	9.93	6.55	5.99	0.56	0.84
Messenger	0.00	0.00	0.07	(0.07)	(0.11)
Records Managing	1.00	0.66	0.07	0.59	0.89
Other Office/Clerical	0.50	0.33	0.25	0.08	0.12
Attendance Officer	0.00	0.00	0.28	(0.28)	(0.42)
Total Staff	13.43	8.86	7.51	1.35	2.05

Source: FLSD, ODE, and primary peers

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 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 10**, total office/clerical staffing was 2.05 FTEs higher than the primary peer average.

Financial Implication: Eliminating 2.0 FTE office/clerical positions could save approximately **\$61,200** in salaries and benefits annually.⁹ This was calculated using the lowest office/clerical salaries and an average benefits ratio of 30.5 percent.¹⁰ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

⁹ The 1.0 FTE clerical employee that resigned and will not be replaced effective in FY 2017-18 was compensated at a salary of \$30,995. This salary level represents an additional \$10,555 in savings that is included in the District cost savings actions in **Table 4**.

¹⁰ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.5 Eliminate 0.5 FTE other educational support staffing positions

Other educational support personnel are responsible for curriculum development, small group remediation, tutoring, and general educational positions not classified elsewhere in EMIS. **Table 11** shows the District’s FY 2016-17 other educational support staffing compared to the FY 2015-16 primary peer average on a per 1,000 student basis. Comparing other educational support staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 11: Other Educational Support Staffing Comparison

	FLSD	Primary Peer Avg.
Students Educated ¹	1,515	1,412
Students Educated (Thousands)	1.515	1.412
Total FTEs with Special Education	5.40	4.17
Total Special Education FTEs	0.40	0.18
Total FTEs for Comparison	5.00	3.99

	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Curriculum Specialist	0.00	0.00	0.14	(0.14)	(0.21)
Remedial Specialist	0.00	0.00	0.52	(0.52)	(0.79)
Tutor/Small Group Instructor	3.00	1.98	1.51	0.47	0.71
Other Educational Positions	2.00	1.32	0.65	0.67	1.02
Totals for Comparison	5.00	3.30	2.82	0.48	0.73

Source: FLSD, ODE, and primary peers

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

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 Represents the number of FTEs that, when added or subtracted, would bring the District’s number of other educational support staffing FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 11**, total other educational support staffing was 0.73 FTEs higher than the peer average.

Financial Implication: Eliminating 0.5 FTE other educational support positions could save approximately **\$28,500** in salaries and benefits, annually. This was calculated using the lowest other educational support staff salaries and an average benefits ratio of 30.5 percent.¹¹ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹¹ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.6 Eliminate 16.0 FTE general education teacher positions

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

Table 12 shows FLSD’s general education teacher staffing compared to both the primary peer average and State minimum requirements based on the District’s FY 2016-17 students to teacher ratio. It is important to compare staffing to both the primary peer average and State minimum requirements to provide a more accurate picture of both relative staffing efficiency and options for the District to evaluate based on the projected deficit financial condition (see **Background**).

Table 12: General Education Staffing Comparison

General Education FTEs						74.14
Regular Student Population						1,299.04
Staffing Ratio (Students:Teachers)						17.5:1
	Staffing Ratio by Option (Students :Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction	Annual Savings	
Option 1: Primary Peer Average	18.3:1	71.0	3.14	3.0	\$185,700	
Option 2: 10% Above State Minimum	22.5:1	57.7	16.4	16.0	\$910,869	
Option 3: State Minimum	25.0:1	52.0	22.1	22.0	\$1,304,312	

Source: FLSD, ODE, OAC, and primary peers

As shown in **Table 12**, the District's general education teacher staffing ratio was above the primary peer average and significantly below the State minimum requirement. The selection of one of the options presented above is ultimately District management's responsibility based on the needs and desires of the stakeholders in the community. All staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Prior to making any reductions, the District should review staffing in all areas to determine appropriate service levels based on programmatic needs and responsibilities. Although not a common practice in Ohio, the option to reduce general education staffing to State minimum teacher levels may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this performance audit.

Financial Implication: Eliminating 16.0 FTE general education teachers could save approximately **\$910,800** in salaries and benefits, annually. This savings was calculated using the lowest full-time general education teacher salaries and an average benefits ratio of 30.5 percent.¹² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹² Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.7 Eliminate 0.5 FTE educational service personnel position

Educational service personnel (ESP) teacher positions include K-8 art, music, and physical education teachers. In FY 2016-17, the District employed 6.4 FTE ESP teachers, which included 1.0 FTE art teacher, 3.4 FTE music teachers, and 2.0 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 13 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 13: Educational Service Personnel (ESP) Staffing Comparison

	FLSD	Primary Peer Avg.			
Students Educated ¹	1,515	1,412			
Students Educated (thousands)	1.515	1.412			
Total FTEs for Comparison	6.42	3.75			
	FTEs	FTE Per 1,000 Students	Peer FTE Per 1,000 Students	Difference Per 1,000 Students	Total Above/ (Below) ²
Art Education K-8	1.00	0.66	1.12	(0.46)	(0.70)
Music Education K-8	3.42	2.26	1.68	0.58	0.87
Physical Education K-8	2.00	1.32	0.95	0.37	0.56
Totals for Comparison	6.42	4.24	3.75	0.49	0.74

Source: FLSD, ODE, and primary peers

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

As shown in **Table 13**, FLSD total ESP staffing was 0.74 FTEs higher than the primary peer average.

Financial Implication: Eliminating 0.5 FTE ESP teaching position could save approximately **\$21,300** in salaries and benefits, annually. This was calculated using the lowest ESP salaries and an average benefits ratio of 30.5.¹³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

¹³ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.8 Eliminate 2.0 FTE professional positions

Professional staff includes library staff, counseling and social workers, nurses, psychologists and therapists, and other professional positions. **Table 14** shows the District’s FY 2016-17 professional staffing per 1,000 students compared to the primary peer average for FY 2015-16. Comparing professional staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 14: Professional Staffing Comparison

	FLSD	Primary Peer Avg.			
Students Educated ¹	1,515	1,412			
Students Educated (Thousands)	1.515	1.412			
Total FTEs with Special Education	13.98	10.70			
Total Special Education FTEs	2.00	1.80			
Total FTEs for Comparison	11.98	8.90			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Library Staff (Librarians & Aides)	4.18	2.76	1.85	0.91	1.38
Counseling & Social Workers	6.80	4.49	2.04	2.45	3.71
Nursing (Registered & Practical)	0.00	0.00	0.62	(0.62)	(0.94)
Psychologists & Therapists	0.00	0.00	1.11	(1.11)	(1.68)
Other Professional Positions	1.00	0.66	0.68	(0.2)	(0.3)
Totals for Comparison	11.98	7.91	6.30	1.61	2.44

Source: FLSD, ODE, and primary peers

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

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 Represents the number of FTEs that, when added or subtracted, would bring the District’s number of professional staffing FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 14**, the District’s total professional staffing level was 2.4 FTEs above the primary peer average.

Financial Implication: Eliminating 2.0 FTE professional positions could save approximately **\$113,600** in salaries and benefits, annually. This was calculated using the lowest professional staff salaries and an average benefits ratio of 30.5.¹⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

¹⁴ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.9 Eliminate 1.0 FTE non-certificated support staffing positions

Non-certificated classroom support staff includes teaching aides, paraprofessional instructors, monitors, and attendants. **Table 15** compares FLSD’s FY 2016-17 non-certificated classroom support staffing per 1,000 students to the primary peer average for FY 2015-16. Comparing non-certificated support staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 15: Non-Certificated Support Staffing Comparison

	FLSD	Primary Peer Avg.			
Students Educated ¹	1,515	1,412			
Students Educated (Thousands)	1.515	1.412			
Total FTEs with Special Education	36.36	20.74			
Total Special Education FTEs	15.54	2.41			
Total FTEs for Comparison	20.82	18.33			
	Total FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Teaching Aides	16.76	11.06	8.26	2.80	4.24
Instructional Paraprofessionals	0.00	0.00	0.74	(0.74)	(1.12)
Monitors	4.06	2.68	1.57	1.11	1.68
Attendants	0.00	0.00	2.41	(2.41)	(3.65)
Totals for Comparison	20.82	13.74	12.98	0.76	1.15

Source: FLSD, ODE, and primary peers

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

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 Represents the number of FTEs that, when added or subtracted, would bring the District’s number of non-certificated support staffing FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 15**, total non-certificated support staffing was 1.15 FTEs higher than the peer average.

Financial Implication: Eliminating 1.0 FTE non-certificated support staff positions could save approximately **\$22,200** annually in salaries and benefits. This was calculated using the lowest non-certificated support staff salaries and an average benefits ratio of 30.5.¹⁵ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

¹⁵ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.10 Renegotiate collective bargaining agreement provisions

The District has collective bargaining agreements (CBAs) with the Finneytown Education Association (certificated CBA), effective through July 31, 2017, and the Finneytown Association of Support Personnel (classified CBA), effective through June 30, 2017. During the course of the audit, the District began the process of negotiating new certificated and classified CBAs. An analysis of the current CBAs identified certain provisions that exceeded State minimum standards as set forth in the ORC and/or provisions in the local peer district contracts.

Provisions with Long-term Impact

- **Sick Leave Accumulation and Severance Payout:** Under the certificated and classified CBAs, employees are entitled to accumulate up to 230 days of unused sick leave. In comparison, the local peers' certificated employees are entitled to an average maximum sick leave accumulation of 248 days and the classified employees are entitled to an average of 247.5 days.¹⁶ While the District's sick leave accumulation allowances are lower than the local peer averages for both certificated and classified employees, they are higher than what is required by State law. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. Providing accumulation in excess of State minimum levels represents the potential for increased financial liability when sick leave is paid out to retiring employees. FLSD's certificated employees are entitled to maximum severance payouts of 60 days and classified employees are entitled to 48 days, which are lower than the local peer averages but higher than the ORC minimum requirement. On average, local peer district severance payouts are 68.5 days for certificated employees and 63.3 days for classified employees, while school employees are entitled to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement under ORC § 124.39. Severance payout entitlements in excess of State minimums become costly at employee retirement (see **Table B-7** in **Appendix B**).
- **Vacation Accrual:** Under the classified CBA, employees are entitled to annual vacation accrual whereby they earn 490 vacation days over the course of a 30-year career. Although this is lower than the local peer average of 542 days, it exceeds the ORC § 3319.084 minimum of 460 days. Providing employees with more vacation days could increase substitute and overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, their reduction would increase the number of available work hours at no additional cost to the District.

¹⁶ This average does not include Winton Woods CSD, which allows unlimited sick leave accumulation for classified employees.

Provisions with Immediate Impact

- **Personal Days:** Under the certificated CBA, employees are entitled to up to four days of personal leave annually. In comparison, the local peers' certificated employees are entitled to an average of three personal days annually conforming with ORC § 3319.142 that mandates non-teaching employees receive at minimum three days of personal leave with no related provision for certificated employees. Providing employees with more personal days could increase substitute costs and the actual usage of leave is analyzed further in **R.11**.
- **Tuition Reimbursement:** Under the certificated CBA, employees are entitled to be reimbursed up to the rate of \$200 per semester hour and/or \$120 per quarter hour for graduate work completed with a grade of "B" or better for a maximum of nine semester hours or 15 quarter hours per year (\$1,800 maximum). In comparison, those local peer districts that specify maximum reimbursement levels had an average maximum of \$1,418.¹⁷ Furthermore, the ORC does not require school districts to reimburse tuition.

Financial Implication: Eliminating tuition reimbursements could save the District approximately **\$3,800** annually based on FY 2013-14 through FY 2015-16 actual reimbursements.

R.11 Bring leave usage in line with employee medians

Under the certificated and classified CBAs, employees are entitled to sick, personal, professional, assault, childcare, sabbatical, military, exchange teaching, and unpaid leave. In addition, classified employees are entitled to vacation leave at various increments based on longevity with the District. As previously noted, FLSD's employees accrue more days off under these leave provisions than ORC requirements (see **R.10**). However, it is important to also examine the level of actual leave taken as this may impact the District's need to pay substitutes or disrupt day-to-day operations in order to deal with the loss of staff and productivity.

According to *Roll Call: The Importance of Teacher Attendance* (National Council on Teacher Quality¹⁸ (NCTQ), 2014),¹⁹ school district attendance could be defined in one of the following ways, depending on length of absences in days:²⁰

- Excellent attendance (2.4 or fewer days absent);
- Moderate attendance (between 2.5 and 8.4 days absent);
- Frequently absent (between 8.5 and 14.4 days absent); and

¹⁷ Local peer district tuition reimbursement rates are as follows: Lockland CSD \$1,080; North College Hill CSD \$675; and Reading Community CSD \$1,500. Mount Healthy CSD, Winton Woods CSD, and Wyoming CSD do not offer tuition reimbursement.

¹⁸ The NCTQ is funded by foundations and private donors and focuses on the changes that state governments, teacher preparation programs, school districts, and/or teachers unions must make "to return the teaching profession to strong health, delivering to every child the education needed to ensure a bright and successful future."

¹⁹ This study uses FY 2012-13 school district data for 40 of the country's largest metropolitan areas. Ohio school districts included in the study are the Cincinnati City School District, the Cleveland Metropolitan School District, and the Columbus City School District.

²⁰ For this analysis, absences are defined as sick and personal leave days taken. As a result, the NCTQ classifications were adjusted to include only these leave types. Also, long-term leave for life events such as serious illness and maternity/paternity leave are not included.

- Chronically absent (14.5 or more days absent).²¹

Table 16 shows how FLSD employees fall into each of the above classifications using FY 2015-16 leave data.²² This analysis provides a high-level indication of leave usage across bargaining units.

Table 16: Employee Leave Use by Category ¹

	Certificated Employees	% of Certificated Employees	Classified Employees	% of Classified Employees
Excellent	23	18.0%	24	24.0%
Moderate	56	43.8%	30	30.0%
Frequently	32	25.0%	25	25.0%
Chronic	17	13.3%	21	21.0%
Total	128	100.0%	101	100.0%

Source: FLSD and NCTQ

¹ Leave use includes sick and personal leave and does not include vacation leave for classified employees or long-term illness and maternity/paternity leave.

As shown in **Table 16**, a majority of FLSD’s employees were in the moderate and below attendance groups. Despite classified employees having a higher proportion of individuals with excellent attendance than the certificated employees, the classified staff also had more employees in the chronically absent group. Wide variation in absences across similar employment categories may be indicative of leave abuse or excessive absenteeism.

Table 17 shows the median days absent for certificated and classified employees, the number of employees exceeding the respective medians, total leave days over the median and the average days per employee that would need to be reduced in order to bring all employees in line for FY 2015-16. This analysis shows the impact (measured in days) that excessive leave use has on the District.

Table 17: FLSD Median Days Absent by CBA

	Certificated Employees	Classified Employees
Median Days Absent per Employee	6.55	6.80
Number of Employees Over Median Leave Usage	64.00	50.00
Total Leave Days over Median	778.70	791.90
Days Over Median Per Employee	12.17	15.84
Difference from Median	5.62	9.04
Total Days to Reduce	359.68	452.00

Source: FLSD

As shown in **Table 17**, certificated employees, with leave usage over the certificated median, were absent an extra 5.62 days per employee or a total of more than 359 days. Similarly, classified employees, with leave use over the classified median, were absent an extra 9.04 days per employee or a total of 452 days.

²² Leave use includes sick and personal leave and does not include vacation leave for classified employees or long-term illness and maternity/paternity leave.

Responding to Employee Absenteeism (Britton Smith Peters & Kalail Co., L.P.A., 2014) provides strategies for school districts to handle their attendance. Among the strategies the report suggests is an attendance audit to understand and assess the nature and extent of the problem by identifying:

- What are the financial costs associated with employee absenteeism?
- Are there differing rates of absenteeism within the employee ranks?
- Does absenteeism have a pattern- by individuals, groups, or school building?
- What expectations have developed through district practices concerning absenteeism?
- How does the language of the collective bargaining agreements contribute to the problem?
- How does absenteeism impact student achievement and conduct?
- Do administrators and other supervisors reference absenteeism in employee performance evaluations?

Performing an attendance audit would help enable FLSD to identify weaknesses in its leave policy and/or enforcement while ensuring the development of proactive steps that could be taken to eliminate problem areas by identifying patterns in leave use that may be detrimental to the mission of the District. The report also recommends the following best practices if the District identifies problem areas in its leave use:

- Prepare to make needed language changes in the CBAs;
- Effectively repudiate and end any unacceptable binding “past practices”;
- Diligently pursue the illegitimate use of leave;
- Make attendance a factor in employee performance evaluations; and
- Prompt intervention when excessive absenteeism is demonstrated.

Taking the above steps can have a positive impact on the District’s attendance, leading to reductions in cost associated with the use of substitutes. The majority of the certificated staff is entitled to a substitute in the event of an absence, at a cost of \$85 per day. In contrast, most classified staff absences are covered through overtime or not covered at all. The bus driver position, however, is covered by substitutes at a rate of \$13.69 an hour.

Financial Implication: Decreasing certificated and classified employee absences to the FLSD employee medians could save the District approximately **\$35,500** in substitute costs, based on FY 2015-16 data.

R.12 Eliminate 1.0 FTE maintenance position

FLSD employs 4.0 FTE maintenance personnel. These personnel perform maintenance and upkeep of all District buildings, including the three schools. Included in their job duties are snow and ice control, HVAC, electrical, plumbing, and other skilled craft work.

Table 18 shows the District’s FY 2016-17 maintenance staffing compared to an industry benchmark established by American School and University (AS&U).²³ It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 18: Maintenance Staffing Comparison

Maintenance FTEs	4.0
Square Footage Maintained	279,482
Square Footage Maintained per Maintenance FTE	69,871
AS&U Benchmark - Square Footage per FTE	94,872
Difference	(25,001)
Benchmarked Staffing Need	2.9
Maintenance FTEs Above/(Below) Benchmark	1.1

Source: FLSD and AS&U

As shown in **Table 18**, FLSD maintenance personnel cover 25,001, or 26.4 percent, fewer square feet per FTE compared to the AS&U benchmark. In order to achieve a staffing level that approaches the benchmark, the District would have to reduce 1.1 FTEs.

Financial Implication: Eliminating 1.0 FTE maintenance position could save the District approximately **\$48,900** in salaries and benefits, annually. This was calculated by taking the lowest FTE maintenance salary with a benefits ratio of 30.5 percent applied.²⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.13 Eliminate 0.5 FTE grounds keeper staffing position

During the course of the audit FLSD accepted the resignation of 1.0 FTE grounds keeper. The District does not plan to replace this position for FY 2017-18.

FLSD employs 2.0 FTE grounds keepers to maintain its 54.2 acres of land. **Table 19** shows the District’s FY 2016-17 grounds keeping staffing compared to an industry benchmark established by the AS&U. It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 19: Grounds Staffing Comparison

Grounds FTEs	2.0
Acreage Maintained	56.2
Acreage Maintained per Grounds FTE	28.1
AS&U Benchmark - Acres per FTE	40.2
Difference	(12.1)
Benchmarked Staffing Need	1.4
Grounds FTEs Above/(Below) Benchmark	0.6

Source: FLSD and AS&U

²³ AS&U, a trade organization focusing on school facility management, publishes school facility management related survey data collected during 2005 to 2009.

²⁴ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

As shown in **Table 19**, FLSD grounds keepers cover 12.1, or 30.1 percent, fewer acres per FTE compared to the AS&U benchmark. In order to achieve a staffing level that approaches the benchmark, the District would have to reduce 0.6 FTEs.

Financial Implication: Reducing 0.5 FTE grounds keeper position could save the District approximately **\$20,400** in salaries and benefits, annually.²⁵ This was calculated by taking the lowest FTE grounds keeper position salary with a benefits ratio of 30.5 percent applied.²⁶ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.14 Improve the facilities preventive maintenance program

The District has an informal preventive maintenance plan, which is limited in nature. Under the plan, maintenance personnel perform work on an ad hoc basis using institutional knowledge, as opposed to a formal schedule, recurring work orders, or from a manual. As a result, maintenance work is normally done in conjunction with mandated inspections on elevators and HVAC as opposed to stated manufacturer specifics. While the District has a work order system, it is not used for scheduling preventive maintenance for its boilers or HVAC system.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003), a comprehensive facility maintenance plan is a school district's foremost tool for protecting its investment in school facilities. An effective preventive maintenance plan begins with an audit of the buildings, grounds, and equipment. Once facilities data has been assembled, structural items and pieces of equipment can be selected for preventive maintenance. Upon accomplishing the audit, planners must decide on the frequency and type of inspections. After assembling this information, it must be formatted so that preventive maintenance tasks can be scheduled easily. Ideally, scheduling should be handled by a computerized maintenance management program; however, tasks can be efficiently managed using a manual system as well.

The District should improve its preventive maintenance program. The current plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing a more formal and effective preventive maintenance plan based on manuals and regularly scheduled maintenance would help to ensure that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

²⁵ The 1.0 FTE grounds keeping employee that resigned received \$45,222 in salaries and benefits in FY 2016-17. Therefore, \$24,822 is included in the District cost savings actions in **Table 4**.

²⁶ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees' retirement/insurance benefits expenditures.

R.15 Develop formal policies and procedures for compiling transportation data

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 is used to report information on students, buses, and miles and the T-2 Form is used to report expenses incurred for the transportation of eligible students to and from school. ODE uses the data submitted on the T-1 and T-2 forms to calculate transportation funding.

In order to submit the requisite data to ODE, FLSD bus drivers collect daily ridership and mileage on a manual form and submit it to the business manager for input into the T-1 Form while the Treasurer compiles the expenditure data needed for the T-2 Form.²⁷ After approval by the Treasurer and Superintendent, the information is submitted to ODE where it is approved and published as the T-1 and T-2 reports.

The District's T-1 Report for FY 2016-17 and the rider count sheets from the same time period were reconciled for consistency and accuracy with the count sheets and final report matching within a 0.5 percent variance in total ridership. Although no errors were found in the T-2 Form, numerous errors with regards to filling out the T-1 Form in relation to ODE instructions were identified. For example, *T-1 Report Instructions* (ODE, 2016) require school districts to track mileage for a five day period and report the average mileage over that period. FLSD only tracked mileage for one day during the count period and reported that number to ODE. In addition, four out of 13 assigned buses (30.8 percent) did not record riders for every day of the count period, potentially leading to an inaccurate rider count. ODE requires the tracking of ridership for each day of the count period, with the average to be reported on the T-1 Report.

The errors identified within the T-1 Form are likely due to a lack of supervision and guidance within the transportation function. The former business manager was not formally trained to manage the transportation function; resulting in a lack of knowledge of the T-Form data collection and input. This lack of suitable supervision led to the drivers not being properly trained on filling out the T-1 Forms. This systematic lack of training could lead to errors that would not be caught due to improper oversight over the T-1 process.

The District should develop formal policies and procedures for acquiring and compiling T-Form data. Developing and implementing formal procedures would help ensure accuracy when compiling and submitting rider count sheets for the T-1 Form. In addition, a formal policy to properly maintain the required supporting documentation would further enhance accuracy. The types of errors identified above indicate that there are deficiencies in the data collection and review process used by the District. Failure to accurately report this information could result in incorrect calculations of State pupil transportation payments to the District. Additionally, formal and comprehensive standard operating procedures will help to facilitate cross-training and continued service delivery in the absence of employees with extensive institutional knowledge.

²⁷ The position of the business manager is currently vacant. As a result, the Superintendent performs the supervisory function for the transportation department.

R.16 Right-size the active bus fleet

In FY 2016-17, FLSD transported 647 students using 13 active buses. In an attempt to maximize the utilization of its buses, the District employs a double-tier routing²⁸ system, staggered bell schedules, and uses routing software. In addition, transportation is not provided to high school students.

Routes are updated at the beginning of the year for all eligible students using routing software that the District shares with the Winton Woods City School District (WWCSD). FLSD does not have employees trained on the routing software, instead relying on WWCSD to perform the routing. During the school year, bus drivers modify their route sheets to acknowledge students who do not regularly ride public school transportation. These updates, however, are handwritten and are not imported into the routing software. As a result, no updates are performed during the school year.

Hidden Savings in Your Bus Budget (American Association of School Administrators (AASA), September 2006) considers a bus at full capacity when using 80 percent of its manufacturer's rated capacity. **Table 20** shows FLSD's average route capacity, by bus, for FY 2016-17 in comparison to this benchmark. Comparisons to benchmarks can help determine the appropriate number of active buses relative to ridership population.

Table 20: Bus Utilization Comparison - Current Ridership

Total Number of Active Buses ¹	9.0
Number of Riders per Route to Meet Benchmark	53.3
Actual Riders per Route	31.7
Difference per Route	21.6
Number of Routes Needed for Benchmark Capacity	10.7
Actual Routes	18.0
Difference	(7.3)
Buses Needed to Achieve Benchmark ²	
	5.3
Buses Over/(Under) Benchmark	3.7

Source: FLSD and AASA

¹ Active buses is the number of buses primarily transporting regular education public students to FLSD buildings.

² Capacity is based on the manufacturer rated capacities of three students per seat and adjusted for middle and high school students (i.e., two riders per seat).

As shown in **Table 20**, the District's current utilization rate is well below the AASA benchmark. Accordingly, it could achieve the benchmark utilization rate by eliminating three buses from its active fleet, assuming current ridership levels.

Additional analysis was completed to determine utilization per tier and per bus route to identify any particular drivers of the lower average overall utilization. This analysis found that elementary and middle school average capacities were similar, both having low average

²⁸ Under a double-tiered routing system, buses make two morning runs and two afternoon runs. At FLSD, each bus either transports 7th and 8th grade students to the secondary campus before transporting students to one of the elementary schools or does two elementary school routes.

utilization rates of 46.5 percent and 52.6 percent, respectively. In addition, the examination of routes found that the average utilization of every route was significantly below the 80 percent AASA benchmark. Specifically, average route utilizations ranged from 27.8 percent to 65.3 percent.

In *Pupil Transportation Efficiency Target* (ODE 2009), ODE states that transportation efficiency ratings take into account factors including regular student population, number of buses, and the size of the district. An efficiency rating of 1.0 is considered on par with similar districts; an efficiency rating above 1.0 is considered good; and an efficiency rating less than 1.0 means there could be an opportunity for improvement. By right-sizing its bus fleet in relation to ridership, FLSD has the opportunity to improve its efficiency rating.

Table 21 compares FLSD’s FY 2015-16 transportation efficiency to the transportation peer average before and after adjusting for the reduction of three buses to right-size its fleet. It is important to examine routing efficiency because improving this ratio would ultimately result in a reduction of transportation costs while maintaining the same level of service.

Table 21: Adjusted Ridership Ratio Comparison

Current FLSD Ratio	Adjusted FLSD Ratio	Transportation Peer Average Ratio	Difference
0.68	0.83	0.84	(0.01)

Source: FLSD and ODE

As shown in **Table 21**, right-sizing its fleet would bring FLSD’s ridership ratio in line with the transportation peer average ratio. While still providing room for improvement, the reduction of three buses would bring the District’s efficiency ratio closer to the statewide average of 1.0.

Table 22 shows the annual savings achievable based upon the reduction of three buses using FY 2015-16 expenditure data.

Table 22: Bus Reduction Cost Savings

Number of Buses to be Reduced	3
Sum of Lowest Drivers’ Salaries	\$18,093
Retirement	\$22,981
Worker’s Compensation	\$717
Employee Insurance	\$14,131
Bus Insurance	\$3,078
Total Annual Savings	\$59,000

Source: FLSD

Financial Implication: Reducing three active buses could save approximately **\$59,000** based on FY 2015-16 operating data. Furthermore, the District could generate **\$5,200** in one-time revenue from the sale of the reduced buses based on Ohio Schools Council 2012 bus auction sales data.

R.17 Explore alternative bus maintenance service

FLSD outsourced its bus maintenance program beginning in April 2015 due to personnel issues. FLSD shifted from maintaining buses using an in-house mechanic to going through a third-party vendor that provides maintenance on-site at FLSD’s facilities at a rate of \$55 per hour for up to 12 hours, as well as off-site maintenance at a rate of \$65 per hour. Additionally, the District is charged a 10.0 percent markup on parts purchased by the third-party vendor. In contrast, no service charge is levied for parts the District purchases on its own or for those parts the third-party vendor purchases through FLSD’s parts supplier.

Table 23 shows a comparison between the District’s FY 2015-16 labor charges from its current vendor to the estimated cost of two alternatives for the same level of service: employing a mechanic in-house and sharing maintenance and repair service with Winton Woods City School District (WWCSD).²⁹ This analysis provides an indication of the cost effectiveness of the District’s third-party vendor maintenance compared to two possible alternatives.

Table 23: Maintenance Labor Cost Comparison

Current State (Vendor)		Hours	Rate	Total	
On-site Maintenance		502.0	\$55.00	\$27,610.00	
Offsite Maintenance		331.0	\$65.00	\$21,515.00	
Total Maintenance Hours and Cost		833.0	N/A	\$49,125.00	
Weighted Average Hourly Rate				\$58.97	
	Current State (Vendor)	In-House	WWCSD	Alternative Average	Difference
Total Hours Charged	833.03	833.03	833.03	833.03	N/A
Hourly Rate	\$58.97	\$36.38	\$36.83	\$36.61	\$22.37
Estimated Labor Charges	\$49,126.89	\$30,305.63	\$30,680.49	\$30,493.06	\$18,633.83

Source: FLSD and WWCSD

Note: The current state hourly rate is represented by the weighted average of on-site and off-site vendor labor used and the in-house rate is estimated using the highest step of the mechanic’s step schedule contained in the classified CBA, with an added benefit ratio of 30.5 percent.

As shown in **Table 23**, FLSD paid significantly more in labor than it would have if it kept its maintenance service in-house or explored a shared service agreement. Specifically, it paid, on average, \$18,634 more for maintenance labor through its contractor than the alternatives.

In addition to labor charges, parts purchasing was also analyzed to determine possible cost savings for FLSD if all required parts were purchased directly by the District. Based on FY 2015-16, total parts purchased by the third-party vendor amounted to \$12,394. With the 10 percent markup levied, this resulted in an additional expense of \$1,239 that could have been avoided had FLSD directly purchased the parts through its parts supplier.

²⁹ FLSD has a shared service agreement in place with WWCSD that includes quotes for maintenance and repair services, however, the District has not utilized the agreement.

Financial Implication: Reducing bus maintenance labor costs could save approximately **\$18,600** and purchasing all parts in-house could save **\$1,200** annually based on FY 2015-16 expenditure data.

R.18 Develop a data driven bus replacement plan

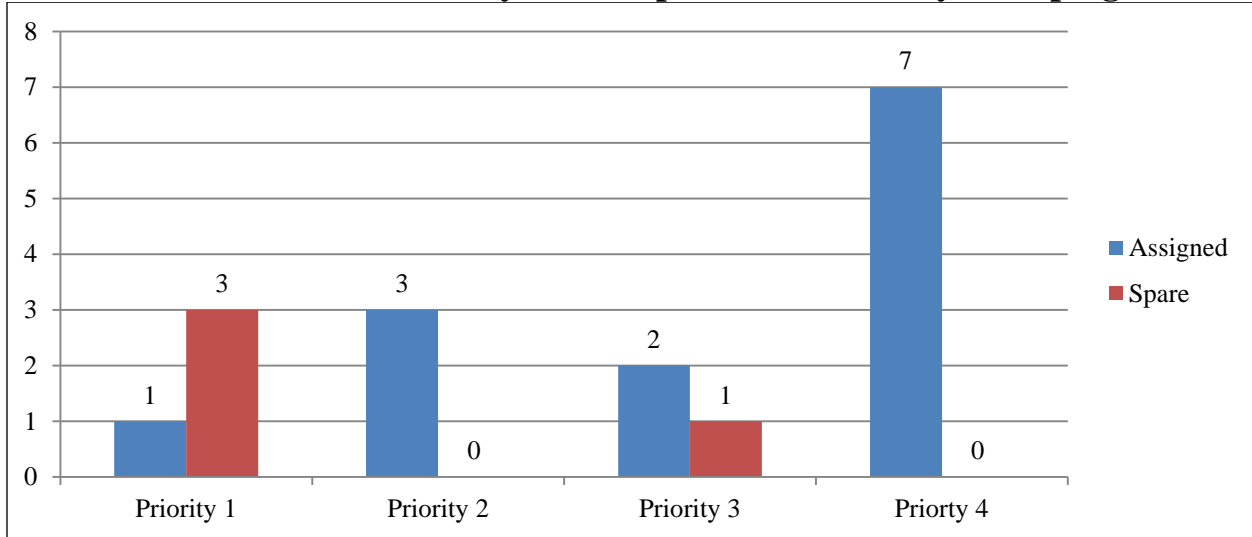
FLSD does not have a formal, data driven bus replacement plan. Historically, buses have been replaced when the mechanic recommends replacement as opposed to repair. In total, the District has purchased seven new buses from FY 2013-14 through FY 2015-16 without the guidance of a standard, data driven process. It is important to note that FLSD does not have detailed maintenance and operational records on each bus in its fleet, preventing the development of a data driven replacement plan. The maintenance vendor does maintain records; however, these only go back to 2015, so the full operational cost of the fleet during its lifetime could not be calculated.

Clean School Bus (US Environmental Protection Agency (EPA), 2012) outlines guidelines regarding the replacement of school buses. Accordingly, fleets should be assessed for age and condition to determine which buses need to be replaced first. Compiling this information in advance allows districts to plan for future expenditures and to be prepared when funds become available. In addition, the EPA categorizes buses into four priority groups based on model year, with groups in Priority One being most in need of immediate replacement and Priority Four being least in need of being replaced.³⁰ Due to advanced age, buses in priority one grouping often have increasing maintenance concerns, decreased fuel economy benefits, and less stringent safety equipment, making replacement a higher priority.

³⁰ In 2012, *Clean School Bus* classified buses by model year in the following priority groups: Priority One: pre-1998 model years; Priority Two: model years 1998 through 2003; Priority Three: model years 2004 through 2006; and Priority Four: model years 2007 and newer. For this analysis, the groupings were updated to the following priority groupings: Priority One: pre-2003 model years; Priority Two: model years 2003 through 2009; Priority Three: model years 2009 through 2011; Priority Four: model years 2012 and newer.

Chart 1 shows the District’s FY 2016-17 fleet classified by the four EPA priority groupings. This provides a high level indication of the extent of the District’s fleet replacement needs relative to industry guidelines.

Chart 1: FLSD Fleet by EPA Replacement Priority Grouping



Source: FLSD and EPA

As shown in **Chart 1**, seven buses, or 41.2 percent, of the District’s fleet falls in the lowest priority group (Priority Four) while 58.8 percent of the District’s buses will near replacement age in the near-term, assuming no change in fleet size. A fleet replacement plan could help the District gain visibility into the costs of the fleet in priority groupings and in determining future reductions and/or replacements, enabling it to meet EPA suggested guidelines.

Fleet Plan Instructions for Self-Managed Agencies (Ohio Department of Administrative Services, 2016) recommends that, in addition to age, mileage and condition should be considered when making decisions about which vehicles should be replaced. To help prioritize which older buses should be removed from its inventory, FLSD should consider the full cost of bus operation, including fuel, parts, labor, and vehicle depreciation. Because expenditures such as fuel, parts, and labor are not tracked on a consistent basis by the District over the vehicle’s lifetime, such an analysis would be incomplete.

The District should develop a system to track pertinent costs in order to make a data driven decision regarding its fleet replacement strategies. Doing so will allow the District to develop a formal fleet replacement and cycling strategy that would assist in properly budgeting for bus replacement in the future.

R.19 Make additional reductions to address the remaining deficit

Even after implementing all preceding recommendations, and independent of FLSD's approved staffing changes, the District is still projecting a cumulative forecast deficit of approximately \$1.7 million, or \$440,600 annually.³¹

To address the remaining gap, the District will need to consider additional cost savings measures; including those that would bring staffing levels below peer average ratios. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

The following three options represent choices that the District could make to address the remaining \$1.7 million deficit over the forecast period. Either of the following options, or a combination of the three, would be sufficient to eliminate the deficit.

- **Eliminate 5.0 FTE education service personnel (ESP) positions:** The power to define the desired level of ESP staff that was once prescribed by OAC 3301-35-05 now lies with the District. This change has eliminated State minimum staffing levels; more commonly referred to as the rule "5 of 8". Districts are now only required to employ education service personnel to enhance the learning opportunities for their students. Although FLSD currently has a staffing level only 0.74 ESP FTE higher than the primary peer average (see **R.7**), based on the District's remaining deficit, eliminating an additional 5.0 FTE ESP positions could save approximately **\$452,400** in salaries and benefits annually. This was calculated by taking the five lowest ESP salaries with a benefits ratio of 30.5 percent applied.³² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-tenured staff.
- **Implement an 9.0 percent across-the-board staff reduction:** While **Table B-1** (see **Appendix B**) shows a high-level view of FLSD's staffing on a per 1,000 student basis as compared to the primary peer average; and **R.3** through **R.9** address the amount of staffing above the peer average, the District could make an additional 9.0 percent across-the-board staffing reduction to generate enough savings to offset the remaining deficit. **Table 24** shows the nature and savings of this staffing reduction for each classification category. This type of analysis is important because it provides the District with the information necessary to evaluate potential staffing reductions and the potential savings associated with each.

³¹ The annual savings need takes into account the assumption that implementation of these cost reductions will take place beginning in FY 2017-18; an approach which is consistent with the District's approved staffing changes.

³² Calculated using the District's actual FY 2015-16 personnel services expenditures divided by the employees' retirement/insurance benefits expenditures.

Table 24: Additional Staffing Reductions

Classification	Revised Total FTEs	9.0% Reduction	Rounded FTEs Reduction	FI Savings
Administrative	9.50	0.86	0.50	\$ 39,150
Office/Clerical	10.43	0.94	0.50	\$ 15,798
Education Service Personnel	5.92	0.53	0.50	\$14,640
General Education Teachers	58.14	5.23	5.00	\$316,623
All Other Teachers	1.00	0.09	0.00	\$0
Other Educational	4.50	0.41	0.00	\$0
Professional	9.98	0.90	0.50	\$28,486
Non-Certificated Support	19.82	1.78	1.50	\$39,453
Operational Positions	12.48	1.12	1.00	\$13,821
Total	131.77	11.86	9.50	\$451,759

Source: FLSD and ODE

As shown in **Table 24**, an across-the-board staffing reduction of 9.0 percent would equal the elimination of an additional 8.5 FTE employees. Based on the District’s remaining deficit, eliminating these positions could save approximately **\$451,759** in salaries and benefits annually. This savings was calculated using the least tenured employees remaining after position reductions identified in **R.3** through **R.9** and not affected by the District’s non-renewal staffing decisions. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher-tenured staff. It is important to note that the elimination of 5.0 FTE general education teachers, in addition to the elimination of 16.0 FTEs recommended in **R.6**, would result in a student to teacher ratio of 24.4:1, just above the State minimum staffing requirement.

Although the following option would not entirely alleviate the deficit, it could provide significant savings, coupling it with a combination of one or both options above could enable the District to avoid operating deficits.

- **Implement freeze on base salaries and step increases for four years:** Although **Table B-6** shows that FLSD’s certificated and classified salary schedules are comparable to the local peer average, the District could generate significant savings through the implementation of a base salary and step increase freeze. **Table 25** shows the impact of a base salary freeze for FY 2017-18 through FY 2020-21 and a step increase freeze for FY 2019-20 through FY 2020-21 on FLSD’s certificated and classified employees.³³

Table 25: Impact of Base and Step Freeze

	Current Forecast			Four-Year Base and Step Freeze			Difference
	Certificated	Classified	Total	Certificated	Classified	Total	
FY 2017-18	\$1,678,982	\$6,814,043	\$8,493,025	\$1,688,106	\$6,700,719	\$8,388,825	\$104,200
FY 2018-19	\$1,716,261	\$7,044,099	\$8,760,361	\$1,700,723	\$6,811,891	\$8,512,614	\$247,746
FY 2019-20	\$1,757,772	\$7,215,016	\$8,972,788	\$1,706,488	\$6,843,155	\$8,549,644	\$423,144
FY 2020-21	\$1,797,071	\$7,443,493	\$9,240,565	\$1,706,406	\$6,843,155	\$8,549,561	\$691,003
Average Annual Savings							\$366,523

Source: FLSD

³³ In April, 2017, certificated staff tentatively agreed to a base salary freeze for FY 2017-18 and FY 2018-19. The analysis assumes that classified employees will agree to the same salary changes.

As shown in **Table 25**, implementing a base salary and step increase freeze for FY 2017-18 through FY 2020-21 could save the District approximately \$366,500 annually or approximately \$2.0 million over the remainder of the forecast period.

Financial Implication: Implementing a base salary and step increase freeze for the remaining forecast period could save approximately \$366,500 annually; eliminating 5.0 FTE ESP positions could save approximately \$452,400 annually in salaries and benefits; or implementing a 9.0 percent across-the-board staffing reduction could save approximately \$451,700 annually in salaries and benefits. The District can choose any of these options or a combination of the three in addressing the remaining savings need of **\$440,600** annually.

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 the Department and the District, OPT identified the following scope areas for detailed review: Financial Systems, Human Resources, Facilities, and Transportation. 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 16 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
Financial Management	
Are budgeting and forecasting practices comparable to leading practices and is the forecast reasonable and supported?	N/A
Is the District’s strategic plan consistent with leading practices?	R.1
Are the District’s financial communication practices consistent with leading practices?	N/A
Are extracurricular activities appropriate to peers and/or the District’s financial condition?	R.2
Are the District’s purchasing practices comparable to leading practices and appropriate based on the District’s financial condition?	N/A
Human Resources	
Are staffing levels efficient compared to primary peers, state minimum requirements, and/or demand for service and are they appropriate based on the District’s financial condition?	R.3, R.4, R.5, R.6, R.7, R.8, and R.9
Are salaries and wages comparable to local peers and appropriate based on the District’s financial condition?	N/A
Are CBA provisions comparable to local peers and/or ORC minimums and appropriate based on the District’s financial condition?	R.10 and R.11
Are insurance costs comparable to local markets and appropriate based on the District’s financial condition?	N/A
Facilities	
Is the custodial and maintenance staffing efficient compared to benchmarks?	R.12 and R.13
Are the facilities expenditures comparable to peers?	N/A
Is the preventive maintenance plan comparable to industry benchmarks?	R.14
Transportation	
Are the District T-Report procedures and practices consistent with ODE requirements?	R.15
Is the fleet size efficient compared to leading practices?	R.16
Is the fleet maintained efficiently?	R.17
Are the bus replacement practices consistent with leading practices?	R.18

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

General Staffing

Table B-1 shows full-time equivalent (FTE) staffing levels per 1,000 students in the District compared to the primary peer average for FY 2016-17. Peer data was reported to ODE through EMIS, and adjustments were made to the District’s EMIS data to reflect accurate staffing levels for FY 2016-17.

Table B-1: Staffing Comparison

	FLSD	Primary Peer Average	Difference
Students Educated ¹	1,515	1,412	103
Students Educated (thousands)	1.515	1.412	0.103

Classification	FTEs	FTE Per 1,000 Students	Peer FTE Per 1,000 Students	Difference Per 1,000 Students	Total Above/ (Below) ²
Administrative	13.00	8.58	7.24	1.34	2.03
Office/Clerical	13.43	8.86	7.69	1.17	1.77
General Education Teachers	74.14	48.94	46.60	2.34	3.56
Education Service Personnel	6.42	4.24	3.75	0.49	0.74
All Other Teachers	19.00	12.54	13.74	(1.19)	(1.80)
Other Educational	5.40	3.56	2.95	0.61	0.92
Professional	13.98	9.23	7.58	1.65	2.50
Non-Certificated Support	36.36	24.01	14.69	9.32	14.12
Operational Positions	19.48	12.86	14.64	(1.78)	(2.70)

Source: FLSD, ODE, and primary peers

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

As shown in **Table B-1**, staffing was higher than the primary peers in administrative, office/clerical, general education teachers, education service personnel, other educational, professional, and non-certificated support classifications. Because staffing was higher in those areas, recommendations were warranted based on the District’s financial condition, and are discussed in greater detail in **R.3, R.4, R.5, R.6, R.7, R.8, and R.9**. Positions whose staffing levels are dictated by individualized education programs (IEPs) or OAC 3301-51-09 were not assessed.

Additional analysis was completed to determine if particular building level staffing was responsible for the higher general education teacher staffing levels. **Table B-2** shows FLSD’s regular education students to teacher ratio on a building level basis. This analysis serves to indicate whether overall teacher staffing is driven by a particular building.

Table B-2: Students to Teacher Ratio by Building

Building	Grade Level Served	Regular Students	Regular Education Teachers	Students:Teachers Ratio
Brent Elementary	Kindergarten-2	268.00	14.00	19.14:1
Whitaker Elementary	3-6	404.50	27.40	15.00:1
Secondary Campus	7-12	626.54	32.74	19.13:1
Total		1,299.04	74.14	17.52:1

Source: FLSD

As shown in **Table B-2**, FLSD maintains a significantly lower students to teacher ratio than the State minimum at all buildings in the District, indicating excess capacity across the District.

Insurance Benefits

The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually. **Table B-3** shows the District’s single and family medical insurance premiums compared to the SERB region, Hamilton County, and statewide medians. Comparing medical premiums to these benchmarks allows for an assessment of the cost effectiveness of the District’s medical insurance plan.

Table B-3: Medical Premium Comparison

	FLSD	SERB Region	County	State
Employee Single	\$75.58	\$75.58	\$75.58	\$73.67
Employer Single	\$428.27	\$458.11	\$440.87	\$510.11
Total Premium	\$503.85	\$541.75	\$503.85	\$592.11
Employee Family	\$187.43	\$208.35	\$196.74	\$199.78
Employer Family	\$1,062.12	\$1,201.57	\$1,124.59	\$1,307.62
Total Premium	\$1,249.55	\$1,424.10	\$1,311.59	\$1,542.60

Source: FLSD and SERB

Note: SERB Region denotes Cincinnati region

As shown in **Table B-3**, the District pays less for medical insurance premiums for both its single and family insurance plans compared to the region and State benchmarks and matches the county benchmark for single plan premiums. Reasons for this lower premium include a less generous plan design, including higher deductibles, co-payments, and out-of-pocket maximums.

Table B-4 shows the District’s dental insurance premiums compared to the SERB region, Hamilton County, and statewide medians.³⁴ Comparing dental premiums to these benchmarks allows for an assessment of the cost effectiveness of the District’s dental insurance plan.

Table B-4: Dental Premium Comparison

	FLSD	SERB Region	County	State
Employee	\$12.14	\$18.55	\$21.34	\$15.34
Employer	\$68.77	\$73.23	\$73.60	\$81.26
Total Premium	\$80.91	\$91.78	\$94.94	\$96.60

Source: FLSD and SERB

As shown in **Table B-4**, the District pays less for its dental plan than the SERB benchmarks.

FLSD does not cover any portion of the employee’s vision insurance premium. **Table B-5** shows the District’s family and single vision insurance premiums compared to the SERB region, Hamilton County, and statewide medians. Comparing vision premiums to these benchmarks allows for an assessment of the cost effectiveness of the District’s vision insurance plan.

Table B-5: Vision Premium Comparison

	FLSD	SERB Region	County	State
Employee Single	\$8.50	\$4.27	\$5.82	\$2.62
Employer Single	\$0.00	\$3.50	\$1.65	\$7.25
Total Premium	\$8.50	\$7.77	\$7.47	\$9.87
Employee Family	\$22.00	\$16.30	\$14.91	\$7.28
Employer Family	\$0.00	\$16.70	\$3.65	\$17.24
Total Premium	\$22.00	\$33.00	\$18.56	\$24.52

Source: FLSD and SERB

As shown in **Table B-5** the District’s vision insurance premiums are in-line with the SERB benchmarks.

³⁴ The District offers only one dental plan for all employees.

Salaries

Table B-6 shows the District’s certificated and classified salary schedules compared to the local peer average over a 30-year career. Comparing career compensation to the local peer average takes into account regional variations in the labor market.

Table B-6: Career Compensation Analysis

Certificated				
	FLSD	Local Peer Average	Difference	% Difference
Bachelors	\$1,773,930	\$1,809,252	(\$35,322)	(2.0%)
Masters	\$2,075,822	\$2,044,439	\$31,383	1.5%
Masters + 30 hours	\$2,199,920	\$2,133,525	\$66,395	3.1%
Classified				
	FLSD	Local Peer Average	Difference	% Difference
Aide ¹	\$360,921	\$337,572	\$23,348	6.9%
Bus Driver ²	\$485,133	\$498,815	(\$13,682)	(2.7%)
Custodian ³	\$925,386	\$981,873	(\$56,488)	(5.8%)
Maintenance ¹	\$1,329,245	\$1,191,164	\$138,081	11.6%
Secretary ¹	\$891,176	\$984,859	(\$93,684)	(9.5%)

Source: FLSD and local peers

Note: Classified compensation is based on average daily hours worked and average annual days worked at FLSD for each classification.

¹ The local peer average includes Lockland CSD, Mount Healthy CSD, and Winton Woods CSD. Other local peers were excluded due to lack of comparable salary schedules for these position types.

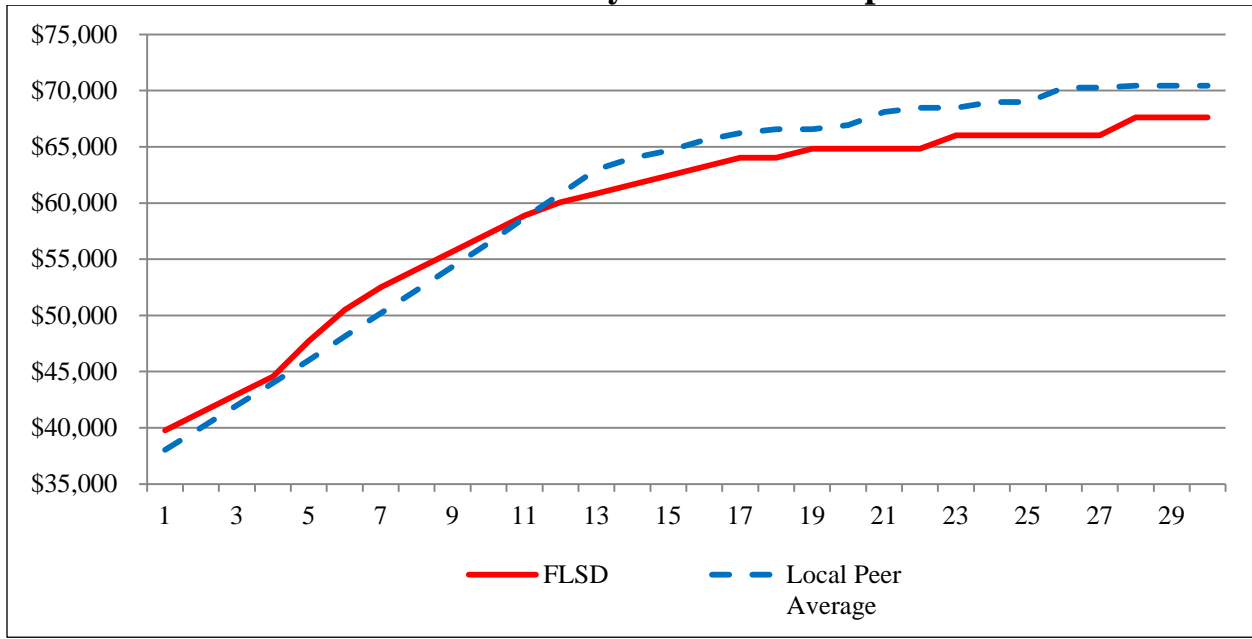
² The local peer average includes only Winton Woods CSD. Other local peers were excluded due to lack of comparable salary schedules for this position type.

³ The local peer average includes Lockland CSD and Winton Woods CSD. Other local peers were excluded due to lack of comparable salary schedules for this position type.

As shown in **Table B-6**, career compensation of the District’s staff with bachelor degrees was 2.0 percent less than the local peer average while those with master’s degrees and master’s plus 30 hours was slightly above. For classified employees, only two position classifications, aides and maintenance staff, are compensated higher when compared to the local peer average. It should be noted that the classified compensation analysis was affected by the large number of school districts in Hamilton County that outsource classified positions, resulting in a low number of schools to include in the local peer average.

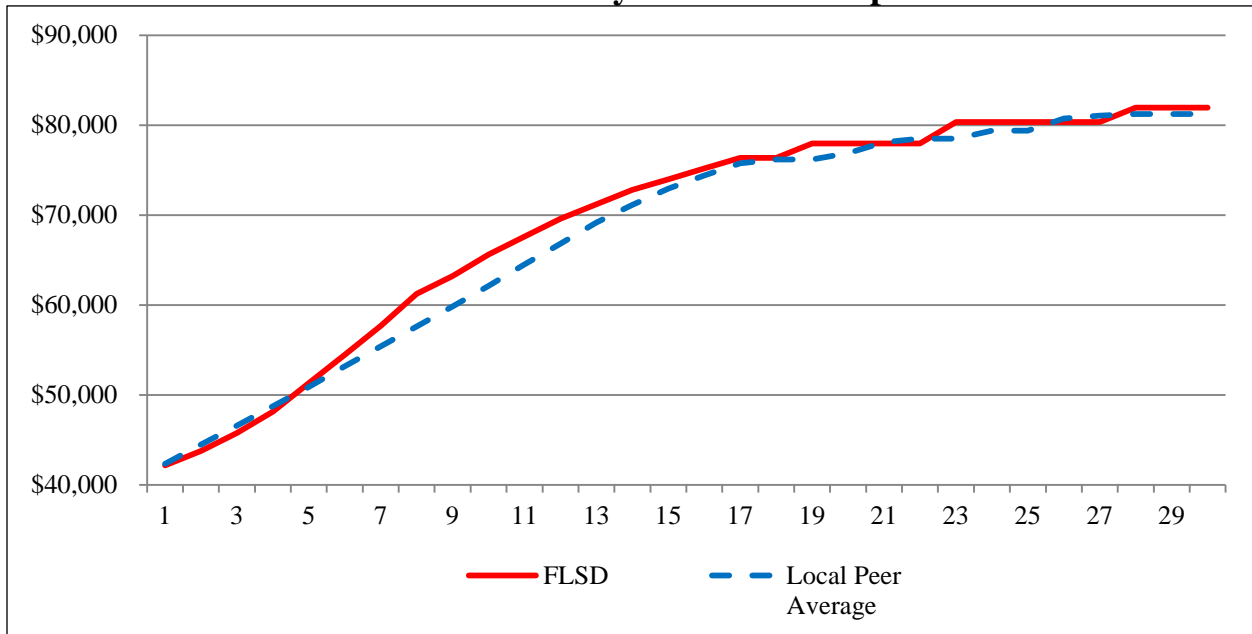
Charts B-1 through B-7 provide additional context to the analysis shown in Table B-6 by showing comparisons of FLSD’s certificated and classified salary schedules to the local peer averages for FY 2014-15. It is important to examine the beginning salaries and steps in the pay schedule to identify the cause of the variation relative to the local peer districts.

Chart B-1: BA Salary Schedule Comparison



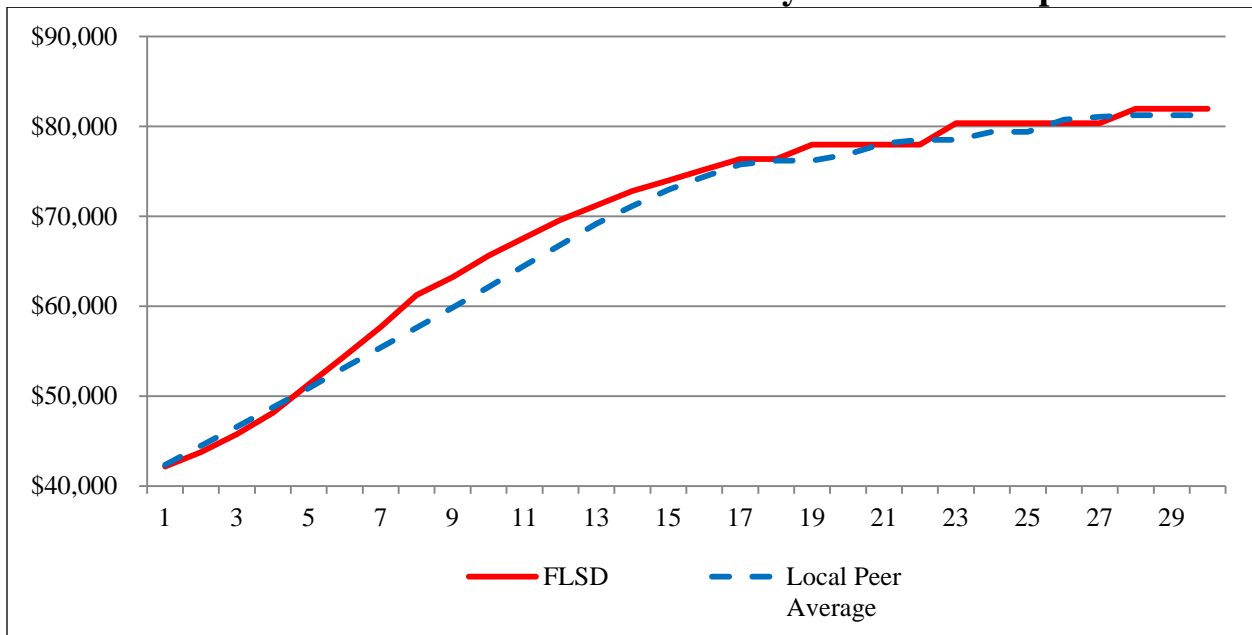
Source: FLSD and local peers

Chart B-2: MA Salary Schedule Comparison



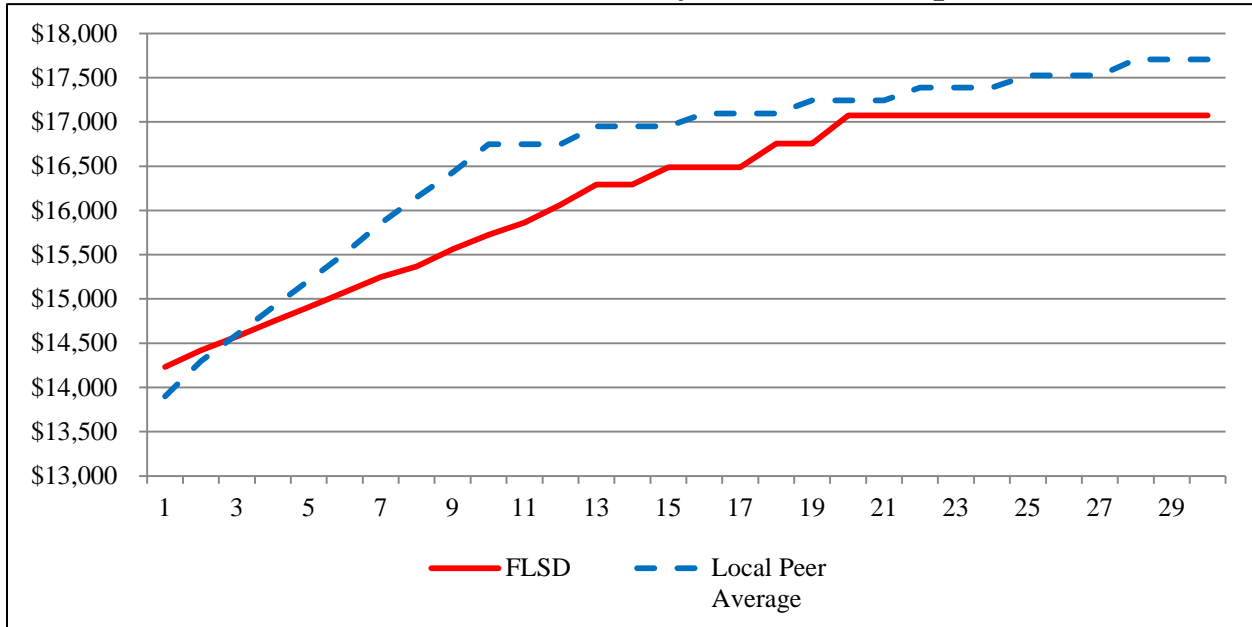
Source: FLSD and local peers

Chart B-3: MA + 30 Semester Hours Salary Schedule Comparison



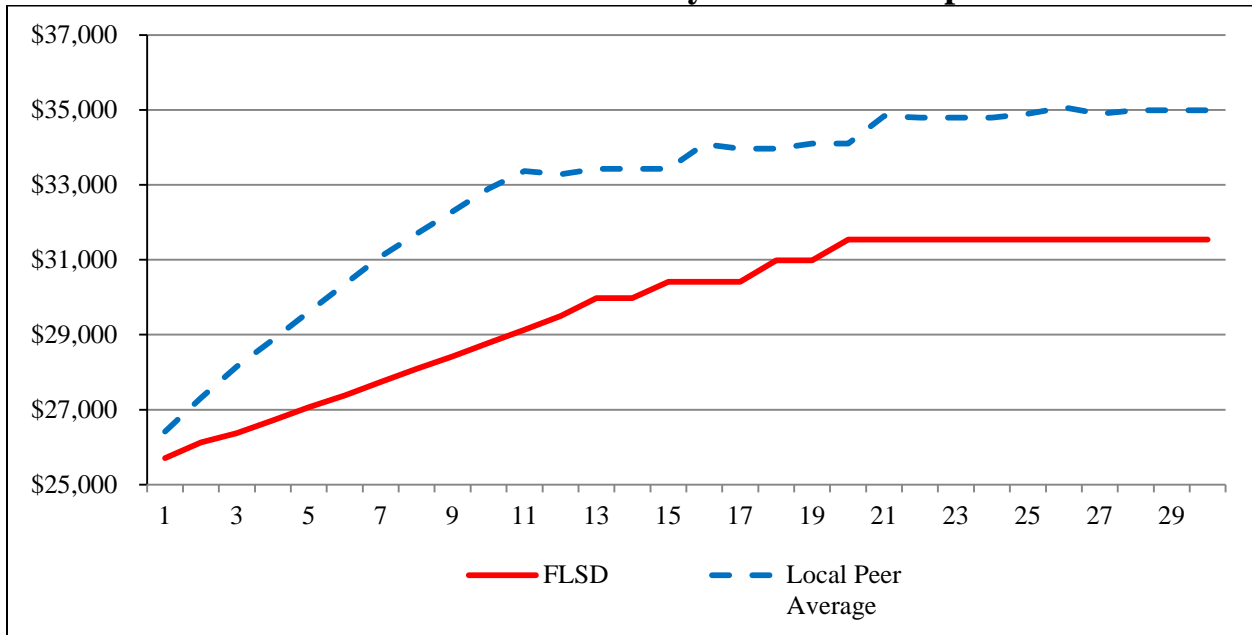
Source: FLSD and local peers

Chart B-4: Bus Drivers Salary Schedule Comparison



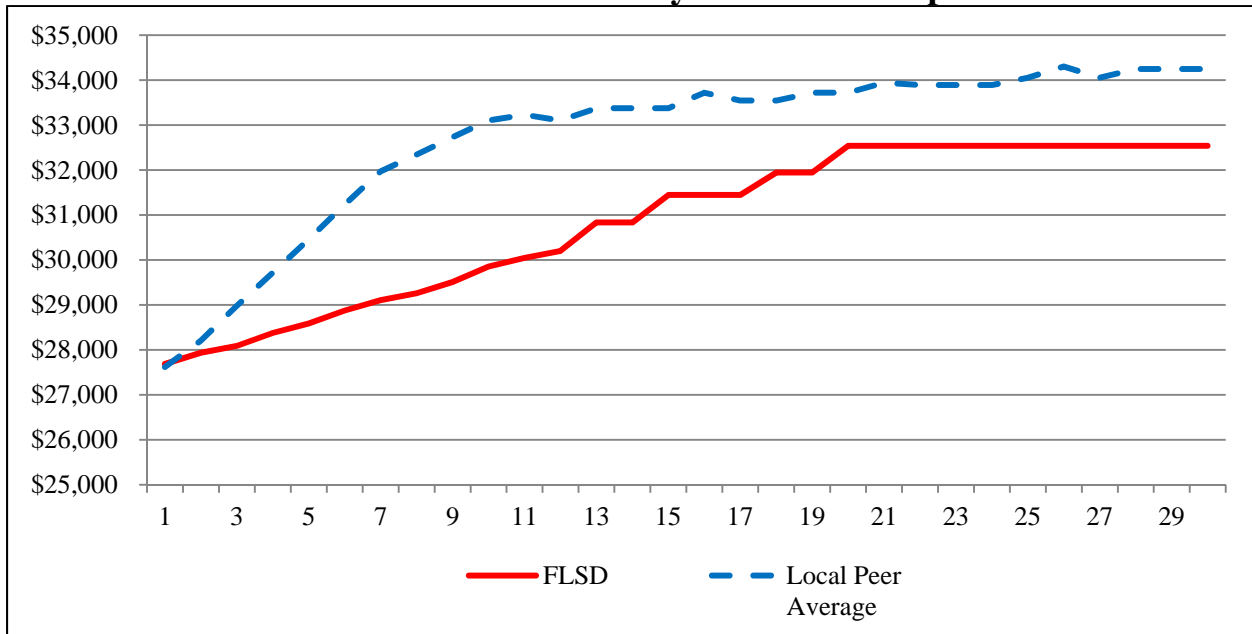
Source: FLSD and local peers

Chart B-5: Clerical Staff Salary Schedule Comparison



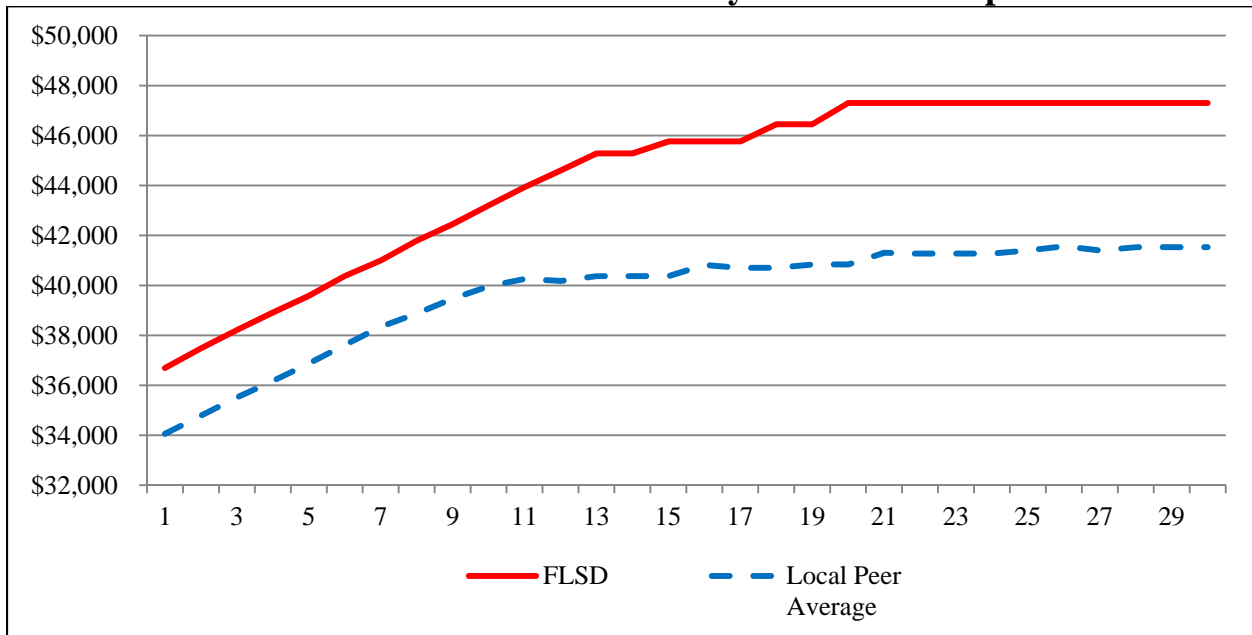
Source: FLSD and local peers

Chart B-6: Custodians Salary Schedule Comparison



Source: FLSD and local peers

Chart B-7: Maintenance Staff Salary Schedule Comparison



Source: FLSD and local peers

As shown in **Charts B-1 through B-7**, starting salaries for teachers with bachelor’s degrees, bus drivers, clerical staff, custodians, and maintenance staff all have starting salaries higher than the local peer average.

Sick Leave Severance

Table B-7 shows the District’s maximum financial liability for sick leave severance by position in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payout in line with ORC minimums (see **R.10**). This analysis provides an indication of the District’s maximum sick leave severance exposure compared to the minimum levels required.

Table B-7: Difference between ORC and FLSD for Severance Liability

Certificated Employees						
	Final Daily Rate of Pay	CBA Maximum Severance Days	Maximum Payout	ORC Minimum	Pay Out at ORC	Difference
BA	\$363.53	60	\$21,811.80	30	\$10,905.90	\$10,905.90
BA + 18	\$380.63	60	\$22,837.80	30	\$11,418.90	\$11,418.90
BA + 30	\$408.44	60	\$24,506.40	30	\$12,253.20	\$12,253.20
MA	\$465.54	60	\$27,932.40	30	\$13,966.20	\$13,966.20
MA + 30	\$468.31	60	\$28,098.60	30	\$14,049.30	\$14,049.30
Average Difference						\$12,518.70
Classified Employees						
Aides	\$83.09	48	\$3,988.22	30	\$2,492.64	\$1,495.58
Auxiliary Services Aide	\$77.22	48	\$3,706.68	30	\$2,316.68	\$1,390.01
Building Tech	\$159.48	48	\$7,655.04	30	\$4,784.40	\$2,870.64
Bus Aide/Special Ed Aide	\$112.52	48	\$5,400.72	30	\$3,375.45	\$2,025.27
Bus Driver	\$103.15	48	\$4,950.96	30	\$3,094.35	\$1,856.61
Central Duplication Operator	\$90.85	48	\$4,360.80	30	\$2,725.50	\$1,635.30
Custodial	\$128.97	48	\$6,190.66	30	\$3,869.16	\$2,321.50
Extended Care	\$58.35	48	\$2,800.75	30	\$1,750.47	\$1,050.28
Library Aide	\$74.43	48	\$3,572.78	30	\$2,232.99	\$1,339.79
Maintenance	\$181.92	48	\$8,732.16	30	\$5,457.60	\$3,274.56
Maintenance & Facility	\$221.61	48	\$10,637.28	30	\$6,648.30	\$3,988.98
Secretary	\$143.54	48	\$6,890.06	30	\$4,306.29	\$2,583.77
Average Difference						\$2,152.69

Source: FLSD

Note: Classified severance payments based on the average daily hours for each job classification.

As shown in **Table B-7**, FLSD employees are entitled to receive severance payout for more days at retirement than the ORC minimum. Adjusting payouts to the ORC minimum could decrease the District’s future severance liability.

Facilities Cost

Table B-8 shows the District's FY 2015-16 facilities operating costs per square foot compared to the primary peer average. Comparing expenditures per square foot gives an indication of the cost effectiveness of the District's facility operations as it normalizes size variances between districts.

Table B-8: Facilities Operating Cost Comparison

	FLSD ¹	Primary Peer Avg.	Difference	% Difference
Salaries and Wages	\$357,089.90	\$464,816.29	(\$107,726.39)	(23.2%)
Benefits	\$149,708.86	\$235,318.55	(\$85,609.69)	(36.4%)
Purchased Services Excluding Utilities	\$459,823.71	\$374,366.01	\$85,457.70	22.8%
Supplies and Materials	\$58,523.60	\$93,725.23	(\$35,201.63)	(37.6%)
Total	\$1,025,146.07	\$1,168,226.07	(\$143,080.00)	(12.2%)
Square Footage	279,482	269,137	10,345	3.8%
Cost per Square Foot	\$3.67	\$4.33	(\$0.67)	(15.4%)

Source: FLSD and primary peers

¹ FLSD outsources its second shift custodial staffing to an outside contractor. FLSD costs include contracted staffing, supplies and materials, and administrative overhead which totaled \$294,085 in FY 2015-16.

As shown in **Table B-8**, FLSD spent \$0.67, or 15.4 percent, less than the primary peer average for the operations of its facilities.

Transportation Cost

Table B-9 shows the total operating cost per mile for the District's transportation service in comparison to the transportation peer average using FY 2015-16 data.³⁵ This type of assessment is important in gauging the cost-effectiveness of the District's transportation program relative to similar operations. Additionally, analyzing costs on a per mile basis normalizes the effects of the differences in size of each district's transportation program.

Table B-9: Transportation Operating Cost Comparison

	FLSD	Transportation Peer Avg.	Difference	% Difference
Total Expenditures	\$803,784	\$353,414	\$450,370	127.4%
Total Miles	142,560	54,360	88,200	162.3%
Expenditures Per Routine Mile	\$5.64	\$6.50	(\$0.86)	(13.2%)

Source: FLSD

As shown in **Table B-9**, the District's annual transportation expenditures per routine mile were \$0.86, or 13.3 percent, lower than the transportation peer average. Despite having significantly lower transportation operating costs than the transportation peers in FY 2015-16, opportunities for increased fleet utilization efficiency were further assessed due to the severity of the forecasted deficit conditions (see **Background**).

³⁵ Total operating costs do not include capital expenses such as those associated with the purchase of new buses or any infrastructure improvement costs incurred for the support of the transportation service.

Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2016 five-year forecast.

Chart C-1: October 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	9,236,233	9,126,997	9,044,314	8,896,831	8,883,540	8,887,696	8,888,165	8,903,537
1.020 Tangible Personal Property Tax	688,856	738,852	773,406	786,514	786,514	786,514	786,514	786,514
1.035 Unrestricted Grants-in-Aid	5,641,163	6,060,939	6,456,278	6,773,842	6,882,698	6,882,698	6,882,698	6,882,698
1.040 Restricted Grants-in-Aid	161,112	661,198	433,381	444,781	444,781	444,781	444,781	444,781
1.050 Property Tax Allocation	1,552,438	1,540,339	1,517,252	1,511,548	1,513,967	1,513,751	1,513,997	1,516,590
1.060 All Other Operating Revenue	571,433	820,014	584,582	869,851	660,437	656,367	652,298	648,228
1.070 Total Revenue	17,851,235	18,948,339	18,809,213	19,283,367	19,171,937	19,171,807	19,168,453	19,182,348
2.050 Advances-In	28,035	21,011	4,835	20,000	20,000	20,000	20,000	20,000
2.060 All Other Financial Sources	67,931	130,872	3,312	20,000	20,000	120,000	120,000	20,000
2.070 Total Other Financing Sources	95,966	151,883	8,147	40,000	40,000	140,000	140,000	40,000
2.080 Total Revenues and Other Financing Sources	17,947,201	19,100,222	18,817,360	19,323,367	19,211,937	19,311,807	19,308,453	19,222,348
3.010 Personnel Services	9,564,573	9,751,091	10,182,723	10,951,012	11,685,337	12,181,898	12,646,802	13,124,207
3.020 Employees' Retirement/Insurance Benefits	2,909,322	3,043,078	3,107,868	3,435,382	3,695,583	3,915,522	4,192,510	4,484,053
3.030 Purchased Services	3,696,409	4,114,456	3,959,216	4,409,698	4,497,892	4,587,850	4,679,607	4,773,199
3.040 Supplies and Materials	376,175	413,789	580,715	589,642	601,435	613,464	625,733	638,247
3.050 Capital Outlay	160,159	549,440	726,851	459,657	460,000	460,000	460,000	460,000
4.050 Debt Service: Principal - HB 264 Loans	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
4.060 Debt Service: Interest and Fiscal Charges	69,204	64,464	59,724	54,984	50,244	45,504	40,764	36,024
4.300 Other Objects	224,858	227,919	226,422	214,469	218,758	223,134	227,596	232,148
4.500 Total Expenditures	17,100,700	18,264,237	18,943,519	20,214,844	21,309,249	22,127,371	22,973,012	23,847,878
5.010 Operational Transfers - Out	3,500	2,000	3,000	3,000	3,000	3,000	3,000	3,000
5.020 Advances - Out	28,035	21,011	4,835	20,000	20,000	20,000	20,000	20,000
5.030 All Other Financing Uses			1,995					
5.040 Total Other Financing Uses	31,535	23,011	9,830	23,000	23,000	23,000	23,000	23,000
5.050 Total Expenditure and Other Financing Uses	17,132,235	18,287,248	18,953,349	20,237,844	21,332,249	22,150,371	22,996,012	23,870,878
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	814,966	812,974	-135,989	-914,477	-2,120,312	-2,838,564	-3,687,559	-4,648,530
7.010 Beginning Cash Balance	3,029,343	3,844,309	4,657,283	4,521,294	3,606,817	1,486,506	-1,352,059	-5,039,617
7.020 Ending Cash Balance	3,844,309	4,657,283	4,521,294	3,606,817	1,486,506	-1,352,059	-5,039,617	-9,688,148
10.010 Fund Balance June 30 for Certification of Appropriations	3,844,309	4,657,283	4,521,294	3,606,817	1,486,506	-1,352,059	-5,039,617	-9,688,148
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,844,309	4,657,283	4,521,294	3,606,817	1,486,506	-1,352,059	-5,039,617	-9,688,148
15.010 Unreserved Fund Balance June 30	3,844,309	4,657,283	4,521,294	3,606,817	1,486,506	-1,352,059	-5,039,617	-9,688,148

Source: FLSD and ODE

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 supporting documentation, revisions were made to the audit report.

FINNEYTOWN

Local School District

"To serve...to achieve...to succeed"

5/2/2017

To Whom It May Concern:

On behalf of the Finneytown Local School District, we would like to thank the auditor of state staff for their time and effort in preparing the performance audit report for our district. The district welcomed this audit process to further streamline district operations due to its current and projected financial concerns. The Treasurer and Superintendent have been working to find ways to cut costs. Those savings align with the majority of the recommendations set forth in the report. The district will use the recommendations that could not be implemented immediately to guide district decisions going forward. We are committed to continuing our efforts to use our tax payer dollars in the most efficient way possible.

The district has gone through many changes this year in leadership, with a new superintendent, new student services director, and other key employees. Enrollment is flat and the valuation in the district has not recovered as surrounding areas have. We will continue to be vigilant in our efforts to provide a quality education to our students while still reducing costs where necessary.

The leadership reviewed all recommendations and would like to provide a status update below:

- R1. The district will engage in a visioning plan. The goals will be to create a short-term and long-term strategic plan and tie it to our budget. This report will help guide those efforts.
- R2. We will evaluate and streamline the extracurricular expenses.
- R3. The state's recommendation is to cut 2.5 positions. We will cut 4 for next year, with savings of \$423,540.
- R4. Two secretarial positions will be eliminated for next year, with savings of \$63,376.
- R5. Title I teachers/tutors are in place based on our Free and Reduced percentages and needs of our students. We will reassess the needs.
- R6. 5.5 FTE teaching staff positions will be eliminated for next year. We will make additional cuts the next year, with savings of \$294,298.

- R7. We will eliminate .5 FTE teacher for next year. This is Included in the amount in R6.
- R8. We will cut 1 FTE nurse and 1 FTE media specialist, with savings for both of \$89,347.
- R9. We will eliminate 21 non-certified support staff positions for next year, with savings of \$341,532
- R10. We completed a two-year negotiated agreement with certified staff and have not negotiated yet with classified staff. We agreed to a 0% raise, with savings of more than \$200,000.
- R11. We created a committee to work on staff attendance next year.
- R12. We will eliminate 1 FTE from grounds and utilize maintenance to help in peak times. We are outsourcing the day custodial duties thus eliminating 3.5 FTE positions, with savings after adding cost of outsourcing of \$146,995.
- R13. We have eliminated 1 FTE from grounds and will utilize maintenance to help in peak times. (Savings included in R12.)
- R14. We will develop a preventive maintenance plan this summer to initiate next school year.
- R15, R16, R17, R18. We will outsource all of transportation beginning with the 2017-2018 school year. We will eliminate all positions, with savings of \$200,000 (with cost of outsource) (Secretary and facility director costs savings reflected in R3 & R4.)
- R19. We are taking other steps to reduce our expenses.
Our copier contract expires this year. We will not lease new. We will buy out the existing equipment with expected life and utilize for at least 2 years, with savings of more than \$150,000.

We are cancelling or non-renewing purchases of software and other programs by one third, with savings of at least \$100,000.

Total anticipated savings more than \$2 million.

As a result of the audit, the leadership team will continue to monitor finances and use this document to help make informed decisions regarding the financial future of our district. Once again, we thank you for your time and effort on behalf of Finneytown Local Schools.

Regards,

Terri Noe

David Oliverio

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Dave Yost • Auditor of State

FINNEYTOWN LOCAL SCHOOL DISTRICT

HAMILTON 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
MAY 16, 2017