



Mary Taylor, CPA
Auditor of State

MAPLEWOOD LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

JULY 1, 2008



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

The Ohio Department of Education (ODE) placed Maplewood Local School District (Maplewood LSD) in fiscal caution on September 12, 2005 due to anticipated deficits. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in August 2007. The functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation, and food services. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions that brought about the declaration of fiscal caution.

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

An executive summary has been prepared which includes the project history; a discussion of the fiscal designations; a district overview; the scope, objectives and methodology for the performance audit; and a summary of noteworthy accomplishments, recommendations, issues for further study, assessments not yielding recommendations, and financial implications. This report has been provided to Maplewood LSD, and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

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

Mary Taylor, CPA
Auditor of State

July 1, 2008

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) § 3316.03, the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC § 3316.03 further stipulates that the State superintendent may place a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness, and accountability of services can be achieved. Maplewood Local School District (Maplewood LSD or the District) was placed in fiscal caution by the Ohio Department of Education (ODE) on September 12, 2005 due to projected deficits in FY 2005-06 and FY 2006-07.

Pursuant to ORC § 3316.03 and ORC § 3316.042, AOS initiated a performance audit of Maplewood LSD. Based on a review of the District's information and discussions with the Superintendent and the Treasurer, the following functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities, including Food Service; and
- Transportation.

District Overview

Maplewood LSD operates under a locally elected Board of Education (BOE) consisting of five members that is responsible for providing public education to the resident students of the District. The District is located in Trumbull County and encompasses approximately 78 square miles. According to the 2000 Census, Maplewood LSD has a population of approximately 5,800 residents. According to the Ohio Department of Education (ODE), the District's median income was \$32,711 in 2004, compared to the State average of \$30,476. In 2006, 1.6 percent of students lived in poverty, compared to the State average of 5.9 percent.

In FY 2006-07, Maplewood LSD employed approximately 120 full-time equivalent (FTE) staff¹. According to ODE, the District's enrollment in FY 2006-07 was 1,057, which declined to 1,020 in FY 2007-08. Based on the FY 2006-07 ODE Local Report Card, Maplewood LSD met 25 of 30 performance standards, which resulted in a designation of Effective.

Maplewood LSD operates three schools: one elementary school (kindergarten through grade 4), one middle school (grades 5 through 8), and one high school (grades 9 through 12). The District also operates an administration building.

To help address the District's projected deficits in FY 2005-06 and 2006-07, Maplewood LSD submitted a financial recovery proposal to ODE on March 23, 2006, which identified steps the District took to remove itself from fiscal caution. The steps included the passage of a 5.5 mill emergency levy that generates approximately \$500,000 per year and reductions in personnel. On January 22, 2007, ODE sent a letter to Maplewood LSD stating that the fiscal caution proposal was accepted. In addition, voters approved the renewal of another emergency levy on March 4, 2008.

At the time of the audit, Maplewood LSD projected a General Fund surplus of approximately \$1.5 million in FY 2007-08. The surplus is projected to increase to approximately \$2.0 million by FY 2011-12. However, based on revisions to the District's forecast proposed in this audit, **Table 2-12** in the financial systems section shows a declining fund balance after FY 2008-09, reaching approximately \$98,000 by FY 2011-12.

Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The overall objective of the performance audit was to assist the District in identifying strategies to eliminate the conditions that brought about the fiscal caution declaration. The major assessments conducted in this performance audit included the following:

- ***Financial Systems:*** includes an evaluation of Maplewood LSD's October five-year financial forecast, strategic and financial planning, and budgeting and purchasing practices;

¹ Maplewood LSD reported a total of approximately 120 FTEs in the FY 2007-08 EMIS report.

- **Human Resources:** includes an analysis of District-wide staffing levels, collective bargaining agreements, and benefit costs;
- **Facilities:** includes assessments of building capacities and utilization rates, custodial and maintenance staffing, and energy management;
- **Food Service:** includes assessments of financial status, policies and procedures, and meal participation; and
- **Transportation:** includes evaluations of key operational data (e.g., riders transported per bus and costs per rider), and maintenance and repair services.

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

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was primarily conducted between August 2007 and February 2008. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Maplewood LSD, peer school districts, and other relevant sources. District data was deemed reliable unless otherwise noted in the report sections. Peer school district data and other information used for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

AOS developed a composite of 10 selected districts, which was used for peer comparisons. The selected districts were Bethel-Tate Local School District (Clermont County), Bluffton Exempted Village School District (Allen County), Botkins Local School District (Shelby County), Clear Fork Valley Local School District (Richland County), Coldwater Exempted Village School District (Mercer), Fort Recovery Local School District (Mercer County), Marion Local School District (Mercer County), North Central Local School District (Wayne County), St Henry Consolidated Local School District (Mercer County), and Versailles Exempted Village School District (Darke County). These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts as rural/agricultural with low to moderate median income, which is the same demographic classification as Maplewood LSD. Additionally, these ten school districts were meeting a high number of performance standards at a relatively low cost per pupil.

External organizations and sources were also used to provide comparative information and benchmarks. They included the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, resulted in report modifications.

The Auditor of State and staff express their appreciation to the Maplewood LSD for its cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are noteworthy accomplishments that were identified during the course of the performance audit.

- **Discretionary Spending:** The District limited its discretionary spending during the last two years. Specifically, the District's total discretionary spending amounted to \$601 per student in FY 2005-06 and \$600 per student in FY 2006-07. These amounts were significantly lower than the peer average of \$1,003 in FY 2006-07.
- **Workers' Compensation:** Maplewood LSD's experience modifier was 0.06 in 2006 and 0.10 in 2007. According to a representative at BWC, an experience modifier less than 1.00 indicates that the entity has effectively managed workers' compensation costs and would be eligible for discounted rates in most cases.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas which did not warrant changes and did not yield recommendations. The following presents these assessments, and each section contains additional detail.

- **Financial Systems:** ethics policy; alternative funding sources; minimum qualifications for employment; and State funding projections;
- **Human Resources:** teaching aide, instructional paraprofessional, and ESP staffing; certificated salaries and substitute wages; health insurance premiums; collective bargaining process; hiring process; teacher certification; and the at-risk program;
- **Facilities:** staffing levels; overtime; safety plan; and work orders;
- **Food Service:** financial condition; claims; point-of-sale technology; direct certification; and wellness policy; and
- **Transportation:** ridership monitoring; fuel tank security; fuel and bus purchases; and bus insurance.

Key Recommendations

The performance audit contains several recommendations pertaining to District operations. The key recommendations are presented below. Additional detail and recommendations are contained in each section of the report.

Financial Systems

- Maplewood LSD should analyze and use **Table 2-12** to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits beginning in FY 2009-10. In addition, the Treasurer should update **Table 2-12** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.
- The District should develop a comprehensive strategic plan which outlines its vision for all operational and educational programs. In preparing the plan, the District should include detailed goals, objectives, benchmarks, timeframes, performance measures and related cost estimates (where applicable).
- The Board should update its policy to identify the process used in developing the financial forecast and define the involvement of other District administrators. The policy should also identify the controls necessary to ensure the accuracy of the forecast, and specify when and how the Treasurer should formally present the forecast to the Board. Furthermore, the Board should consider requiring that the forecast document present more detailed historical and projected information, along with supporting schedules and

explanatory comments to help support the significant assumptions used in deriving the projections. Lastly, the District should review the suggestions to improve the forecast methodology for salaries, benefits, real estate, tangible personal property, and property tax allocation.

- Maplewood LSD should prepare a budget document that contains key policies, plans, goals, and key issues. Furthermore, the document should be made available to the public.
- The Board of Education should either form an audit committee to oversee the financial audit and review the District's internal control structure, or reinstate the finance committee and expand its role to include audit committee functions. In addition, the District should implement a policy on debt issuance to guide its decisions and lessen the chances of repeating the problems cited in the financial audit.
- The District should consider lowering the minimum threshold requirement for obtaining multiple price quotes. Furthermore, the District should consider expanding its membership in consortiums to increase the pool of products and prices to compare. These practices will provide the Board with more assurance that goods and services are being purchased at a competitive price.

Human Resources

- Maplewood LSD should consider hiring a full-time central administrator and re-assigning current job functions; eliminating 1.0 librarian aide FTE; and eliminating 1.0 clerical FTE.
- The District should negotiate to require all full-time employees receiving health benefits to contribute at least ten percent towards monthly health care premium costs. For all part-time employees, the District should consider negotiating contribution rates that are more in line with the number of hours worked per day. In addition, Maplewood LSD should consider negotiating to reduce maximum sick leave payouts, holidays and vacation days.
- Maplewood LSD should establish District-wide policies that include prohibitions against "pattern abuse" and identify disciplinary actions for misusing or abusing sick leave. During future negotiations, the District should include language in the certificated collective bargaining agreement that requires employees to provide documentation supporting extended leave use, similar to the classified staff collective bargaining agreement. By taking these measures, the District would improve its ability to effectively monitor sick leave use and minimize potential misuse or abuse.

- The District should seek to eliminate the stipend provided to building secretaries for calling substitutes by purchasing and implementing an automated substitute calling system. In addition to reducing costs by eliminating the stipend, this would provide the District with an efficient method for contacting substitute employees and improve management's access to data.

Facilities

- Maplewood LSD should conduct capacity assessments of its buildings on a periodic basis that account for current and projected enrollment, including the impact of open enrollment. This would help the District determine methods to optimize capacity, which could include closing a building. Prior to deciding to optimize capacity by accepting additional students via open enrollment, the District should conduct a cost-benefit analysis that considers the additional revenues and costs (e.g., teacher staffing). Prior to deciding on building closures, the District should receive community input and consider a variety of quantitative and qualitative factors, including building condition and enrollment trends by building.
- The District should develop and formally adopt a forecast methodology to project student enrollment. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and if necessary, determine possible building additions, closures, and/or reconfigurations.
- The District should develop formal energy management policies and procedures that incorporate strategies from applicable sources. Subsequently, the District should train staff and students on the policies and procedures, and identify other appropriate sources of training. The District should also review and consider adjusting its temperature controls for rooms that are unoccupied for long periods of time and for occupied rooms during the winter season. Furthermore, the District should review the Ohio Natural Gas Program and, after completing a formal price comparison, determine whether it can reduce costs by participating in the program.

Transportation

- Maplewood LSD should consider reducing its spare bus fleet by one bus. This would result in a spare fleet that is more consistent with the ODE benchmark and peer average, reduces costs, and potentially increases revenue.
- Maplewood LSD should specify the level and cost of services in the bus maintenance contract, and sign the contract to acknowledge a formal agreement with the Maintenance

Contractor. Additionally, the District should develop a formal preventive maintenance program and include it as a component of the maintenance contract. In addition, the maintenance contract should require that all buses pass state inspections. Furthermore, the District should regularly monitor contracted services, which would be facilitated by including the above-mentioned items in the contract.

Maplewood LSD should continue to explore the potential for contracting or pooling services with a neighboring district, which would be especially important if the District is unsuccessful in improving the contracted services as outlined above. If location continues to be an obstacle to pooling services, the District could consult with other districts that are closer in proximity about sharing the costs to construct a centrally located garage. Alternatively, the District could consider constructing its own bus garage to enable it to perform maintenance and repair services with in-house staff. While this would result in upfront costs, the District may be able to realize savings in the long-term. If the District considers these alternatives, it should conduct a formal analysis to ensure a cost-effective decision.

- Maplewood LSD should establish formal policies and procedures to ensure accurate T-forms are prepared, reviewed, and reconciled before submission to ODE. The policies and procedures should specify the parties responsible for each part of the process, and include review and reconciliation procedures. Similarly, the District should establish formal policies and procedures governing charge-backs for non-routine transportation.
- The District should update its transportation policies to reflect actual service levels, reference the one-half mile stipulation in OAC § 3301-83-13, and disclose that road hazards are considered in determining transportation services and in establishing routes and bus stops. Once the policies are updated, the District should post the information on its website to provide community and parent access.

Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified the following issues. Each section contains additional detail.

- **Human Resources:** food service staffing; retirement incentives; and special education staffing; and
- **Transportation:** assignment of non-routine trips and bus utilization.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that Maplewood LSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

	Annual Cost Savings	One-Time Revenue Enhancement	Implementation Cost (One-Time)	Annual Cost
Recommendations Not Subject to Negotiation				
R3.1 Hire a full-time central administrator				\$86,000
R3.2 Eliminate 1.0 library aide FTE	\$17,800			
R3.3 Eliminate 1.0 clerical FTE	\$17,000			
R3.6 Reduce sick leave	\$1,000			
R3.8 Purchase a substitute calling system			\$900	\$480
R4.5 Develop formal energy management policies and procedures, train staff and students, and review temperature settings and consortiums for gas	\$78,500			
R5.1 Eliminate one spare bus	\$860	\$1,500		
R5.3 Improve contract and monitoring for maintenance and repairs	\$9,500			
Total Recommendations Not Subject to Negotiation	\$124,660	\$1,500	\$900	\$86,480
Recommendations Subject to Negotiation				
R3.5 Require 10 percent health care contributions from all employees	\$39,000			
R3.8 Eliminate the stipend for substitute calling	\$2,400			
Total Recommendations Subject to Negotiation	\$41,400			
Total Financial Implications	\$166,060	\$1,500	\$900	\$86,480

Source: Financial implications identified throughout this performance audit

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Financial Systems

Background

This section focuses on financial systems in the Maplewood Local School District (Maplewood LSD or the District). The purpose of this section is to analyze the current and future financial condition of the District along with financial management policies and procedures for the purpose of developing recommendations for improvements and identifying opportunities to increase efficiency. The District's five-year financial forecast was analyzed to ensure the projections appear reasonable. Various sources were used for comparison purposes, including the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and selected peer school districts¹ with demographics similar to Maplewood LSD.

Financial History

On September 12, 2005, Maplewood LSD was placed in fiscal caution due to projected deficits in FY 2005-06 and FY 2006-07. In accordance with ORC § 3316.03 1(C), the District submitted a fiscal caution proposal to the Ohio Department of Education (ODE) on March 23, 2006, which outlined the steps the District took to address its fiscal caution status. However, changes in the District led to the submission of a revised plan on December 12, 2006. The steps in the revised plan included the passage of a 5.5 mil emergency levy in May 2006 that should generate approximately \$508,800 per year for five years. In addition, the District received an electricity reimbursement of approximately \$145,000 due to an overpayment and eliminated 6 positions, including a maintenance supervisor and technology coordinator. On January 22, 2007, ODE sent a letter to Maplewood LSD stating that the fiscal caution proposal was accepted.

Treasurer's Office Operations

The Treasurer's office encompasses two functions: accounting and payroll. One part-time employee is responsible for accounting. This employee is a former treasurer and has the ability to handle tasks outside of those which are specific to her current position. Another part-time employee is responsible for payroll functions, which include processing payroll and payroll deductions for employees, posting leave, and preparing W2s.

¹ See **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Financial Condition

Maplewood LSD operates with a total voted General Fund millage of 48.4 mills, which includes 5.0 mills from the Permanent Improvement levy and a 2.95 mills related to bond retirement for school facilities maintenance and site acquisition. As noted, the District passed a five-year Emergency levy in FY 2005-06. Voters approved the renewal of another Emergency levy on March 4, 2008. According to the Treasurer, the District will place the renewal of the Permanent Improvement levy on the ballot in November 2008.

Table 2-1 presents the five-year forecast submitted to ODE in October, 2007. It was prepared by the Treasurer and is used to assist Board members, administration, and other stakeholders in understanding the District's financial situation. AOS reviewed the assumptions that significantly impact the forecast, such as real estate taxes, state funding, salaries and benefits. Changes were recommended to the District's assumptions and/or methodologies to present more reliable projections of future revenues and expenditures (see **R2.4** to **R2.7**, and **Table 2-12**).

Table 2-1: Maplewood LSD Financial History and Forecast (in 000's)

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12
Real Estate Property Tax	\$1,679	\$1,542	\$2,047	\$2,226	\$2,369	\$2,349	\$2,297	\$2,296
Tangible Personal Property Tax	29	(42)	124	117	124	117	111	109
Unrestricted Grants-in-Aid	5,253	5,558	5,503	5,508	5,506	5,496	5,496	5,496
Restricted Grants-in-Aid	28	21	38	24	23	22	22	22
Property Tax Allocation	225	237	298	326	310	267	267	267
Other Revenues	292	272	336	269	255	261	261	261
Total Operating Revenues	\$7,506	\$7,588	\$8,346	\$8,470	\$8,587	\$8,512	\$8,454	\$8,451
Salaries & Wages	\$4,684	\$4,570	\$4,502	\$4,603	\$4,729	\$4,801	\$4,899	4,997
Fringe Benefits	1,473	1,513	1,600	1,657	1,703	1,728	1,764	1,799
Purchased Services	1,576	1,329	1,518	1,406	1,362	1,369	1,395	1,395
Supplies, Materials & Textbooks	296	248	221	253	256	258	261	261
Capital Outlay	49	9	0	0	0	0	0	0
Debt Service	0	60	23	123	118	113	108	105
Other Expenditures	104	90	116	92	93	94	95	95
Total Operating Expenditures	\$8,182	\$7,819	\$7,980	\$8,134	\$8,261	\$8,363	\$8,522	\$8,652
Net Transfers/ Advances	(27)	(354)	(45)	2	0	0	0	0
Other Financing Sources	462	840	234	192	155	150	25	25
Net Financing	\$435	\$486	\$189	\$194	\$155	\$150	\$25	\$25
Result of Operations (Net)	(\$241)	\$255	\$555	\$530	\$481	\$299	(\$43)	(\$176)
Beginning Cash Balance	\$589	\$347	\$601	\$1,158	\$1,689	\$2,169	\$2,467	\$2,425
Ending Cash Balance	\$347	\$601	\$1,158	\$1,689	\$2,169	\$2,467	\$2,425	\$2,250
Encumbrances	71	60	25	25	25	25	25	25
Textbook & Instructional Material Reserve	0	0	0	165	165	165	165	165
Ending Fund Balance	\$276	\$542	\$1,133	\$1,499	\$1,978	\$2,277	\$2,235	\$2,059

Source: Maplewood LSD

Note 1: Totals may vary from actual due to rounding.

Revenue and Expenditure Comparisons

Table 2-2 compares Maplewood LSD's General Fund revenues by source and expenditures by object to the peer average for FY 2006-07. The data is presented on a per student basis to account for differences in enrollment.

Table 2-2: Revenues by Source, Expenditures by Object – FY 2006-07

	Maplewood LSD	Peer Average
Property & Income Tax	\$1,683	\$2,358
Intergovernmental Revenues	\$5,837	\$5,173
Other Revenues	\$561	\$635
Total Revenue	\$8,082	\$8,167
Wages	\$4,514	\$4,638
Fringe Benefits	\$1,575	\$1,658
Purchased Service	\$1,196	\$849
Supplies & Textbooks	\$222	\$288
Capital Outlays	\$0	\$156
Debt Service	\$0	\$12
Miscellaneous	\$108	\$210
Other Financing Uses	\$15	\$150
Total Expenditures	\$7,629	\$7,962

Source: FY 2006-07 District and peer 4502s.

Table 2-2 shows the District's total revenues are lower than the peer average by \$85 per student, due primarily to lower property tax receipts. However, only half of the proceeds from the levy passed in May 2006 are reflected in FY 2006-07 (\$255 per student). FY 2007-08 (\$511 per student) is the first full year of collection from this levy. In addition, **Table 2-2** shows that other revenues per pupil are 11.6 percent lower than the peer average (see **R2.10**).

Table 2-2 also shows that in total, the District spent \$333 less per student when compared to the peer average in FY 2006-07. The only area in which District expenditures exceeded the peer average was purchased services where the District spent \$347, or approximately 41 percent, more per student. This is mainly attributable to tuition expenses. More specifically, the District tuition expenditures per student of \$702 more than doubled the peer average of \$279 per student. The District's tuition costs comprised 58.7 percent of total purchased services in FY 2006-07. The higher purchased services expenditures are also due to high utility costs (see the **facilities** section), which comprised 17.8 percent of total purchased services expenditures in FY 2006-07.

Table 2-3 shows the expenditures posted to various Uniform School Accounting System (USAS) function codes for Maplewood LSD and the peer districts. Function codes report expenditures by their nature or purpose.

Table 2-3: Governmental Expenditures by Function in 000s – FY 2006-07

USAS Function Classification	Maplewood LSD	Peer Average
	\$ Per Pupil	\$ Per Pupil
Instructional Expenditures:	\$5,027	\$5,308
Regular Instruction	\$4,441	\$4,030
Special Instruction	\$540	\$935
Vocational Education	\$46	\$207
Other Instruction	\$0	\$136
Support Service Expenditures:	\$3,261	\$2,891
Pupil Support Services	\$399	\$343
Instructional Support Services	\$206	\$386
Board of Education	\$77	\$26
Administration	\$742	\$690
Fiscal Services	\$213	\$225
Business Services	\$57	\$1
Plant Operation & Maintenance	\$1,061	\$790
Pupil Transportation	\$461	\$404
Central Support Services	\$44	\$27
Non-Instructional Services Expenditures	\$47	\$7
Extracurricular Activities Expenditures	\$245	\$353
Total Governmental Fund Operational Expenditures	\$8,581	\$8,559
Facilities, Acquisition & Construction	\$32	\$1,530
Debt Service Expenditures	\$238	\$1,777
Total Governmental Funds Expenditures	\$8,851	\$11,866

Source: FY 2006-07 District and peer 4502s.

As shown in **Table 2-3**, Maplewood LSD's total governmental fund operating expenditures were slightly higher than the peer average in FY 2006-07, while total government fund expenditures were well below the peer average. In addition, the District's total governmental expenditures increased \$726 per student, or approximately 9 percent, from FY 2005-06 to FY 2006-07. Furthermore, instructional expenditures comprised 58.6 percent of the total governmental fund operating costs, compared to the peer average of 62.1 percent.

Explanations for higher per student expenditures include the following:

- *Regular Instruction-* The District spent \$411 more per student than the peer average on regular instruction. This results from the District's certificated staff members being compensated at higher levels than the similar districts due to longevity and higher education levels (see the **human resources** section).
- *Pupil Support Services-* The District spent \$56 more per student than the peer average on pupil support services. The Treasurer stated that approximately \$68,000 in costs associated with special education students who lived in the District but attended other school districts were actually incurred in FY 2005-06. However, the District failed to pay the other districts on time. When excluding the \$68,000, the District's pupil support services per student drops to \$331, which is lower than the peer average.
- *Board of Education-* The District spent \$51 more per student than the peer average in the category of Board of Education costs. Approximately 67 percent of the costs (\$51,800) are attributable to miscellaneous expenditures. As \$51,800 represents less than one percent of total governmental fund operating expenditure, it was not further investigated.
- *Administration-* The District spent \$52 more per student than the peer average on administration. This is due, in part, to the District's separation agreement with a prior Superintendent.
- *Business Services-* The District spent \$56 more per student than the peer average on business services. Salaries and benefits for a clerical position comprised approximately 30 percent of total business service costs (see **human resources**).
- *Plant Operation and Maintenance-* The District spent \$271 more per student than the peer average on plant operation and maintenance. The District was overcharged by its electricity supplier in both FY 2005-06 and FY 2006-07. It received a refund in the amount of approximately \$145,000 in FY 2006-07 for the overpayment and is expecting to receive a similar refund amount sometime in FY 2007-08. If the expenditures were reduced by the refund amount, the District would have spent \$916 per student in FY 2006-07, which is still higher than the peer average. The higher expenses are due, in part, to higher utility costs (see **facilities** for further discussion).
- *Pupil Transportation-* The District spent \$57 more per student than the peer average on pupil transportation (see the **transportation** section).
- *Central Support Services-* The District spent \$17 more per student than the peer average on central support services. This is mainly due to salary and benefit costs for data processing services. Because the amount was immaterial, this was not further

investigated. Furthermore, approximately 21 percent of the central support service costs came from non-General Fund sources.

Requiring employee contributions for health insurance would help reduce the expenditures in **Table 2-3** (see the **human resources** section).

Table 2-4 compares the District's State performance results to the peer average.

Table 2-4: ODE Performance Standards Comparison

	Performance Standards Met	Performance Index Scores
Maplewood LSD FY 2005-06	24 out of 25	100.7
Maplewood LSD FY 2006-07	25 out of 30	98.2
Peer Average FY 2005-06	24.5 out of 25	103.9
Peer Average FY 2006-07	29.3 out of 30	102.9

Source: ODE

As shown in **Table 2-4**, Maplewood LSD was slightly below the peer average in number of performance standards met and performance index scores in both years. However, **Table 2-4** also shows that the District's test scores did not improve in FY 2006-07 while the governmental fund and General Fund costs per student increased by approximately nine and two percent, respectively.

Reviewing the other sections of the performance audit would help the District identify opportunities to reduce expenditures. By developing a strategic plan (see **R2.2**) and improving the forecasting process (see **R2.3**), the District would better ensure that it plans and allocates its resources in a manner that best aligns with educational and operational needs.

Noteworthy Accomplishments

The performance audit identified the following noteworthy accomplishment in the District's financial systems:

- **Discretionary Spending:** The District limited its discretionary spending during the last two years. Specifically, total discretionary spending amounted to \$601 per student in FY 2005-06 and \$600 per student in FY 2006-07. These amounts were significantly lower than the peer average of \$1,003 in FY 2006-07.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the **financial systems** section that did not warrant changes and did not yield recommendations, including the following:

- **Ethics Policy:** The District has a detailed Board policy that addresses appropriate and ethical behavior for its employees. In addition, the Treasurer and Superintendent filed all required ethics paperwork in accordance with State requirements in 2007.
- **Alternative Funding Sources:** The District works with a variety of organizations, such as parent teacher organizations and athletic boosters, to encourage stakeholder participation and obtain alternative funding for student activities.
- **Minimum Qualifications for Employment:** Maplewood LSD has established minimum qualifications for employees in the Treasurer's office. This helps to ensure that it hires qualified employees.
- **State Funding Projections:** Based on the SF-3 for FY 2007-08, actual revenues in FYs 2005-06 and 2006-07, current per pupil funding levels, and the District trends in formula ADM, the Treasurer's projections for state funding appear reasonable.

Recommendations

Strategic and Financial Planning

R2.1 Maplewood LSD should expand the existing financial policies to address stabilization funds, one-time revenues, debt issuance and management, debt level and capacity, unpredictable revenues, revenue diversification, and contingency planning. Addressing such areas would help guide decision-making, thereby reducing the risk of making uninformed decisions.

Despite having comprehensive policies for financial management (i.e., tax budget preparation, investments, cooperative purchasing, fiscal planning, etc.), the District lacks certain policies recommended in *Best Practices in Public Budgeting* (GFOA, 2000). These include the following areas:

- Stabilization funds;
- One-time revenues;
- Debt issuance and management;
- Debt level and capacity;
- Unpredictable revenues;
- Revenue diversification; and
- Contingency planning.

In the absence of policies that address these areas, the District increases the risk of making decisions that do not align with the Board's intent or that result in adverse consequences. For example, implementing comprehensive policies related to debt would assist the District in addressing the problems identified in consecutive annual financial audits (see R2.9).

R2.2 The District should develop a comprehensive strategic plan that outlines its vision for all operational and educational programs. In preparing the plan, the District should include detailed goals, objectives, benchmarks, timeframes, performance measures and related cost estimates (where applicable). In addition, Maplewood LSD should link the strategic plan to the budget and the five-year forecast. This would shift the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs and outcomes. This, in turn, would help the District focus on accomplishing its goals and objectives.

Maplewood LSD does not have a comprehensive District-wide strategic plan to guide long-term decision making. The low number of administrative staff can hinder the

District from developing, implementing, and monitoring such a plan (see **R3.1** in **human resources**).

The article *Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005) recommends that all governments develop a strategic plan to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the development of measurable objectives and inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are met, and establish an important link between the goals in the strategic plan and the activities funded in the budget.

Without a comprehensive strategic plan, the District may not effectively identify, address, and tie all needs together, including budgetary and educational.

- R2.3 The Board should update its policy to identify the process used in developing the financial forecast and define the involvement of other District administrators. The policy should also identify the controls necessary to ensure the accuracy of the forecast, and specify when and how the Treasurer should formally present the forecast to the Board. Furthermore, the Board should consider requiring that the forecast document present more detailed historical and projected information, along with supporting schedules and explanatory comments to help explain the significant assumptions used in deriving the projections. Doing so would help the Board and public better understand the underlying elements of the District's projected financial condition, including the Treasurer's methodology and assumptions.**

Maplewood LSD has a Board policy that outlines the qualifications and job duties for the Treasurer, including a requirement that the Treasurer prepare a long-range financial projection of revenues and expenditures. Although the policy requires the development of a forecast, it does not convey the process to be used in preparing the forecast, the participation of other administrators, or the supporting materials to be used in developing significant assumptions. In actual practice, the District's development of the forecast is an ongoing and collaborative process throughout the year, which includes Board involvement.

The Treasurer prepares the forecast based on trend analyses, knowledge of current legislative developments, and the impact of the most recent property valuation. Although the Treasurer includes assumptions in the forecast document, the notes to the forecast

generally do not provide adequate disclosure concerning issues that have a significant impact on the District. For example, the notes lack disclosure concerning the following:

- Historical and projected inflation rates;
- Historical and projected enrollment;
- Historical and projected number of open enrollment students and funding levels;
- Historical and projected staffing levels;
- Historical and projected negotiated wage increases and salary schedule step increases;
- Historical and potential retirements during the forecast period; and
- Explanations when projected amounts deviate from historical trends.

According to the *Guide for Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2006), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported.
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.

Likewise, according to *Best Practices* (AOS, 2004), forecasts should contain sufficient detail to allow the reader to understand the factors included in each line-item. Best practice forecasts are accompanied by explanations of each assumption which often include supporting documentation. Supporting documentation may include trend analyses, expert opinion, or other critical information.

R2.4 Since employee salaries and wages represent nearly 56 percent of the District's total expenditures, the Treasurer should consider plotting each employee based on the salary schedule for each year of the forecast rather than only completing it for part of the forecast period. The Treasurer should disclose the methodology used to arrive at the projected figures in the assumptions, including the methodology used to identify potential retirements and the related financial impact because it can have a material effect on the forecast. Because of the inherent unpredictability in determining when employees will actually choose to retire, the Treasurer should consider showing the impact of potential retirees as a separate scenario in the forecast. Taking these steps would better ensure reliable projections.

The Treasurer's salary projections for FY 2007-08 appear reasonable based on the year-to-date wage expenditures of \$1,586,104 as of October 31, 2007. Assuming the District continues this trend through the remainder of the year, the actual salary expenditures will total \$4,758,312, or 3.4 percent more than the Treasurer's projection. The Treasurer attributed this disparity to paying several employees' severance pay early in the fiscal year as well as a replacing two teachers with lower paid substitutes. In addition, the Treasurer projected FY 2007-08 salaries by plotting out the salaries and wage increases for classified and certificated staff members, and did the same for certificated staff members for FY 2008-09 and FY 2009-10. However, the Treasurer did not plot classified salaries after FY 2007-08 or certificated salaries after FY 2009-10.

The Treasurer does not anticipate any changes in staffing levels during the forecast period. However, the reasonableness of the projections after FY 2007-08 depend largely on potential retirements. The Treasurer forecasts total salaries to increase by 2.75 percent in FY 2008-09, 1.5 percent in FY 2009-10, and 2.0 percent in both FY 2010-11 and FY 2011-12. These increases are lower than the negotiated wage increases (NWIs) in FY 2008-09 and FY 2009-10, when considering both certificated and classified staff. Specifically, certificated staff will receive a NWI of 2.75 percent in both FY 2008-09 and FY 2009-10, while classified staff will receive NWIs of \$0.60 per hour in FY 2009-10 and \$0.65 per hour in FY 2009-10. Based on entry level wages for bus drivers and custodians, which comprise half of classified bargaining unit staff, this amounts to increases of 4.4 to 4.7 percent. Along with NWIs, some certificated and classified staff will receive step increases during the forecast period.

The lower projected increases in total salaries when compared to NWIs and the added impact of step increases appear to be due to staff retirements. Specifically, the District expects a portion of the experienced teachers to retire within the forecast period, and expects to replace them with teachers who are lower on the pay scale and much less costly to the District. However, the forecast assumptions do not detail the impact of potential retirements, nor do they disclose the methodology used to arrive at the projected figures. Furthermore, the supporting documentation provided by the Treasurer does not

indicate how retirements were accounted for to arrive at the total projected figures (see **R2.3**).

Due to the lack of documentation detailing the methodology and related calculations, the reasonableness of the Treasurer's projections were tested by identifying certificated staff that appear close to retirement. Then, the impact of these employees retiring and being replaced by new employees was estimated, based on the entry level wage rates. In addition, severance payments were estimated based on the average severance payment to retiring employees in FY 2006-07. This test also includes the impact of total salaries increasing by 3.7 percent in FY 2008-09 and 4.2 percent in FY 2009-10, due to NWIs and step increases. These increases were obtained from the Treasurer's supporting documentation. When considering these factors, six employees would need to retire at the end of FY 2007-08 and 16 employees would need to retire at the end of FY 2008-09, in order for the District to achieve the Treasurer's projections for FY 2008-09 and FY 2009-10. The 16 employees potentially retiring at the end of FY 2008-09 includes staff that would be at step 25 or greater. A retirement of 16 employees amounts to a turnover of approximately 24 percent of certificated staff. By comparison, only three employees retired in FY 2006-07.

Based on the above and the inherent difficulty in predicting when staff will actually retire, the Treasurer's projections will be adjusted as follows. Total salaries will be increased by 3.7 percent in FY 2008-09, 4.2 percent in FY 2009-10, and 4.0 percent thereafter (average of FY 2008-09 and FY 2009-10). **Table 2-5** presents the impact of these changes on the District's original projections. While this estimate could be impacted by the NWIs and step increases for classified staff, approximately 83 percent of total salaries in the General Fund were attributable to certificated staff in FY 2006-07. Finally, the revised projections will account for the increases in applicable benefits in **Table 2-6** (see **R2.5**) resulting from this revision in salaries.

Table 2-5: Impact of Salary Adjustments

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Salary Projections	\$4,729,477	\$4,801,245	\$4,899,154	\$4,997,138
AOS Revised Projection	\$4,774,586	\$4,974,641	\$5,173,627	\$5,380,572
Net Impact on Forecast	(\$45,109)	(\$173,396)	(\$274,473)	(\$383,434)

Source: AOS analysis

R2.5 When developing future forecasts, the Treasurer should analyze the health insurance program separately from other expenditures that comprise the fringe benefits line-item. This would improve forecast reliability because health insurance costs represent 53 percent of the District's total fringe benefit expenditures and are independent of salary increases.

The District's fringe benefits consist of Board paid contributions to employee retirement systems; medical, dental, vision and life insurance premiums; Medicare; and workers' compensation. The FY 2007-08 projections appear reasonable based on the year-to-date benefit expenditures as of October 31, 2007 of \$575,347 and staffing changes early in the fiscal year. Specifically, assuming the District continues this trend through the remainder of the fiscal year, the actual benefit costs will equal \$1,726,041, which would exceed the Treasurer's projection by 4.2 percent. Similar to salaries (see **R2.4**), the year-to-date figure is somewhat skewed as the District paid several employees' severance pay benefits early in the fiscal year and replaced two teachers with lower paid substitutes.

In projecting employee fringe benefits from FY 2008-09 through FY 2011-12, the notes to the forecast do not indicate how the calculation was performed. The Treasurer stated that she did not separately project each of the components (health care, retirement, workers' compensation, etc.) that comprise fringe benefits. The projected increases shown in **Table 2-5** represent an estimate of benefits costs, but are not supported by any historical information. By not projecting the individual components of fringe benefits, the Treasurer's projections appear to be understated.

According to the *Research and Training Section's 15th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board, 2006), annual health care costs in the public sector in Ohio have increased by 8 percent since 1993. Maplewood LSD is a member of the Trumbull County Consortium. Since 2002, health care costs have increased by an average of 9.75 percent. Therefore, the benefit projections for FY 2008-09 through FY 2011-12 will be adjusted to include a 9.75 percent annual increase for health care along with the appropriate payroll tax percentages for retirement, workers' compensation, and Medicare costs. **Table 2-6** shows the impact of these revisions on the District's forecast, including the increase in benefits related to the salary adjustments (see **R2.4**) and employee contributions that will begin in FY 2009-10 (see **human resources**).

Table 2-6: Impact of Benefit Adjustments

	FY 2008-09 ¹	FY 2009-10	FY 2010-11	FY 2011-12
Fringe Benefit Projections	\$1,702,650	\$1,728,075	\$1,763,775	\$1,798,999
AOS Revised Projection	\$1,746,569	\$1,832,529	\$1,966,455	\$2,111,649
Net Impact on Forecast	(\$43,919)	(\$104,454)	(\$202,680)	(\$312,650)

Source: AOS analysis

¹ AOS used Maplewood LSD's FY 2007-08 forecasted amount as a baseline to project FY 2008-09 through FY 2011-2012.

R2.6 The Treasurer should review the methodology used to project real estate property tax collections because it comprises 24.5 percent of total revenues in FY 2006-07. Specifically, the Treasurer should ensure that all known factors impacting this revenue source are appropriately accounted for, including the potential impact of reappraisals and updates, yearly fluctuations in property values, and the local economy. The Treasurer should also explain the impact of such factors on the methodology used to develop the projections in the notes that accompany the forecast (see R2.3). Furthermore, the Treasurer should separate the proceeds from the assumed renewal of levies into its own line item until the levy is passed by voters, and make the corresponding adjustments to the applicable revenue line items.

The District's projections for real estate tax collections are as follows:

Table 2-7: Projected Real Estate Property Taxes

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Real Property Taxes	\$2,226,485	\$2,368,514	\$2,349,012	\$2,297,354	\$2,295,818
Annual Change	\$179,183	\$142,029	(\$19,502)	(\$51,658)	(\$1,536)
Percent Change	8.8%	6.4%	(0.8%)	(2.2%)	(0.1%)

Source: Maplewood LSD's October forecast

AOS Technical bulletin 98-015 provides guidelines to school districts for preparing their revenue assumptions and states, "Property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor..."

Real estate tax collections are projected to increase 2.4 percent annually in the forecasted period from FY 2007-08 through FY 2011-12. The FY 2007-08 projection of an 8.8 percent increase appears reasonable given that this will be the first fiscal year in which the District collects a full year of proceeds from the emergency levy. In addition, as of October 31, 2007, the District received 48.7 percent of the estimated real estate property tax collections for FY 2007-08. According to the forecast assumptions, the District receives two tax settlements during the year for property taxes.

For the remainder of the forecast (FY 2008-09 through FY 2011-12), the Treasurer's projections are somewhat conservative as the projected increase of 0.8 percent is significantly less than average annual increase of 5.3 percent from FY 2001-02 to FY 2006-07. However, the historical average is significantly skewed by the passage of the emergency levy in May of 2006. When the FY 2006-07 real estate tax collections are adjusted to eliminate the portion of the increase attributable to the new levy, the actual growth rate would have been 16.3 percent instead of 32.8 percent in FY 2006-07. The adjusted increase could be due to the 2005 reappraisal. Furthermore, the annual average

increase decreases to 2.0 percent when excluding the impact of the new levy. This is still higher than the Treasurer's average projected increase of 0.8 percent. In fact, the Treasurer forecasts decreases each year after FY 2008-09. The Treasurer cited a large number of homes for sale, high foreclosure rates, and job uncertainty among some of the District's largest employers (Delphi, General Motors, health care industry) as reasons for being conservative in the real estate revenue projections.

According to the article *Dimensions of Ohio's Foreclosure Crisis* (Coalition on Homelessness and Housing in Ohio, 2007), foreclosure filings in Trumbull County increased 30 percent in 2006. Also, six of Ohio's eight major metropolitan areas experienced depreciation in real estate values of between 3.5 and 7.7 percent from 2005 to 2006, which was well above the United States average of 2.7 percent. Therefore, the Treasurer's concerns about the impact of the District's economic factors on future real estate tax collections appear valid and the projections throughout the forecast period appear materially reliable. Furthermore, real estate revenues decreased in three of the five years from FY 2001-02 to FY 2006-07.

Although the Treasurer's projections for real estate tax revenue appear reliable, the projections for each year contradict historical trends. The Treasurer stated that the District's history is a factor in the projections. Collections in FY 2002-03 declined by 4.4 percent, which followed the prior update in calendar year 2002. The next update is scheduled to occur in calendar year 2008, but the Treasurer projects the next year (FY 2008-09) to increase 6.4 percent. In addition, collections in FY 2005-06 declined 8.2 percent, following the 2005 reappraisal. The next reappraisal will occur in 2011, but the Treasurer projects FY 2011-12 real estate revenues to be flat. The District's notes that accompany the forecast do not disclose the rationale for these deviations. While the notes indicate that "reductions of staff at Delphi, foreclosures at an all time high in Trumbull County, and the number of residents with their homes for sale will have a direct impact on revenue," they do not link these issues to the methodology used to project real estate revenues (see **R2.3**).

Lastly, the Treasurer assumes that the emergency levy which runs through FY 2010-11 will be renewed. Due to the collection cycle, the District would lose half of the levy proceeds in FY 2011-12 if the emergency levy is not renewed. However, the forecast does not provide a separate line to show the impact of the assumed renewal. AOS Technical bulletin 98-015 states that renewal, replacement, and new levies (including income tax levies) are not to be incorporated into the revenue section until they are passed by the electorate. Prior to their passing, they are shown at the bottom of the schedule. The amount anticipated to be received each year is presented in the appropriate line item account.

R2.7 When developing future forecasts, the Treasurer should review the HB 66 legislation and use an appropriate methodology for estimating tangible personal property taxes. Specifically, the Treasurer should ensure that financial forecasts correctly account for the hold harmless reimbursements and the timeframes for the tangible personal property tax phase-out.

The District's forecast assumptions only state that with the passage of H.B. 66, the tax on tangible property phases out through 2009 and that the phase-out of the tax is not a significant loss of revenue for the District. Verifying the lack of significance, the District's actual FY 2006-07 tangible personal property tax revenue represents less than 1.5 percent of the District's total revenues.

Until the signing of H.B. 66 on June 30, 2005, ORC § 5711.22 slowly phased out the tangible personal property tax by reducing the assessed property valuation rates by one percent in tax years 2002 through 2004. The phase-out then increased to two percent annually, beginning in tax year 2005, and was scheduled to continue at that rate until the tax was eliminated. However, H.B. 66 accelerates the phase-out period. Under H.B. 66, the tangible personal property tax on general business and railroad property will be eliminated by tax year 2009, and the tax on telephone and telecommunication property will be eliminated by tax year 2011. However, the legislation replaces the revenue lost in tangible personal property taxes due to the accelerated phase out (portion attributed to H.B. 66), with reimbursements shown in the property tax allocation line-item.

Table 2-8 shows the District's projections for the tangible personal property tax line-item.

Table 2-8: Projected Tangible Personal Property Tax

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Tangible Personal Property Tax	\$117,133	\$124,026	\$117,133	\$110,585	\$109,245
Annual Change	(6,305)	\$6,893	(6,893)	(6,548)	(1,340)
Percent Change	(5.1%)	5.9%	(5.6%)	(5.6%)	(1.2%)

Source: Maplewood LSD's October Forecast

Table 2-8 projects the tangible personal property tax line item to decrease an average of 2.3 percent through FY 2011-12. The Treasurer stated the projections for this line-item were calculated in accordance with ODE's guidance and instruction. However, the Treasurer was unable to provide any documentation showing how the calculations were performed. In addition, the Treasurer stated that there was a coding error in the tangible personal property tax line-item (FY 2005-06), but was unable to provide a detailed explanation for the error. Furthermore, the Treasurer's projections do not appear to reflect the reductions in HB 66. More specifically, the Treasurer forecasts an increase in FY

2008-09, while the FY 2007-08 and FY 2009-10 projections are the same. Similarly, the Treasurer forecasts property tax allocation to decrease in FY 2008-09 and FY 2009-10, and to be constant thereafter. The decline in FY 2008-09 is questionable because the Treasurer forecasts real estate taxes to increase in FY 2008-09, despite these two line items maintaining a parallel relationship. As a result, the Treasurer does not appear to be accounting for the reimbursements related to HB 66. Lastly, the projected amounts for tangible personal property tax are much higher than historical collections, with the exception of FY 2006-07.

From FY 2001-02 to FY 2004-05, tangible personal property tax revenues declined each year, reaching approximately \$29,000 in FY 2004-05. Due to the above-mentioned coding error, tangible property tax showed a negative amount of approximately \$42,000 in FY 2005-06. In FY 2006-07, tangible personal property tax collections totaled approximately \$123,000. However, based on prior collections, HB 66, and actual collections through October 31, 2007, the actual collections in FY 2006-07 appear to be an anomaly. For instance, as of October 31, 2007, the District had collected \$22,737 in tangible personal property taxes. According to the forecast assumptions, the District receives two tax settlements during the year for tangible personal property taxes. Assuming that the District's second collection remains the same, the total amount collected in FY 2007-08 would be \$45,474, which is significantly less than the amount projected by the Treasurer (\$117,113) for FY 2007-08.

As a result of the issues noted, AOS will adjust tangible personal property tax projections based on actual collections through October 31, 2007 to provide a conservative projection. To conservatively account for HB 66, tangible personal property tax will be reduced by 25 percent each year, and corresponding adjustments will be made to the property tax allocation line item to account for the reimbursements.

Table 2-9 shows the net impact of the adjustments to the forecast.

Table 2-9: Impact of Forecast Adjustments

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Tangible Projection	\$117,133	\$124,026	\$117,133	\$110,585	\$109,245
Revised AOS Tangible Projection	\$45,474	\$34,106	\$22,737	\$11,369	\$0
Net Impact on Forecast	(\$71,659)	(\$89,921)	(\$94,396)	(\$99,217)	(\$109,245)
Property Tax Allocation	\$325,906	\$309,596	\$267,295	\$267,295	\$267,295
Revised AOS Property Tax Allocation Projection	\$325,906 ¹	\$320,965	\$278,664	\$278,664	\$278,664
Net Impact on Forecast	N/A¹	\$11,369	\$11,369	\$11,369	\$11,369

Source: AOS Analysis

¹ As the abnormally high tangible property tax collection was not further investigated to determine a reliable reimbursement amount, AOS did not adjust the District's original projection for FY 2007-08.

Budgetary and Financial Management

R2.8 Maplewood LSD should prepare a budget document that contains key policies, plans, goals, and key issues. This would help link the budget to the District's strategic plan (see R2.2). The document should also include a financial overview of short and long-term plans (obtained from the five-year forecast), a guide to operations, an explanation of the basis of accounting, and a budget summary. The District should also develop formal performance measures and include them in the budget document, which should be aided by the development of a strategic plan (see R2.2). Furthermore, the budget document should be made available to the public. By developing a budget document, the District would provide stakeholders with a clearer and more thorough understanding of the budget and its relationship to the strategic plan (see R2.2) and five-year financial forecast.

The Treasurer indicated that the budget is based mainly on historical costs rather than performance or achievement of specified goals and objectives as the District does not have a strategic plan (see R2.2). Budgetary information is not presented outside of the regular monthly Board meetings. The Treasurer provides Board members with monthly reports, including a check register, financial summary report, and cafeteria expense report. The main report used to gauge the District's adherence to the budget is the budget versus actual report that is generated each month. The District does not prepare, publish, or circulate a formal budget document. The only document that is prepared is the appropriations resolution, which quantifies the District's expenditures and does not provide any explanations regarding significant line-item changes. This limits operational unit accountability and the ability of the local community to understand the District's financial situation and evaluate the use of their tax dollars. While the Treasurer indicated the District periodically monitors lunchroom activity and bus ridership, Maplewood LSD has not formally developed performance measures for all areas of its operations.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) recommends that governments develop budgets that are consistent with approaches to achieve goals, and that they include the following items:

- **Description of key policies, plans and goals.** The identification of key programmatic and financial policies, plans, and goals assists stakeholders in determining the appropriateness of a government's direction and allows them to develop their own opinions as to whether programs and decisions conform to, or are likely to achieve, those policies, plans, and goals.
- **Identification of key issues.** The identification of key issues focuses attention on critical areas, improves the likelihood that an appropriate level of deliberation will occur regarding decisions, provides accountability to stakeholders, and promotes trust.
- **A financial overview of the short and long-term financial plan.** Stakeholders need to have the financial plan of the district clearly identified in order to make the best budgetary decisions. A financial overview typically consists of financial statements and accompanying narrative, charts and graphs. The overview should clearly describe the current and projected financial position, fund balances, financial activities and expectations for the budget period, and the expected implications for future periods.
- **A guide to operations.** This information provides a context for the allocation of resources in the budget, which helps to enable reasoned decision making about the use of resources. It also provides readers with a guide to the government's programs and the organizational structure in place to provide those programs and services.
- **Explanation of the budgetary basis of accounting.** Explaining the differences between the budgetary basis of accounting and the basis used in preparing the annual financial report helps stakeholders understand and interpret the numbers presented in each document, and helps to prevent errors during preparation or interpretation of the budget.
- **A budget summary.** A concise summary of the key issues, choices, and financial trends is needed to inform and direct the reader to the appropriate location for additional information, because most stakeholders do not want to take the time to read and understand all of the details in a budget.

GFOA also indicates that performance measures, including efficiency and effectiveness measures, should be presented in the operating budget document, and should be available to stakeholders. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of previously developed goals and objectives (see R2.2).

R2.9 The Board of Education should either form an audit committee to oversee the financial audit and review the District’s internal control structure, or reinstate the finance committee and increase its role to include the audit committee functions. This will help ensure that it develops and adheres to a sound system of internal controls and that procedures are in place to objectively assess financial management practices. In addition, the District should implement a policy on debt issuance to guide its decisions and reduce the likelihood of repeating the problems cited in the financial audit (see R2.1).

Table 2-10 summarizes Maplewood LSD’s financial audit and management letter citations since FY 2003-04.

Table 2-10: Financial Audit and Management Letter Citations

Non-compliance Citation and Recommendation	FY 2003-04	FY 2004-05	FY 2005-06
ORC § 5705.41 (B)-The District should monitor their budget throughout the year and amend appropriations as needed up to the amount permitted by the amended certificate. This will help to ensure the disbursements are within the amount legally appropriated and prevent over spending ¹ .	X	X	X
ORC § 3313.46-The District should abide by the competitive bidding requirements set forth in Ohio Revised code including the \$25,000 threshold as well as advertising for bids once each week for a period of at least two consecutive weeks in a newspaper or general circulation.	X		
ORC § 1306.06- The Board of Education should adopt a policy regarding the use of electronic or mechanical signatures.		X	X
ORC § 133.10-The District should consult bond counsel and Ohio Revised Code and Compliance Supplement prior to issuing debt.		X	X

Source: AOS and Julian and Grube, Inc.

¹District received citations in ORC § 5705.10 and § 5705.40 as well, which relate to § 5705.41.

Table 2-10 shows that the District received three citations in multiple years, thus demonstrating ongoing problems for Maplewood LSD. According to the Treasurer, the prior administration chose not to seek the advice of legal counsel or work in conjunction with the County Auditor’s Office before issuing a tax anticipation note (TAN). This decision, along with the lack of formal debt policies (see R2.1), led to the District exceeding the limitations on debt issuance set forth by the ORC. For the most recent TAN (FY 2005-06), the District used the services of a law firm which served as bond counsel and worked with the County Auditor’s Office to ensure that the proper

requirements were met. With regard to the overspending issue cited in ORC § 5705.41, the Treasurer indicated that the prior administration never completed certificates of estimated resources at the beginning of the fiscal year. The District rectified the citation by providing a certificate of estimated resources to the County Auditor for FY 2006-07. In addition, the District implemented a policy on electronic signatures to address the ORC § 1306.06 citation.

Although it appears the District is taking action to address past financial audit citations, establishing an audit committee may help improve financial reporting and internal control design. The District had a finance committee that met periodically to discuss items of financial importance (i.e., five-year forecast, levies, economy, etc.). However, the committee has disbanded. The Treasurer stated that in the absence of an internal audit committee, financial audit citations are informally discussed with the Board to determine a solution. GFOA states that an audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. GFOA goes on to indicate that the governing body of every state and local government should establish an audit committee or its equivalent.

R2.10 The District should consider pursuing various options to increase other revenues. Specifically, the Treasurer should prepare an investment report at least quarterly which would allow the Board to take a more active role in the District's investments. The District should also examine additional opportunities to lease or rent facilities, seek donations from area businesses, and make local grant management a higher priority by creating a formal policy on grant management. By implementing R3.1 to hire an additional administrator, the District could better ensure sufficient time to research and apply for grants and other alternative funding sources.

Table 2-11 provides a breakdown of various General Fund components within the other revenues line-item on a per student basis for Maplewood LSD and the peer average.

Table 2-11: Other Revenues Per Student – FY 2006-07

Other Revenues	Maplewood LSD	Peer Average
Tuition	\$219	\$308
Transportation Fees	\$12	\$3
Investment Earnings	\$43	\$182
Food Service	\$0	\$0
Extra-curricular	\$0	\$0
Classroom materials	\$17	\$34
Miscellaneous ¹	\$26	\$33
Total	\$317	\$560

Source: District and peer 4502s

Note: Totals may vary due to rounding. Table excludes transfers, advances, refunds of prior year expenditures as well as proceeds from the sale of bonds and notes.

¹This line includes items such as local grants, donations, and revenue from leasing and rental of facilities.

Explanations for areas where the District is lower than the peer average include the following:

- *Tuition* -- Table 2-11 shows the District's FY 2006-07 tuition revenues were lower than the peer average by nearly \$89 per student. This line-item accounts for tuition payments received from students attending Maplewood LSD through open-enrollment, which is outside of the District's direct control. However, the District's FY 2006-07 SF-3 shows that the open enrollment adjustment was positive whereas the FY 2005-06 SF-3 showed a negative adjustment. This means that the District has gained students through open enrollment.
- *Investment Earnings* -- Table 2-11 shows the District's FY 2006-07 investment earnings were lower than the peer average by \$139. The District's investment policy stresses safety over investment returns. The Treasurer indicated the District primarily invests in certificates of deposit and the Board is not provided with detailed investment reports. GFOA recommends preparing an investment report at least quarterly and providing the report to involved participants. The District's lower investment revenues could also be a function of having lower cash reserves available for investment purposes.
- *Extra-curricular and Classroom Materials* -- Although the District has implemented workbook fees for students, Table 2-11 shows the District collected \$17 less in classroom materials fees when compared to the peer average. The District currently has an extracurricular fee structure in place whereby student athletes pay a flat rate of \$25 per year regardless of the number of sports in which they participate. This revenue goes to the Athletic Fund, rather than the General Fund.

- *Miscellaneous* -- **Table 2-11** shows the District's miscellaneous revenues were \$7 less than the peer average. This line-item accounts for a variety of miscellaneous revenues including local grants, donations, and fees associated with the rental or leasing of facilities. The Superintendent is in charge of researching and applying for grants. However, the opportunity to focus on grants is somewhat limited due to the additional responsibilities assumed by the Superintendent and other administrators following the recent reduction in staff (see **human resources** section). The Treasurer stated the District does not have any type of formal policy on grant management and that eligibility for many grants is limited because they are restricted based on economic levels, etc.

R2.11 Maplewood LSD should consider holding public meetings with citizens on a regular (e.g., quarterly) basis. The District should use these meetings as a forum to discuss a wide range of topics. The District should also explore other methods for obtaining stakeholder feedback, such as periodic surveys.

The District's primary methods of communication with citizens consist of public Board meetings and a quarterly newsletter, which includes various financial information including levy details. However, the District does not hold community forums or conduct surveys designed to solicit feedback from citizens concerning their satisfaction with operations. In addition, the District does not share financial information with its residents on its web site (see **R2.12**).

During the performance audit of Painesville Township Local School District (Painesville TLSD), released in March 2007, the Treasurer indicated the district holds town hall meetings where discussions take place regarding issues like school funding, capital improvement projects and curriculum issues. Painesville TLSD also used surveys to obtain feedback from the community. For example, the survey issued in the Fall 2006 newsletter, with results published in the Winter 2007 newsletter, solicited the community's feedback on satisfaction levels with educational services, fiscal management, and district communications; renaming the school district; the adequacy of facilities and equipment; and measures to alleviate building overcrowding. Likewise, the district separately solicited feedback from parents on various areas, including their satisfaction with the curriculum, quality of teaching, and level of classroom and office discipline.

Establishing regular community forums at which pertinent financial and operational information is shared, and obtaining feedback via periodic surveys could help to further engage the community and build support for District initiatives.

R2.12 Maplewood LSD should consider updating its web site to include financial information that could be useful to local citizens and other interested parties. By making financial information available on its web site, the District would be using a relatively inexpensive method to communicate with constituents. In addition, a redesigned web site could potentially reduce the time and costs associated with public records requests.

Maplewood LSD does not place any financial information (annual budget, five-year forecast and assumptions, levy history, etc.) on its web site for public viewing. In addition, although there was a link on the web site to a Treasurer's page, it did not contain information as of October 25, 2007.

According to *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents directly on the web site. Furthermore, GFOA notes that a government effectively using its web site can realize a number of benefits including increased public awareness, increased public use of the information, availability of information for use in public analysis, and possible avoidance of disclosure redundancy. The Westerville City School District (WCSD) provides the community with several key financial reports that pertain to District operations on its web site. For example, WCSD's web site provides detailed levy information; current budget and forecast documents; property tax, millage, and valuation information; the comprehensive and popular annual financial reports; and local report card information.

The lack of financial information on the website makes it difficult for parents and stakeholders to obtain information about the District's financial situation and does not foster effective communication.

Purchasing, Training, & Payroll

R2.13 The District should consider lowering the minimum threshold requirement for obtaining multiple price quotes. Furthermore, it should consider expanding its membership in consortiums to increase the pool of products and prices to compare. These practices will provide the Board with more assurance that the District's goods and services are being purchased at competitive prices.

Maplewood LSD has Board policies governing purchasing, including policies covering petty cash accounts, cooperative purchasing, bidding requirements, purchasing authority and procedures, and vendor relations. However, the purchasing policies are broad and only require competitive pricing as follows:

- The District will comply with State law regarding competitive bidding requirements (anything exceeding \$25,000 as noted in ORC § 3313.46).
- The District will seek two quotes for any item or group of items in a single transaction costing between \$10,000 and \$25,000; and
- Contracted services in excess of \$5,000 require the approval of the Board.

In contrast to the District's \$10,000 threshold, Akron Public Schools requires district employees to obtain three price quotes on anything costing more than \$6,000.

The Treasurer indicated that the District is a member of one purchasing consortium, the Ohio Schools Council, which provides electricity. The Treasurer also stated that the District's size may preclude it from experiencing the full benefits of purchasing consortiums. Nevertheless, further exploration of membership in other relevant consortiums could help the District ensure it purchases products at the most economical price. For example, the U.S. Communities: Government Purchasing Alliance (USC) is a nonprofit entity that assists public agencies in reducing the cost of goods by pooling their purchasing power nationwide. USC is nationally sponsored by leading associations and purchasing organizations (e.g., Association of School Business Officials International). Key advantages of participating in USC include the following:

- Generates savings through the lack of user fees or costs to participate, saves time and money, and frees resources for other public priorities, programs and services;
- Offers competitively solicited contracts;
- Provides direction by public purchasing professionals; and
- Aggregates purchasing power:
 - Combines potential purchasing power of up to 87,000 local agencies;
 - Expands purchasing choices beyond state boundaries; and
 - Includes over 8,000 public agencies in 50 states.

USC offers technology products such as computer hardware, software, and peripherals, as well as office/school supplies, janitorial supplies, office and school furniture, and office machines.

By establishing a minimum competitive pricing threshold at \$10,000 and not maximizing participation in consortiums, the Board increases the risk of employees not obtaining fair prices for purchases.

R2.14 The District should take steps to cross-train employees in the Treasurer’s office. To facilitate the cross-training, the Board should require the Treasurer’s office to establish a listing of procedures to be followed while completing critical functions, such as payroll and accounts payable. This would help to avoid potential difficulties should one or more of the employees leave the District or incur extended absences.

The District currently has one cross-trained employee in the Treasurer’s office as she was a former Treasurer and has the knowledge and experience to handle duties outside her job description. In addition, the Treasurer spent twelve years working in the payroll department for a large city and has the knowledge and ability to handle the duties of the payroll employee in their absence. The District employs a data entry clerk that conducts EMIS fund coding, tracks receipts, makes daily deposits, and counts cash collections; however, it does not have other personnel that can currently complete these activities. Furthermore, the District does not have a formal policy on cross-training, and the ability of District employees to handle duties outside of their job description is based on their prior work experiences rather than efforts by the District to formally cross-train its employees.

The Society of Human Resource Management (SHRM) indicates that cross-training increases employee knowledge and ability to perform different tasks by using current skills or learning new skills. Most organizations benefit from cross-training as it:

- Creates a more flexible and versatile workforce;
- Improves productivity;
- Prevents stagnations;
- Allows for effective succession planning;
- Increases retention and avoids recruiting costs; and
- Enables employees to understand organizational goals and objectives.

R2.15 The District should expand the use of direct deposit and consider negotiating mandatory direct deposit in future collective bargaining agreements. The use of direct deposit reduces the cost of processing payroll checks, streamlines bank reconciliations and helps minimize security risks associated with lost or stolen checks.

Maplewood LSD offers its employees a direct deposit pay option to any financial institution. The District encourages all employees to sign-up for direct deposit; however, direct deposit is not mandatory. The Treasurer stated that 70 percent of the District’s staff members are enrolled in the direct deposit program. According to *Accounting Best Practices* (Steven M. Bragg, 2005), entities should take advantage of direct deposit. Using direct deposit can help eliminate some of the steps involved in issuing paychecks, including the following:

- Printing checks, including manual cancellation of the first batch of checks and new print runs when initial check runs fail;
- Signing of checks by an authorized individual, who may have questions about payment amounts that require additional investigation;
- Distributing checks; and
- Tracking checks not cashed and following up with employees.

Besides avoiding some of the steps involved with issuing paychecks, direct deposit carries the additional advantage of putting money in employee bank accounts without delay. However, paper-based notifications of direct deposit payments may still need to be sent to employees. While this would require printing and distribution steps, there would be no need for signing the notifications or tracking paychecks not yet cashed by employees. *Accounting Best Practices* further indicates that if properly implemented, direct deposit can be a clear advantage to both the accounting department and employees.

Revised Financial Condition

R2.16 Maplewood LSD should analyze and use Table 2-12 to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits beginning in FY 2009-10. In addition, the Treasurer should update Table 2-12 on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.

Table 2-12 presents the revised projections discussed throughout this section of the audit report and the cumulative effect of the audit recommendations.

Table 2-12: Revised Five-year Forecast (in 000s)

	Actual			Forecasted				
	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revenues:								
General Property (Real Estate)	\$1,679	\$1,542	\$2,047	\$2,226	\$2,369	\$2,349	\$2,297	\$2,296
<i>Tangible Personal Property Tax-Revised</i>	\$29	(\$42)	\$124	\$45	\$34	\$23	\$11	\$0
State Funding	\$5,281	\$5,579	\$5,541	\$5,531	\$5,528	\$5,518	\$5,518	\$5,518
<i>Property Tax Allocation-Revised</i>	\$225	\$237	\$298	\$326	\$321	\$279	\$279	\$279
All Other Operating Revenue	\$292	\$272	\$336	\$269	\$255	\$261	\$261	\$261
Total Revenue	\$7,506	\$7,588	\$8,346	\$8,398	\$8,507	\$8,429	\$8,366	\$8,354
Proceeds from Sale of Notes	\$440	\$815	(\$4)	\$0	\$0	\$0	\$0	\$0
Advances-In	\$35	\$0	\$4	\$15	\$5	\$5	\$5	\$5
All Other Financial Sources	\$22	\$25	\$238	\$192	\$155	\$150	\$25	\$25
Total Other Financing Sources	\$497	\$840	\$238	\$207	\$160	\$155	\$30	\$30
Total Revenues & Other Financing	\$8,003	\$8,428	\$8,584	\$8,605	\$8,667	\$8,584	\$8,396	\$8,384
Expenditures:								
<i>Personal Services – Revised</i>	\$4,684	\$4,570	\$4,502	\$4,603	\$4,775	\$4,975	\$5,174	\$5,381
<i>Employee Benefits – Revised</i>	\$1,473	\$1,513	\$1,600	\$1,657	\$1,747	\$1,833	\$1,966	\$2,112
Purchased Services	\$1,576	\$1,329	\$1,518	\$1,406	\$1,362	\$1,369	\$1,395	\$1,395
Supplies and Materials	\$296	\$248	\$221	\$253	\$256	\$258	\$261	\$261
Capital Outlay	\$49	\$9	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service ¹	\$0	\$61	\$23	\$123	\$118	\$113	\$108	\$105
Other Objects	\$104	\$90	\$116	\$92	\$93	\$94	\$95	\$95
Total Expenditures	\$8,182	\$7,820	\$7,980	\$8,134	\$8,350	\$8,641	\$8,999	\$9,348
Operational Transfers – Out	\$62	\$350	\$34	\$8	\$0	\$0	\$0	\$0
Advances – Out	\$0	\$4	\$15	\$5	\$5	\$5	\$5	\$5
All Other Uses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Financing Uses	\$62	\$354	\$49	\$13	\$5	\$5	\$5	\$5
Total Expend. & Other Financing	\$8,244	\$8,174	\$8,029	\$8,147	\$8,355	\$8,646	\$9,004	\$9,353
Result of Operations (Net)	(\$241)	\$254	\$555	\$458	\$312	(\$62)	(\$608)	(\$970)
Beginning Cash Balance	\$589	\$348	\$602	\$1,157	\$1,615	\$1,927	\$1,865	\$1,257
Ending Cash Balance	\$348	\$602	\$1,157	\$1,615	\$1,927	\$1,865	\$1,257	\$288
Outstanding Encumbrances	\$71	\$60	\$25	\$25	\$25	\$25	\$25	\$25
Budget Reserve	\$0	\$0	\$0	\$165	\$165	\$165	\$165	\$165
Unreserved Ending Fund Balance June 30	\$277	\$542	\$1,132	\$1,425	\$1,737	\$1,675	\$1,067	\$98
<i>Cumulative Impact of Performance Audit Recommendations ²</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$80</i>	<i>\$160</i>	<i>\$239</i>	<i>\$319</i>
Revised Unreserved Ending Fund Balance June 30	\$277	\$542	\$1,132	\$1,425	\$1,817	\$1,835	\$1,307	\$417

Source: Maplewood LSD and AOS

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

¹ Debt service includes principal, interest and fiscal charges.

² Performance audits savings are held constant for each year.

Table 2-13 summarizes the net impact of the forecast changes made in the performance audit.

Table 2-13: Net Impact of Forecast Recommendations

Recommendation	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
R2.4 Revise Salary Assumptions	\$0	(\$45,109)	(\$173,396)	(\$274,473)	(\$383,434)
R2.5 Revise Benefit Assumptions	\$0	(\$43,919)	(\$104,454)	(\$202,680)	(\$312,650)
R2.7 Revise Tangible Personal Property Tax	(\$71,659)	(\$89,921)	(\$94,396)	(\$99,217)	(\$109,245)
R2.7 Revise Property Tax Allocation	\$0	\$11,369	\$11,369	\$11,369	\$11,369
Total Impact of AOS Forecast Adjustments	(\$71,659)	(\$167,580)	(\$360,878)	(\$565,001)	(\$793,960)

Source: AOS Analysis

Human Resources

Background

This section of the performance audit focuses on Maplewood Local School District's (Maplewood LSD or the District) human resource operations. Operations were evaluated against recommended practices, industry benchmarks, operational standards, and selected peer school districts¹ with similar demographics as Maplewood LSD in order to assess the related areas. Where warranted, the assessments include recommendations to improve efficiency and reduce costs.

Organizational Structure and Function

Maplewood LSD does not have a separate department dedicated to human resource functions. The Treasurer and Superintendent perform those duties. The Treasurer administers the District's employee benefit programs; helps negotiate and administer the collective bargaining agreements; manages the workers' compensation program; conducts payroll functions; and monitors the budget. The Superintendent oversees the activities to recruit, select, and evaluate employees; helps negotiate and administer the collective bargaining agreements; and monitors compliance with minimum employment standards. The Superintendent is also responsible for overseeing the Transportation, Maintenance, and Food Service Departments.

Staffing

Table 3-1 compares Maplewood LSD's full-time equivalent (FTE) employees per 1,000 students to the peer average.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 3-1: Maplewood LSD Staffing Comparison (FTEs per 1,000 Students)

Staffing Category	Maplewood LSD ¹ FY 2006-07	Peer Average ² FY 2006-07	Difference
Students Educated (FTE) ³	1,025	1,219	(194)
Administrative	5.12	6.29	(1.17)
Educational	62.01	67.55	(5.54)
Professional	0.98	1.38	(0.40)
Technical	3.90	3.21	0.69
Office/Clerical	15.32	10.16	5.16
Maintenance	0.00	1.90	(1.90)
Custodial/Grounds	10.73	6.06	4.67
Transportation	9.76	8.27	1.49
Food Service	8.78	7.25	1.53
All Other	0.00	1.72	(1.72)
Total FTEs	116.60⁴	111.58	5.02

Source: FY 2006-07 EMIS data and interviews

Note: Totals may vary due to rounding.

¹ Reflects updated FTE employees confirmed by the District and therefore will not agree with EMIS data. Specifically, the administrative and office/clerical FTEs were adjusted to include the Superintendent position (1.0 FTE) and another clerical position (0.7 FTE). See **R3.1** and **R3.3** for further assessment.

² Reflects un-audited data reported by the peers through EMIS, although data was reviewed for reasonableness.

³ Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

⁴ Maplewood LSD reported a total of 120.13 FTEs in the FY 2007-08 EMIS report, which is similar to the total FTEs used in **Table 3-1** for FY 2006-07 (119.51). Furthermore, the District employs the same number of FTEs for administrators (see **R5.1**), library staff (see **R3.2**) and office/clerical (see **R5.3**) in FY 2006-07 and FY 2007-08.

Table 3-1 shows that Maplewood LSD employs more FTEs per 1,000 students when compared to the peer average in technical (see **R3.2**), office/clerical (see **R3.3**), custodian/grounds (see the **facilities** section), transportation (see the **transportation** section), and food service (see *Issues for Further Study*).

Salaries

Table 3-2 compares the District's average salaries for the administrative, certificated, and classified staff with the peer averages for FY 2006-07.

Table 3-2: Maplewood LSD Average Salary Comparison – FY 2006-07

Category	Maplewood LSD	Peer Average	Percent Difference
Administrative	\$64,024 ¹	\$66,566	(3.8%)
Certificated	\$52,026	\$48,548	7.2%
Classified & Professional	\$16,557 ²	\$26,491	(37.5%)
Total Average Reported Salary	\$36,560	\$39,982	(8.6%)

Source: FY 2006-07 EMIS data

¹ Average administrators' salary was adjusted to include the Superintendent's salary in the calculation. Therefore, the average salary reported will not agree with the average salary reported through EMIS.

² Does not include the 0.7 clerical FTE position added in **Table 3-1**. However, the annual salary for this position is lower than the peer average classified salary.

Table 3-2 shows that in total, Maplewood LSD compensates its employees at an average rate of nearly nine percent lower than the peer average. However, **Table 3-2** also shows that Maplewood LSD's average certificated salary is higher than the peer average (see *Assessments Not Yielding Recommendations* for additional analysis).

Negotiated Agreements

The following collective bargaining agreements cover the District's certificated and classified personnel:

- **Maplewood Local School District Education Association (Certificated contract):** covers certificated employees and runs through August 31, 2010.
- **Ohio Association of Public School Employees/AFSCME Local 420 (Classified contract):** covers classified employees and runs through June 30, 2010.

The performance audit assesses certain contractual and employment issues, and compares those issues to Ohio law and industry benchmarks. Areas of analysis include common contractual provisions such as maximum sick leave accrual and payout at retirement, number of paid holidays, vacation accrual, and attendance incentives (see **R3.5**).

Noteworthy Accomplishments

The performance audit identified the following noteworthy accomplishment of the District's human resource operations:

- **Workers' Compensation:** Maplewood LSD's experience modifier was 0.06 in 2006 and 0.10 in 2007. The experience modifier is the primary calculation used by the Bureau of Workers' Compensation (BWC) to establish the annual premiums and is based upon

several factors, including the number of total claims in any previous period, the severity of those claims, and the extent to which lost time claims went into effect. According to a representative at BWC, an experience modifier less than 1.00 indicates the entity has effectively managed workers' compensation costs and would be eligible for discounted rates in most cases. The Treasurer indicated that the District's low experience modifier rate is partially due to the District's involvement in the BWC's \$15,000 Medical-Only Program. The program offers employers the opportunity to pay the first \$15,000 of medical bills in medical-only claims. Once the medical bills reach the \$15,000 limit, the employer notifies the BWC to have the claim removed from the program, and the managed care organization begins managing the claim.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas within the **human resource** section that did not warrant changes and did not yield recommendations. Those assessments include the following:

- **Teaching Aides and Instructional Paraprofessionals:** Maplewood LSD employs 3.3 more teaching aide FTEs per 1,000 students than the peer average. When the instructional paraprofessionals are combined with the teaching aide classification, Maplewood LSD's staffing levels are 2.6 FTEs higher than the peer average on a per 1,000 student basis. However, the teaching aides are strictly assisting special education students. In addition, the District spent \$540 per special education student in FY 2006-07, which is significantly lower than the peer average of \$935. Further, the District reported two fewer teaching aide FTEs in the FY 2007-08 EMIS report, when compared to FY 2006-07.
- **ESP Staffing:** The District's combined ESP staffing (ESP teachers, counselors, librarians/media specialists, social workers, and nurses) per 1,000 students exceeds the peer average by 2.5 FTEs and the State minimum requirements by 5.8 FTEs. However, the District is projecting surpluses in each year of the current five-year forecast. Although the projected financial condition supports the additional ESP staffing levels, the District could review ESP staffing for potential reductions if financial conditions change in the future.
- **Certificated Salaries:** The District's average certificated salary is approximately seven percent higher than the peer average in FY 2006-07. This is due to the education and longevity of the District's teachers rather than a generous step schedule. Specifically, 80.5 percent of the certificated staff has a master's degree while the peer average is 66.1 percent. Similarly, 78.1 percent of the District's certificated staff has over ten years of service while the peer average is 63.1 percent. Furthermore, the District's beginning and

ending steps from the salary schedule are lower than each of the selected peers² in all educational classifications. Lastly, the District's certificated staff received no negotiated wage increases the last two fiscal years.

- **Certificated Substitute Wages:** The District adopted a daily substitute pay rate that is comparable to the average for school districts in Trumbull County. Maplewood LSD's substitute rates for certificated personnel are \$75 a day, compared to an average of \$74 per day for the other districts in Trumbull County. In addition, the District reviews its substitute pay rates to ensure rates remain competitive, which subsequently helps the District attract substitutes to meet daily needs.
- **Health Insurance Premiums:** The District's health insurance premiums are lower than the applicable premium averages published by the State Employment Relations Board (SERB). SERB data was adjusted for inflation to allow for a reliable comparison to Maplewood LSD's premiums.
- **Negotiation Agreement Process:** The District uses a defined process for negotiating its collective bargaining agreements that incorporates the thoughts and opinions of a variety of personnel, including the Superintendent, the Treasurer, Board members, and attorneys. Additionally, the Superintendent and Board President have received training on contract negotiations.
- **Hiring Process:** The collective bargaining agreements require the District to post vacant positions internally. Additionally, the District posts certificated job openings (i.e., teaching positions) on the Trumbull County Educational Service Center's web site. The Trumbull County Educational Service Center sends email notifications of the openings and screens candidates. The Superintendent, two Board members, and the building principals conduct employee interviews and decide on the most qualified certificated candidate. Lastly, the Superintendent noted the District posts for classified positions in the newspaper and reviews substitutes as potential hires for classified positions.
- **Teacher Certification:** The District has an active Local Professional Development Committee (LPDC) that helps certificated employees comply with the State's requirements for teacher certification. The District's LPDC appears effective, as the percentage of highly qualified teachers and teachers with appropriate certifications is comparable to or higher than State averages for FY 2005-06 and FY 2006-07.

² The peers for the step schedule comparison consist of Bethel-Tate (Clermont County), Bluffton (Clermont County), and North Central (Wayne County).

- **At-Risk Program:** The District has adopted policies regarding student intervention services and student assistance programs that stipulate the procedures to follow in identifying and assisting students deemed at-risk. The District identifies these students through various mechanisms including interventions, multi-factored evaluations, observations, standardized test scores, and discussions with parents. Once the District identifies an at-risk student, it notifies the parents and gives them an opportunity to participate in the intervention services. The District further involves parents of at-risk students by offering parent-teacher conferences, progress reports, and volunteering opportunities.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified the following such issues:

- **Food Service Staffing:** Maplewood LSD employs 1.53 more food service FTEs per 1,000 students than the peer average. Despite the higher food service staffing levels, the District has sufficient cash flow in the Food Service Fund to meet expenditures. In addition, the five-year forecast filed June 2, 2007 does not include any transfers to the Food Service Fund. The District recently purchased a point of sale system that will allow Maplewood LSD to pursue the use of direct certification. By using direct certification, the District could reduce the time and amount of paperwork associated with determining eligibility for free and reduced price lunches. In addition, the point of sale system should help the District decrease its serving time. After installing the point of sale system, the District should conduct a detailed review of its Food Service Department to determine if any reductions can be achieved without negatively affecting the quality of the food service program.
- **Retirement Incentives:** Maplewood LSD does not offer retirement incentives to its certificated staff. As previously stated, 78.1 percent of Maplewood LSD's certificated staff has over ten years of service, which contributes to the higher average certificated salary (see **Table 3-2**). In addition, 26.5 percent of the certificated staff is on the last step of the salary schedule. Therefore, the District should consider offering retirement incentives to the certificated staff in order to reduce the number of teachers compensated at the high end of the salary schedule. However, the District should conduct a cost/benefit analysis before implementing a retirement incentive.

- **Special Education Staffing:** The District employed 6.6 special education FTEs during FY 2006-07. Based on the minimum staffing requirements for special education in Ohio Administrative Code (OAC) § 3301-51-09, the District should employ 8.2 special education FTEs. However, the District also employed 8.0 teaching aide FTEs who strictly assist special education students in FY 2006-07. In the FY 2007-08 EMIS report, the District reported an additional 0.3 special education FTEs, but two fewer teaching aide FTEs. The District should further consult with ODE to ensure its special education staffing levels comply with OAC requirements. During the latter portion of the performance audit, Maplewood LSD provided information for FY 2007-08 that shows the number of special education students receiving services directly from the District. Based on this information, the District should employ 7.08 special education FTEs. In FY 2007-08, the District reported 6.9 special education FTEs.

Recommendations

Staffing

R3.1 Maplewood LSD should consider hiring a full-time central administrator and re-allocating current job functions. For example, if the District hired a central administrator to oversee the transportation and food service functions, the other administrators would have additional time to improve financial forecasting, budgeting, strategic and capital planning, investing, and grant writing. By hiring a full-time administrator, the District would better ensure that administrators have the ability to effectively manage and oversee operations.

Maplewood LSD currently operates three schools, each supervised by one principal (3.0 FTEs). The three schools consist of one elementary school, one middle school, and one high school. The District's remaining administrative staff includes the Superintendent, the Treasurer, and two part-time administrative positions, for a total of 2.3 central administrator FTEs.

Table 3-3 compares the FY 2006-07 staffing levels of all administrative personnel at Maplewood LSD with the peer average, based on the number of employees, students and buildings.

Table 3-3: Administrator Staffing Comparison

	Maplewood LSD	Peer Average	Difference
Employees per Administrator	21.4	17.7	3.7
Site Based Administrator per Building	1.0	1.1	(0.1)
Central Administrators per 1,000 Students	2.2	3.5	(1.3)
Site Based Administrators per 1,000 Students	2.9	2.8	0.1
Total Administrators per 1,000 Students	5.2	6.3	(1.1)

Source: Maplewood LSD interviews and FY 2006-07 EMIS data

Note: Totals may vary from actuals due to rounding. Maplewood LSD data updated to include the Superintendent (1.0 FTE).

Table 3-3 shows that Maplewood LSD employs fewer administrators per 1,000 students when compared to the peer average. This is due to employing approximately 1.3 fewer central administrators per 1,000 students than the peer average. The lower central administrator staffing contributes to the District managing more employees per administrator than the peer average. Conversely, the District employs a similar number of site based administrators per building and per 1,000 students, when compared to the respective peer averages.

The lower central administrator staffing levels are due to the elimination of positions to address the District's financial situation. For example, the District eliminated the Transportation Director, the Technology Director, the Maintenance Director, and the Food Service Director at the end of FY 2005-06. It then assigned the responsibilities to the Superintendent and other District staff, rather than replacing the positions. As a result, the Superintendent currently oversees the Transportation, Food Service, and Maintenance Departments. Specifically, the Superintendent handles scheduling and personnel issues, and reviews the District's transportation and food service reports. The Assistant to the Superintendent (coded in the clerical classification) performs the data entry associated with the transportation and food service reports. The additional responsibilities hinder the Superintendent from completing other key management duties, such as developing a strategic plan. Furthermore, the District allows, in certain circumstances, certificated staff to receive additional compensation for originating grants. According to the certificated collective bargaining agreement, a bargaining unit member who writes a grant will receive the administrative fee from the grant funds when received by the school district. If there is no administrative fee, the employee may appeal to the School Board to receive an amount equivalent to 10 percent of the funding from that grant, prior to the writing of the grant.

This performance audit cites several areas for improvement that are partially attributable to the low administrative staffing levels, including the following:

- **R2.10:** The District lacks management oversight of the investment program and policies to manage the grant process;
- **R2.3 and R2.8:** The financial forecast and budget documents are not prepared at a level of detail that effectively communicates the District's financial situation;
- **R2.2, R3.4, R4.3, and R5.2:** The District lacks a strategic plan, a comprehensive staffing plan, an updated facilities master plan, a capital improvement plan, and a bus replacement plan; and
- **R5.4:** The District's T-reports have numerous reporting errors.

The Superintendent indicated the District has no immediate plans to hire a central administrator. However, if the District hired a central administrator, its revised staffing ratios (18.0 employees per administrator and 6.1 administrators per 1,000 students) would be more comparable to the peer average. Furthermore, hiring a central administrator would help the District implement the aforementioned recommendations.

Financial Implication: Based on the average administrative salary, hiring an additional administrator would cost approximately \$86,000 per year in salaries and benefits. Benefits were estimated at 35 percent of salaries, based on the relationship of total General Fund benefits to salaries in FY 2006-07.

R3.2 Maplewood LSD should consider reducing staffing levels in the librarian aide classification by 1.0 FTE. This would result in total library staffing levels that are more comparable to the peer average.

Table 3-1 shows the District employs more technical FTEs per 1,000 students than the peer average due to its librarian aide/technician staffing. **Table 3-4** compares Maplewood LSD's staffing for librarians, technicians, and aides to the peers, based on the number of students and buildings.

Table 3-4: Librarians, Technicians, and Aides

	Maplewood LSD	Peer Average	Difference
Librarians, Technicians and Aides	4.0	2.7	1.3
• Per 1,000 Students	3.9	2.3	1.6
• Per Building	1.3	0.8	0.5

Source: FY 2006-07 EMIS data as reported to ODE.

Note: Totals may vary due to rounding.

Table 3-4 shows that Maplewood LSD has more librarian FTEs per 1,000 students and per building than the respective peer averages. The District employs 0.98 librarian FTEs per 1,000 students, which is comparable to the peer average of 1.04 librarian FTEs. However, the District employs 2.9 aide/technician FTEs per 1,000 students, compared to the peer average of 1.5. As a result, it employs 1.4 more aide/technician FTEs per 1,000 students. If the District eliminated 1.0 FTE aide/technician position, it would employ 2.9 total library FTEs per 1,000 students and 1.0 FTE per building, which is still slightly higher than the respective peer averages.

Financial Implication: As aides are compensated at the same rate, eliminating 1.0 library aide FTE would result in savings of approximately \$17,800 annually in salaries and benefits.

R3.3 Maplewood LSD should review its clerical staffing assignments in an effort to eliminate 1.0 FTE position. Doing so would result in staffing levels that are more comparable to the peer average.

Table 3-5 compares the District's clerical staffing level to the peer average, based on the number of students, employees, and buildings.

Table 3-5: Clerical Staffing Levels

	Maplewood LSD	Peer Average	Difference
Total Clerical Staff	7.7	6.9	0.8
Clerical Staff per 1,000 Students	7.5	5.9	1.6
Employees per Clerical Staff	14.4	19.6	(5.2)
Clerical Staff per Building	2.6	2.2	0.4

Source: Maplewood LSD interviews and FY 2006-07 EMIS data

Note: Totals may vary due to rounding. Maplewood LSD data was updated to include 0.7 FTE Assistant to the Treasurer. In addition, total clerical staff excludes teaching aides.

Table 3-5 shows the District employs 7.5 clerical employees per 1,000 students, while the peer average is only 5.9. Likewise, the District employs 0.4 more clerical staff per building than the peer average. **Table 3-5** also shows that the District's clerical staff is responsible for fewer employees per FTE (14.4-to-1) than the peer average (19.6-to-1). The District would need to eliminate 1.6 FTEs to achieve the peer average for clerical employees per 1,000 students. By comparison, the District would need to reduce approximately 2.0 FTEs to achieve an employee per clerical staffing ratio that is similar to the peer average, or 1.1 FTEs to achieve a comparable number of clerical staff per building.

Financial Implication: Eliminating 1.0 clerical FTE position would result in savings of approximately \$17,000 annually in salaries and benefits. In order to be conservative, this estimated savings are based on the clerical position that receives the lowest hourly rate, which is one of the positions that works 6.5 hours per day.³

R3.4 Maplewood LSD should establish a formal staffing plan to address current and future staffing needs. By developing a staffing plan, the District would better ensure that it meets State requirements and maintains adequate staffing levels. The District should review R3.1, R3.2 and R3.3, and the other sections of this performance audit to identify variables (e.g., workload measures) that should be considered when analyzing staffing levels in specific areas.

The District does not have a formal staffing plan to guide decision-making. Rather, staffing decisions are based on a consideration of enrollment, classroom size, and legislative mandates. The building principals meet with guidance counselors in January to evaluate enrollment in each grade and establish classes. The principals report their findings to the Superintendent in March to allow for changes in staffing for the upcoming

³ The District classifies each clerical position as 1.0 FTE, with actual working hours per position ranging from 6.5 to 8.0 hours per day. This appears to be due to the District maintaining separate classifications for the positions comprising the clerical code in EMIS. According to the FY 2006-07 EMIS Reporting Manual, 1.0 FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

school year. The Superintendent indicated the District has realigned staff in the past to account for fluctuations in grade level enrollment.

The certificated collective bargaining agreement stipulates the Board will make a reasonable effort to limit class size to twenty-five students per teacher. The special education staffing levels are stipulated in OAC § 3301-51-09, which establishes maximum student-to-teacher ratios for each category of student disability (see *Issues for Further Study*). The Superintendent indicated the building principals help monitor the staffing levels of the classified staff. However, without a formal staffing plan, the District increases the risk of not meeting established service goals.

The Tulsa Public Schools have a formal staffing plan, which includes established guidelines for determining the appropriate staffing levels within the regular and special education teacher, administrative, other instructional, clerical, custodial, transportation, and food service classifications. The instructional and administrative allocations are based on student enrollment or student caseload for special education teachers. The other staffing allocations are based on consideration of various workload measures. For example, the determination of custodial staffing levels is based on a calculation that considers the number of teachers, students, rooms, and the total area of the buildings. The food service staffing allocations are based on a minimum target meals per labor hour calculation established by the District. The staffing plan also outlines the procedures for developing the allocations in each area.

Negotiated Agreements and Sick Leave Use

R3.5 The District should negotiate to require all full-time employees receiving health benefits to pay at least ten percent of the monthly health care premium cost. For all part-time employees, the District should consider negotiating employee contribution rates that are more in line with the number of hours worked per day. For example, part-time staff working 30-35 hours a week could contribute 20 percent; 25-29 hours per week could contribute 30 percent; and 20-24 hours per week could contribute 45 percent. In addition, the District should consider negotiating a reduction in maximum sick leave payouts, holidays and vacation days.

As a component of the performance audit, certain provisions in the District's collective bargaining agreements were compared to statutory requirements and recommended practices. The following areas in Maplewood LSD's collective bargaining agreements are not consistent with these standards and benchmarks:

- **Healthcare Contributions:** Maplewood LSD provides medical, prescription, dental, vision, and life insurance coverage to all employees through its membership in the Trumbull County Consortium. However, full-time certificated

and classified employees are not required to contribute toward the health insurance premium costs until FY 2009-10 (5 percent for current employees and 10 percent for new employees). Classified staff members hired before or on July 1, 2007 and who work more than 20 hours a week but less than 35 hours will contribute 5 percent toward health insurance premiums in FY 2008-09 and 10 percent in FY 2009-10. The District employs 33 classified positions that work less than 35 hours, including two positions working less than 20 hours. The certificated agreement does not stipulate varying contributions for part-time employees, which is due in part to the fact that all District-employed certificated staff working full-time. According to SERB, the average employee contribution for public employers in Ohio was 7.3 percent for single medical coverage and 8.6 percent for family coverage in 2006. According to a national survey conducted by the Kaiser Foundation in 2006, the average employee contribution rate was 16 percent for single coverage and 27 percent for family coverage.

- **Maximum Sick Leave Payout:** The certificated and classified contracts allow for maximum severance payouts upon retirement of 65 and 60 days, respectively. The District pays an additional \$40 per day for all accumulated leave over 240 days for certificated employees and an additional \$10 per day for all accumulated leave over 200 days for classified employees. ORC § 124.39 stipulates that if an employee retires from active service with ten or more years of service, they are entitled to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit up to 30 days. ORC § 124.39 also indicates that entities can adopt policies that allow for more than 30 days. In FY 2006-07, the District incurred severance payouts of approximately \$62,400. The savings associated with a reduction in the severance payout will vary depending on the number and rate of pay for retirees in a given year. However, if the District had reduced the maximum severance payout to ORC minimum requirements in FY 2006-07, the savings would have been approximately \$35,000.
- **Holidays:** According to ORC § 3319.087, 11 and 12 month employees are entitled to a minimum of 7 holidays and 9 or 10 month employees are entitled to 6 holidays. Maplewood LSD's 11 and 12-month employees receive 10 holidays, while the 9 and 10-month employees receive 8 holidays. Providing full-time employees with more holidays can reduce productivity since there are fewer workdays devoted to District operations.
- **Vacation Accrual:** The District's classified collective bargaining agreement allows for vacation accrual rates that are higher than the minimum requirements stipulated in ORC § 3319.084. For example, the District provides its employees with 20 days of vacation after 15 years of service while the ORC does not require 20 days of vacation until an employee has 20 years of service.

Financial Implication: Once the five percent healthcare contribution is implemented in FY 2009-10, the District will experience a cost savings of approximately \$39,000. If Maplewood LSD negotiated a ten percent employee contribution for all staff, it would save an additional \$39,000 annually. The District would also realize savings from increased part-time contributions.

R3.6 Maplewood LSD should establish District-wide policies that include prohibitions against “pattern abuse” and identify disciplinary actions for misusing or abusing sick leave. During future negotiations, the District should include language in the certificated collective bargaining agreement that requires employees to provide documentation supporting extended leave use, similar to the classified staff collective bargaining agreement. By taking these measures, the District would improve its ability to effectively monitor sick leave use and minimize potential misuse or abuse. In addition, the District should review the American Society for Public Administration’s (ASPA’s) suggestions for effectively controlling sick leave abuse to ensure it is using strategies to effectively manage sick leave use. Furthermore, the District should consider negotiating to eliminate or at least reduce the sick leave incentives for staff.

Table 3-6 compares the District’s average sick leave use to applicable averages reported by the Ohio Department of Administrative Services (ODAS).

Table 3-6: Maplewood LSD Sick Leave

Maplewood LSD	Maplewood LSD FY 2006-07	ODAS Averages ¹ FY 2005-06	Excess Hours Used
Certificated	55.02	53.71	1.31
Classified	74.69	56.20	18.49

Source: Maplewood LSD and Ohio Department of Administrative Services

¹ State Average is based on FY 2005-06 data, since the FY 2006-07 data is unavailable. Certificated average represents State Council of Professional Educators (SCOPE) and classified average represents the Ohio Civil Service Employees Association (OCSEA)/American Federation of State, County, and Municipal Employees (AFSCME) agreement.

Table 3-6 shows the District’s certificated staff average used only 1.31 more hours per employee when compared to the ODAS average. In contrast, **Table 3-6** shows that classified staff averaged approximately 75 hours of sick leave per employee, which is 33 percent higher than the AFSCME average reported by ODAS.

Maplewood LSD’s high rate of sick leave use may be due, in part, to a lack of District policies and provisions in the collective bargaining agreements for identifying and disciplining employees suspected of abuse. For example, pattern abuse is not addressed in District policies or collective bargaining agreements. Likewise, the previous classified bargaining agreement did not require employees to provide a physician’s statement to

support the need for an extended absence. However, the new classified bargaining agreement requires employees to provide medical documentation after four consecutive days of sick leave (see **R3.5**). The District's previous and current certificated bargaining agreements do not require a physician's statement to support the need for an extended absence. Pursuant to ORC § 3319.141, school district employees are required to submit a written, signed statement to justify the use of sick leave. If medical attention is required, the form shall list the name and address of the attending physician and the dates of the consultation.

The District offers an attendance incentive for classified staff members who use one or fewer sick or personal leave days during the contract year. Classified employees who qualify for the attendance incentive receive one day's pay at the employee's individual per diem amount. As shown in **Table 3-6**, this incentive appears ineffective in minimizing sick leave. However, the District also offers an attendance incentive for certificated staff members who use one or fewer sick or personal leave days during the contract year. Certificated staff members who qualify for the incentive receive a stipend of \$225.

The State of Ohio has collective bargaining agreement with the State Council of Professional Educators (SCOPE) and the Ohio Civil Service Employees Association (OCSEA)/AFSCME Local 11. Teachers, librarians, and educational specialists comprise the majority of positions represented by SCOPE. OCSEA Local 11 represents numerous classifications including clerks, administrative assistants, custodial workers, electricians, equipment operators, food service workers, and maintenance repair workers. Both of these collective bargaining agreements (2006 – 2009) contain provisions for disciplining employees for sick leave abuse and provisions for addressing pattern abuse, which is defined as consistent periods of sick leave use. The agreements provide the following as examples of pattern abuse:

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;
- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

Additionally, the SCOPE agreement indicates a physician's statement is routinely required that specifies the employee's inability to work and probable recovery date. The OSCEA agreement indicates the employer may request a physician's statement be submitted within a reasonable period of time. Lastly, the agreements that covered the

2003-2006 time period contained provisions for sick leave similar to those outlined above for 2006-2009.

According to the article, *Sick Leave Abuse: A Chronic Workplace Ill?* (American Society for Public Administration (ASPA), April 2002), determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of problems helps address core issues. Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively.

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action.
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems.
- Learn to say “No.” Employers should not let employees get away with abusing leave policies.
- Use procedures, regulations, practices and knowledge to benefit management as well as the employee.
- Document everything to learn from past mistakes.

Financial Implication: A reduction in classified sick leave usage will depend upon the frequency of using substitutes to cover for absences and the potential related impact on overtime costs. For example, assuming that the District always uses substitutes to cover bus driver absences and if it reduced bus driver substitute costs in FY 2006-07 by 10 percent, it would save approximately \$1,000 in substitute costs annually.

Human Resources Management and Technology

R3.7 Maplewood LSD should adopt a regular cycle (e.g., every two years) for reviewing and modifying District job descriptions. This would ensure that job descriptions reflect current responsibilities, education, experience and competency requirements for each position.

The District has job descriptions available for all of its administrative, classified and certificated personnel. However, it does not have a regular cycle for reviewing job descriptions to ensure they are up-to-date. Rather, job descriptions are updated when a job posting occurs. The Superintendent indicated the District is aware that job descriptions are outdated and is working on updating them. However, by not adopting a

regular cycle of review, the District increases the potential the job descriptions will be outdated or inaccurate. This, in turn, could negatively affect employee performance.

R3.8 Maplewood LSD should negotiate to eliminate the stipend provided to building secretaries for calling substitutes by purchasing and implementing an automated substitute calling system. In addition to reducing costs by eliminating the stipend, this would provide the District with an efficient method for contacting substitute employees and improve management's access to data.

Maplewood LSD does not have an automated system to handle substitute placement. Instead, the three building secretaries receive an annual stipend of \$800 to locate substitutes. Based on information related to two systems, an automated phone-based substitute calling system offers several benefits, including the following:

- Eliminating the labor-intensive task of calling substitutes manually;
- Linking teachers to preferred substitutes or substitute groups;
- Allowing teachers who do not need substitutes to choose their own calling times;
- Allowing prioritization of each school's substitute lists; and
- Tracking absenteeism.

According to the article *Sub-Searching Made Easier* (Education World, 2005), school districts across the nation have begun to use automated substitute calling systems that are either web or phone-based. These systems automatically contact substitute(s) from a pre-established list of available certificated substitutes. Some systems allow district staff to record their own call-offs or report their own leave requests. Additionally, supervisors are able to print reports on employee leave use as needed. Further, implementing an automated substitute calling system would eliminate the need to have employees locate substitutes. Lastly, web and phone-based automated substitute calling systems allow districts to process leave requests in a more efficient and cost effective manner by eliminating paperwork, reducing data entry and allowing for better record keeping of employee time for payroll purposes.

Financial Implication: Based on information provided by one supplier, the initial cost of an automated substitute calling system is approximately \$900 for software, training, and installation fees, along with an annual maintenance and support fee of \$480. However, the savings associated with elimination of the \$800 stipend for each building secretary is \$2,400 annually.

Financial Implications Summary

The following tables present a summary of annual cost savings and implementation costs identified in this section of the report. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation.

Table 3-7: Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings	Implementation Cost (One-Time)	Annual Cost
R3.1 Hire a full-time central administrator			\$86,000
R3.2 Reduce 1.0 library aide FTE	\$17,800		
R3.3 Reduce 1.0 clerical FTEs	\$17,000		
R3.6 Reduce sick leave use	\$1,000		
R3.8 Purchase a substitute calling system		\$900	\$480
Totals	\$35,800	\$900	\$86,480

Source: AOS Recommendations

Table 3-8: Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.5 Require 10 percent health care contributions from all employees	\$78,000 ¹
R3.8 Eliminate stipend for substitute calling	\$2,400
Totals	\$80,400

Source: AOS Recommendations

¹ FY 2008-09 cost savings. Future savings total \$39,000 annually throughout the forecast period due to all employee contributions (minimum 5 percent).

Facilities

Background

The facilities section focuses on custodial, maintenance, and groundskeeping staffing, operations, and expenditures; building utilization in the Maplewood Local School District (Maplewood LSD or the District); and aspects of food service operations. This section evaluates the District's operations against selected peer school districts¹ with demographics similar to the District, and recommended practices and operational standards from applicable sources, including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), and the Government Finance Officers Association (GFOA).

Summary of Operations

As of FY 2007-08, Maplewood LSD operates three school buildings: one elementary school (preschool through 4th grade), one middle school (5th through 8th grade), and one high school (9th through 12th grade). The District also operates an administration building.

To ensure student safety, the District maintains appropriate safety policies and video monitors in entryways, major hallways, and parking lots. It locks and alarms doors, uses motion detectors at night in the halls, and is connected to a security service. The District secures equipment in locked classrooms or storage areas. Each building has ceiling mounted automatic fire protection and phones in each classroom. In addition, custodians conduct building checks every Sunday in preparation for school the next day.

The Superintendent supervises the custodial and maintenance staff because the District terminated the custodial supervisor position in FY 2005-06. **Table 4-1** illustrates the custodial and maintenance staffing levels, with the number of full-time equivalents (FTEs) responsible for maintaining Maplewood LSD's facilities.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 4-1: Number of Positions and FTEs for FY 2007-08

Classification	Number of Positions	FTEs ¹	FTEs as Actually Assigned ²
Custodian/Sweeper Cleaner	10.0	8.3	6.6
Maintenance	1.0	1.0	1.6
Groundskeepers	0.0	0.0	1.1
Total	11.0	9.3	9.3

Source: Maplewood LSD and Education Management Information System (EMIS)

Note: Totals may vary from actual due to rounding

¹FTEs are based on 2,080 hours.

²FTEs adjusted to reflect custodial staff spending approximately 10 percent of time on maintenance duties and another 10 percent on groundskeeping duties, and maintenance staff spending approximately 25 percent of time completing groundskeeping duties.

The custodial staff is responsible for maintaining and cleaning buildings and grounds, performing minor heating and ventilation duties, opening and closing buildings, and performing minor maintenance functions. **Table 4-1** shows the District employs 10 custodians in FY 2007-08. However, because custodial employees also complete groundskeeping and maintenance work, the District dedicates 6.6 FTEs to custodial functions.

The maintenance staff supports the District by maintaining each building, with the exception of electrical and contracted heating, ventilation and air conditioning (HVAC) responsibilities. In addition, the District's maintenance staff is responsible for groundskeeping functions, such as maintaining outdoor equipment, cutting grass, and removing snow in some cases. The maintenance employee estimates that groundskeeping activities represent approximately 25 percent of his time. **Table 4-1** shows the District employs one maintenance FTE. However, staffing for all maintenance duties equals 1.6 FTEs after excluding the time the maintenance employee spends on groundskeeping functions and including the time custodians spend on maintenance functions. Along with the maintenance activities, the maintenance employee is responsible for keeping the Superintendent regularly informed on issues regarding the District's buildings and grounds. The maintenance position also schedules all maintenance activities and purchases all maintenance supplies.

The District's groundskeeping function totals 1.1 FTEs. This consists of 10 percent of the custodians' time and 25 percent of the maintenance employee's time.

Key Statistics and Indicators

Table 4-2 compares key statistics and performance indicators at Maplewood LSD to applicable data from the AS&U and the *Planning Guide for Maintaining School Facilities* (Planning Guide) (NCES, February 2003).

Table 4-2: Key Statistics and Indicators

Number of Buildings	4
• Elementary Schools	1
• Middle School	1
• High School	1
• Administration	1
Total Square Feet Cleaned by Custodians	180,490
• Elementary Schools	55,611
• Middle School	47,059
• High School	75,320
• Administration	2,500 ¹
Total Square Feet Maintained by Maintenance Workers	183,174
• Elementary Schools	55,611
• Middle School	47,059
• High School	75,320
• Administration	5,184
Total Acres Maintained	34.7
High School	7.8
Middle School Acreage	12.0
Elementary Acreage	14.9
Square Feet Per FTE Custodial Staff Member (6.62 FTE)	27,252
Planning Guide for Square Feet per Custodial FTE²	28,000 – 31,000
Square Feet Per FTE Maintenance Staff Member (1.58 FTEs)	115,933
AS&U Five-Year Average National Median Square Feet Per Maintenance FTE³	92,000
Acres Per FTE Grounds Staff Member (1.08 FTE)	32.1
AS&U Five-Year Average National Median Acres Per Grounds FTE³	42

Source: Maplewood LSD, AS&U 36th Annual Maintenance and Operations Cost Survey, and NCES

¹ Approximate square footage determined by the District as cleaned by custodians.

² This reflects the Level 3 cleaning standard, which is the normal standard for most school facilities.

³ Five-Year Average is from the annual reports published by AS&U from school year 2002-03 to 2006-07.

As shown in **Table 4-2**, Maplewood LSD's custodial staff cleans 27,252 square feet per FTE, which is lower than the Planning Guide benchmark of 28,000 to 31,000 square feet per custodian. Likewise, the District maintains 32.1 acres per grounds FTE, which is approximately 10 fewer acres per FTE when compared to the AS&U five-year average. Conversely, maintenance staff is responsible for 115,933 square feet per FTE, which is 26 percent higher than the AS&U five-year average (see *Assessments Not Yielding Recommendations* for further discussion).

Financial Data

Table 4-3 illustrates the District's General Fund, Other Funds, and Total All Funds actual expenditures to maintain and operate the facilities for FY 2004-05, FY 2005-06, and FY 2006-07.

Table 4-3: Maintenance and Operations Expenditures

General Fund	FY 2004-05	FY 2005-06	Percent Change	FY 2006-07	Percent Change
Salaries	\$327,877	\$289,926	(11.6%)	\$262,309	(9.5%)
Benefits	\$97,538	\$99,258	1.8%	\$85,173	(14.2%)
Utilities	\$552,805	\$487,480	(11.8%)	\$211,136	(56.7%)
Purchased Services	\$25,721	\$48,470	88.4%	\$40,814	(15.8%)
Supplies and Materials	\$41,113	\$43,423	5.6%	\$39,881	(8.2%)
Other	\$4,254	\$2,255	(47.0 %)	\$621	(72.5%)
Total General Fund	\$1,049,308	\$970,812	(7.5%)	\$639,934	(34.1%)
Other Funds	\$29,135	\$53,756	84.5%	\$418,797	679.1%
Total All Funds	\$1,078,443	\$1,024,568	(5.0%)	\$1,058,731	3.3%
Refund of Electricity	N/A	\$145,431 ¹	N/A	\$145,431 ¹	N/A
Total Net of Refund	\$1,078,443	\$879,137	(18.5%)	\$913,300	3.9%

Source: Maplewood LSD 4502's

Note: Totals may vary due to rounding.

¹ The supplier overcharged the District in FY 2005-06 by contracting for a budget amount higher than actual usage. Since the refund amount was unknown when completing this comparison for FY 2006-07, the FY 2005-06 refund amount is used. According to the forecast assumptions, the District expects a refund for electricity of approximately \$145,000 in FY 2006-07.

Table 4-3 shows the District decreased its total General Fund and All Fund facility expenditures by 7.5 percent and 5.0 percent, respectively, in FY 2005-06. **Table 4-3** also shows the District decreased its total General Fund facility expenditures by 34.1 percent in FY 2006-07, while All Fund facility expenditures increased 3.3 percent. However, when accounting for the electricity refund in November 2006, the District's All Fund expenditures decreased by 18.5 percent in FY 2005-06. The District has used the General Fund, Emergency Levy Fund, and Permanent Improvement Fund to support facility operations. Furthermore, the District historically paid some building maintenance expenses from the Food Service Fund and the Classroom Facilities Maintenance Fund.

Explanations for significant variances in **Table 4-3** include the following:

- **Salaries:** The District's salary expenditures decreased 11.6 percent in FY 2005-06 due to midyear staff reductions (2.0 FTEs) and a reduction in overtime, substitute, and summer staff support costs. The 9.5 percent decrease in FY 2006-07 is the result of savings from the staff reductions in FY 2005-06.
- **Benefits:** The District's benefit expenditures decreased 14.2 percent in FY 2006-07, due to a decline in hospitalization, workers compensation, and unemployment costs related to staff reductions in FY 2005-06.
- **Utilities:** The District's utility costs decreased 11.8 percent in FY 2005-06. The Treasurer was unable to provide an explanation. Although the utilities decreased 56.7 percent in the General Fund during FY 2006-07, they actually increased 9.6 percent when including utilities in All Funds. When accounting for the actual and anticipated refunds, utility costs increased by 13.7 percent from FY 2005-06 to FY 2006-07. The District paid a portion of utilities from the Emergency Levy Fund in FY 2006-07. The District's current electric contract expires on December 31, 2008. The District belongs to a consortium for electricity; however, it does not belong to a consortium for gas (see **R4.4**). It heats one school building with gas and those costs were approximately nine percent of total utility costs during FY 2006-07. Additionally, **R4.4** notes the District does not have effective energy management procedures in place to help control the cost of utilities.
- **Purchased Services:** Purchased service expenditures increased 88.4 percent, or \$22,750 in FY 2005-06 because of increased property insurance, cell phone costs, and equipment repairs. The decrease in purchased services in FY 2006-07 was due to charging part of the property insurance cost to the Emergency Levy Fund, and to a reduction in equipment repairs.

Table 4-4 compares Maplewood LSD's total General Fund and All Fund facility-related expenditures on a per square foot basis to the peer average and to the American Schools and Universities (AS&U) national median for FY 2006-07.

Table 4-4: FY 2006-07 Expenditures Per Square Foot

Object Code	Maplewood LSD	Peer Average	AS&U
Salaries/ Benefits	\$1.90	\$1.91	\$2.56
Purchased Services	\$0.22	\$0.51	\$0.01
Utilities	\$1.15	\$1.25	\$1.71
Materials and Supplies	\$0.22	\$0.25	\$0.32
Capital Outlay	\$0.00	\$0.05	NA
Miscellaneous	\$0.00	\$0.00	\$0.49
Total General Fund	\$3.49	\$3.97	NA
Total All Funds	\$5.78	\$4.42	\$5.09
Total All Funds Utilities Net of Anticipated Electricity Refund	\$2.12	\$1.26	\$1.71
Total All Funds Net of Electricity Refund	\$4.99	\$4.42	\$5.09

Source: Maplewood LSD, peers, and AS&U

Table 4-4 shows the District pays less per square foot for utilities than the peer average in the General Fund. However, when including all funds, Maplewood LSD actually pays 68.2 percent more per square foot for utilities than the peer average. The District paid approximately 60 percent of its total utility costs from the Emergency Levy Fund in FY 2006-07. Its higher expenditures per square foot in All Funds when compared to the peer average are attributable to the higher utility expenditures. Likewise, the utility expenditures contribute to the higher total expenditures per square foot when compared to AS&U.

Assessments Not Yielding a Recommendation

In addition to the analyses in this report, assessments were conducted on areas in the **facilities** section which did not warrant changes and did not yield recommendations, including the following:

- **Staffing:** As previously discussed (see **Table 4-3**), Maplewood LSD employs more custodial and grounds FTEs but fewer maintenance FTEs, when compared to the applicable benchmarks. However, when considering the five-year average national medians from AS&U for maintenance and grounds, the lower range of the Planning Guide benchmark for custodians (28,000 square feet), and the District's square footage and acreage, Maplewood LSD should employ a total of approximately 9.3 FTEs. As shown in **Table 4-1**, the District's custodial staffing matches this benchmark. Nevertheless, using performance measures (see **R4.5**), providing formal and ongoing training (see **R4.6**), and developing a manual (see **R4.7**) could help the District improve performance and meet the mid or upper ranges of the Planning Guide's benchmark for custodians.

- **Overtime:** Overtime costs for custodial, maintenance, and groundskeeping comprised only approximately 1 percent of salary costs in FY 2005-06 and FY 2006-07.
- **Safety Plan:** The District's school safety plan, created to ensure and secure healthy conditions within schools, is comparable to the practices recommended by the *Planning Guide for Maintaining School Facilities* (NCES, February 2003).
- **Work Orders:** Maplewood LSD has a decentralized work order system that addresses routine and cyclical building maintenance functions to ensure the District completes work in a timely manner, and minimizes both safety hazards and facility deterioration with minimal resources.
- **Food Service Financial Condition:** In FY 2005-06, revenues exceeded expenditures by approximately \$27,000. In FY 2006-07, expenses exceed revenues by only approximately \$1,400. Furthermore, the Food Service Fund did not receive any transfers or advances from other funds in these two years.
- **Claims:** A review of the District's reimbursement claim submissions through Claims Reimbursement and Reporting Systems (CRRS) for FY 2006-07 indicates that the District complied with the federal and state claims reimbursement deadlines.
- **Point-of-Sale Technology:** During the course of the audit, the District installed and implemented an electronic point-of-sale (POS) system. According to *School Foodservice Management for the 21st Century* (InTeam Associates, 1999), the benefits of an electronic food service management system with checks and balances and accurate data entry include the following: increased efficiency, greater speed of data handling, reliable and accurate information, timely report processing, improved inventory control, comprehensive management reporting and analysis, nutritional analysis of meals served, reduced food and labor costs, and improved standardization.
- **Direct Certification:** The District indicated that it will use the POS system to implement the direct certification method of identifying students eligible for free and reduced meals. Under direct certification, entities use information from other governmental agencies to determine eligibility for free or reduced price meals without requiring students to complete certification applications. Direct certification was designed to improve program access and administrative efficiency. Coupled with the use of a POS system, direct certification could help increase meal participation rates.
- **Wellness Policy:** Maplewood LSD, as required by the WIC Reauthorization Act of 2004, has developed a district wellness policy. This policy encompasses the need for nutrition education and physical activity to promote the health and well-being of students.

Recommendations

Facility Planning

R4.1 Maplewood LSD should conduct capacity assessments of its buildings on a periodic basis that account for current and projected enrollment (see R4.2), including the impact of open enrollment. This would help the District determine methods to optimize capacity, which could include closing a building. Prior to deciding to optimize capacity by accepting additional students via open enrollment, the District should conduct a cost-benefit analysis that considers the additional revenues and costs (e.g., teacher staffing). Prior to deciding on building closures, the District should receive community input and consider a variety of quantitative and qualitative factors, including building condition and enrollment trends by building.

The District has not completed a capacity analysis. DeJong and Associates (DeJong) has published criteria for determining school capacity. It suggests using 25 students per classroom for all grades and eliminating special use rooms, such as art and music, in the calculation of capacity for elementary schools. In addition, DeJong suggests setting classroom use at 85 percent for middle schools and high schools because bell scheduling, teacher preparation work areas, and other factors limit the use of every space 100 percent of the time. The capacity for special education classrooms is assumed to be nine based on conservative estimates of the special needs staffing requirements stipulated in Ohio Administrative Code (OAC) § 3301-51-09.

Using the criteria noted above, **Table 4-5** presents the estimated capacity and utilization rates for each school building based on floor plans and District interviews.

Table 4-5: FY 2006-07 Building Capacity for Maplewood LSD

School	Grade	Headcount per ODE ¹	Capacity ¹	Utilization Percentage
Elementary School	K-4	384	477	81%
Middle School	5-8	302	443	68%
High School	9-12	360	540	67%
Total		1,046	1,460	72%
Total FY 2007-08		1,020	1,460	70%

Source: ODE Headcount Enrollment and Maplewood LSD

¹ Excludes preschool students (11) and related space (one room).

Table 4-5 shows that the District's current building utilization rates at the elementary school, middle school, and high school are operating under capacity. The District utilized 70 percent of its overall capacity in FY 2007-08. While the District has excess capacity, it could be difficult to operate with only two school buildings. For example, the District would use 98.6 percent of the combined capacity of the two largest buildings, based on

the enrollment in FY 2007-08. The District's enrollment in FY 2007-08 exceeds the capacity under the other two possible scenarios of combining two buildings. In addition, if the District were to close one building, it would likely need to reconfigure the remaining buildings to accommodate the additional students and educational programs. Furthermore, the capacity calculations in **Table 4-5** are based on class sizes of 25:1. If the District desires lower class sizes, the capacity of each building would be lower than those estimated in **Table 4-5**. In FY 2006-07, the District averaged approximately 23 total students per regular education teacher, and 20 regular students per regular education teacher. Lastly, the District has an open enrollment policy and accepts students from other districts. Accepting more students would naturally improve the building utilization rates.

According to the article *Closing Schools: A Community Engagement Process* (Education Facility Planner, June 2007), the decision-making process to close schools must account not only for quantitative aspects of the facility or facilities involved, but also take into account the qualitative aspects that address the hopes, aspirations, and concerns of internal and external community members. The article goes on to note the Milwaukee Public Schools (MPS) used a process for closing buildings that considered input from the community, staff, and other constituents as well as quantitative and qualitative data. MPS reviewed the following when it considered closing buildings: various measures of building adequacy (age, square footage, etc); enrollment and student demographic information by building; financial factors (cost of building, utility budgets, etc); the learning environment (school climate and safety); academic performance and programs by building; and other information such as historically significant buildings. Once a district identifies specific buildings for closure, the article presents additional implementation phases needed to ease the burden on the district, students, parents and the community. These phases include:

- Notify the schools identified for closure and hold public meetings at the buildings to explain the rationale for the decision;
- Assist the identified schools with transitioning and assigning students and staff to new buildings; and
- Develop a plan for redeployment/disposal of vacant properties.

Using the framework outlined above would help ensure that Maplewood LSD maintains an efficient number of school buildings and that the District considers all relevant information, prior to closing a building. This is particularly important since total enrollment declined in FY 2006-07 and FY 2007-08. This contradicts trends from FY 2001-02 to FY 2005-06, when the District's enrollment was generally stable (see **R4.2**). Furthermore, enrollment in grades K-3 was lower than in grades 9-12 from FY 1997-98 to FY 2006-07. Enrollment in grades K-3 was lower than in grades 9-12 by only four students in FY 1997-98 and only 13 students in FY 1998-99. However, from FY 1999-00

to FY 2006-97, enrollment in grades K-3 has ranged from 36 to 48 fewer students than in grades 9-12.

If the District were to close a school in the future, it could save approximately \$340,000 based on costs in FY 2006-07. This includes utility costs, and salaries and benefits for custodial and principal staff.

- R4.2 The District should develop and formally adopt a forecast methodology to project student enrollment. This methodology should consider factors in addition to historical enrollment, such as birth data and real estate transactions. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues and if necessary, determine possible building additions, closures, and/or reconfigurations (see R4.1). The District should also consider enrollment projections when forecasting future state funding allocations (see financial systems) and making staffing decisions (see human resources).**

The Treasurer does not develop formal enrollment projections. **Table 4-6** presents the District's enrollment from FY 1997-98 to FY 2006-07.

Table 4-6: Maplewood LSD Enrollment

Year	Number of Students
FY 1997-98	1,182
FY 1998-99	1,169
FY 1999-00	1,170
FY 2000-01	1,138
FY 2001-02	1,097
FY 2002-03	1,081
FY 2003-04	1,094
FY 2004-05	1,085
FY 2005-06	1,101
FY 2006-07	1,057

Source: Ohio Department of Education

Based on **Table 4-6**, the District's enrollment decreased 10.6 percent from FY 1997-98 to FY 2006-07, or approximately 1.1 percent per year. Similarly, the District's enrollment decreased by 37 additional students, or 3.5 percent in FY 2007-08. However, from FY 2001-02 to FY 2005-06, the District's enrollment remained generally stable. Furthermore, economic shifts and/or changes in demography could affect future enrollment. For example, District administrators expressed concern that a major local employer eliminated jobs, which may negatively affect enrollment.

As an example, the Capital District Regional Planning Commission (New York) prepared five-year enrollment projections (school years 2006-07 to 2010-11) for the Brunswick Central School District based on assumptions that included historical enrollment, birth data, building permits, and anticipated residential building data. Similarly, a firm completed ten-year enrollment projections for the Painesville Local School District (Ohio) in 2001, based on live birth data, historical enrollment, real estate transactions, historic and projected building permit information, and housing data. Including these and other relevant factors in enrollment projections would better enable Maplewood LSD to prepare for potential facility and operational changes.

R4.3 The District should update its facilities master plan to reflect current conditions. The plan should include appropriate elements, such as enrollment projections (see R4.2), capacity analyses (see R4.1), and potential capital improvements. In updating the master plan, the District should work with a cross-section of school personnel, parents, students, and community members to ensure that all stakeholders have the opportunity to provide input concerning facility needs and plans. Furthermore, the District should update the facilities master plan regularly to reflect building improvements, changes in demographics, and other relevant issues.

The District did not update the facilities master plan since the Ohio Schools Facility Commission (OSFC) created it when renovating its school buildings in FY 1997-98 and 1998-99. In addition, Maplewood LSD does not have a formal capital improvement plan.

Creating a Successful Facility Master Plan (DeJong and Staskiewicz, July 2001) indicates that a facility master plan is important to determine and secure financing, and to provide the macro scope of projects. It also indicates that a district should develop a 10-year facility master plan on a foundation of sound data and community input. It should be a road map for addressing a district's facility needs and include the following:

- The plan should clearly state what buildings are going to be kept, which should be discontinued, which are going to be renovated and what new buildings are going to be built.
- The facility master plan should specify the identified projects, the timing and sequencing of the projects, and their estimated cost.
- The plan should be the convergence of the condition of existing facilities, the desired educational program, the demography of the district, and a vision of the future.

- A facility master plan should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.
- The plan should be used as an opportunity for a community to come together to determine how educational facilities can be an impetus for change and improvement. It requires the collaboration of educators, administrators, policy makers, community members and facility experts.

To facilitate the development of a facilities master plan, *Creating a Successful Facility Master Plan* recommends that districts develop a database that will provide a “community/school” profile. They suggest that districts include the following elements in the database and the subsequent plan:

- Historical and projected enrollment;
- Demographic profile of the community/school district which includes a facility inventory, a condition assessment of school facilities, and an educational adequacy assessment of facilities;
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

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

Without an updated facilities master plan that encompasses capital planning, the District may not foresee trends to identify future needs or adequately address the requirements of its infrastructure.

Energy Management

R4.4 The District should develop formal energy management policies and procedures that incorporate strategies from applicable sources, such as NCES, the Association of School Business Officials (ASBO) and the Ohio Energy Project (OEP).

Subsequently, the District should train staff and students on the policies and procedures and identify other appropriate sources of training (e.g., OEP). The District should also review and consider adjusting its temperature controls for rooms that are unoccupied for long periods of time and for occupied rooms during the winter season. Furthermore, the District should review the Ohio Natural Gas Program and, after completing a formal price comparison, determine whether it can reduce costs by participating.

Although the District's utility costs per square foot appear high, a Board Member who is also an engineer reviews utility bills and takes measures to address electricity costs. For example, the Board Member allocated the electricity used in the elementary building into separate meters with different rates as of September 2004. In addition, the Board Member tracks electricity and associated costs.

Table 4-7 compares the District's utility expenditures per square foot for all funds during the last three years to the peer average and the AS&U median.

Table 4-7: Maplewood LSD and Peers Utility Costs Per Square Foot

	Maplewood LSD FY 2004-05	Maplewood LSD FY 2005-06	Maplewood LSD FY 2006-07	Peer Average FY 2006-07	AS&U Median 2006-07
Total Costs	\$552,805	\$342,049 ¹	\$388,822 ¹	\$264,721	N/A
Costs Per Square Foot	\$3.02	\$1.87	\$2.12	\$1.26	\$1.71

Source: Maplewood LSD, peers, and AS&U 36th annual cost study

¹ Includes refund of \$145,431.

Table 4-7 shows the District's utility costs have fluctuated during the last three years. Total utility costs declined approximately 38 percent in FY 2005-06 and increased by approximately 13 percent in FY 2006-07. The District was not aware of the excessive charges for electricity prior to FY 2005-06, which may have caused the decline in utility costs for that year. The supplier overcharged the District by contracting for a budget amount higher than actual usage. The District received a refund of \$145,431 in November 2006 for FY 2005-06 and expects a similar refund for FY 2006-07. **Table 4-7** also shows the District's utility costs per square foot in FY 2006-07 were nearly 68 percent higher than the peer average, and approximately 24 percent higher than the AS&U median. The District's higher utility costs per square foot can be attributed, in part, to the following:

- The District does not have formal energy management policies.
- The District uses computer technology to set thermostat levels. However, temperature settings for unoccupied rooms are not in line with conservation suggestions from the Association of School Business Officials (ASBO) while

temperature settings for occupied rooms during the winter are at the higher suggested range from ASBO (see below). Maplewood LSD sets controls at 68 degrees for heating and 80 degrees for cooling in occupied classrooms. When unoccupied, classrooms are set at 65 degrees for heating and 80 degrees for cooling.

- Maplewood LSD does not purchase natural gas, used to heat the elementary school, through a consortium. However, the District is a member of the Ohio Schools Council where it purchases electricity at a discount.
- The District does not teach students and staff how to conserve energy.

The Ohio Department of Administrative Services offers the State of Ohio Natural Gas Program for governments, including school districts. The program takes advantage of the buying power of many governments in order to reduce gas costs. The program states that entities should save 5 to 30 percent on gas costs.

The Planning Guide for Maintaining School Facilities (NCES, February 2003) indicates that establishing an energy policy with specific goals and objectives will help school districts improve energy management. In addition, the *School District Energy Manual* (Association of School Business Officials (ASBO), 1998) identifies the following energy saving techniques:

- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate;
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures;
- Reducing heat gain by turning out the lights and shutting off equipment, such as overhead projectors and computers, which tend to emit heat;
- Encouraging staff, faculty, and students to use blinds as a means of controlling temperature;
- Closing blinds on the south and west sides of buildings keeps them cool in the summer, and opening blinds helps warm the buildings in the winter on sunny days;
- Developing policies that indicate water should not be kept running in the restrooms;

- Setting temperatures at 65 to 68 degrees (70 to 72 degrees for kindergarten and special education rooms) in the winter and 78 degrees during the cooling season, or at established guidelines; and
- Maintaining storage rooms and unoccupied spaces at 50 to 55 degrees during the winter (but prevent freezing water lines), and not cooling unoccupied spaces during the summer.

The U.S. Department of Energy's Rebuild America Program selected the Ohio Energy Project (OEP), a nonprofit organization, to develop Ohio's EnergySmart Schools Program (OESSP). OESSP provides many materials and programs for teachers and students to improve the learning environment in schools while saving energy and money, utilizing the school building as a learning laboratory. OESSP helps reduce school energy consumption and costs by empowering teachers and students to make sustainable energy choices and affecting the attitudes and behaviors of teachers, students and staff about energy conservation. OEP works with teachers and administrators to design a program tailored to the district's curricular needs and efficiency improvement plans. OEP also offers programs that include professional development and workshops for teachers and students throughout Ohio.

Groveport-Madison LSD (Franklin County) adopted formal energy management policies and conducts in-service training before the start of every school year educating the employees about the importance of conserving energy.

Financial Implication: If the District reduced its total utility expenditures per square foot to the peer average for FY 2006-07, it would save approximately \$157,000 annually. In order to be conservative and account for current District practices to help control utility costs (i.e., purchasing electricity through a consortium and reviewing utility bills), the financial implication is estimated at approximately \$78,500 annually, which is half of the difference when compared to the peer average. This would reduce the District's utility expenditures per square foot to \$1.69, which is comparable to the AS&U national median (\$1.71). Furthermore, utility expenditures came from the General Fund and Emergency Levy Fund in FY 2006-07, which are both components of the District's five-year forecast (see **financial systems**).

Performance and Staffing

R4.5 Maplewood LSD should develop and use formal performance measures and standards to help evaluate the efficiency and effectiveness of staff and operations. In addition, the District should use these performance measures and standards to communicate job expectations.

Although the District evaluates the performance of facility staff, it does not use performance measures or standards to evaluate the efficiency and effectiveness of its facility operations. **Table 4-8** displays the District's current custodial staffing allocation by building type.

Table 4-8: Staffing Allocation

Buildings	Square Feet Maintained per FTE
Elementary Schools (2.0 FTEs)	27,806
Middle School (2.4 FTEs)	19,608
High School (2.2 FTEs)	34,236
Administration Building	83,333

Source: Maplewood LSD payroll and District interviews

Table 4-8 indicates the District's custodial staffing allocations are not consistent from one building type to the next. For example, the high school custodians are responsible for cleaning and maintaining approximately 34,236 square feet per FTE while the middle school custodians are only responsible for approximately 19,608 square feet. While other factors may partially explain the discrepancies in **Table 4-8**, the absence of performance measures could be one factor contributing to the inconsistent staffing allocations.

GFOA recommends the use of performance measures (i.e., input, output, effectiveness/outcome, and efficiency measures) to evaluate the performance of programs and services. According to the *Planning Guide for Maintaining School Facilities* (NCES, February 2003), to assess staff productivity, a district must establish performance standards and evaluation criteria. For example, the amount of floor space or the number of rooms serviced, and the cleanliness of those areas could measure custodian performance. When evaluating facility operations, a district must collect and maintain accurate, timely, and comprehensive data. Examples of data sources to help evaluate facilities include annual snapshots (e.g., costs per square foot), comparisons with peer entities, visual inspections, customer feedback, and the number of work orders completed.

The lack of performance measures and standards increases the risk of the District making uninformed and/or unreliable decisions, and subjectively evaluating staff performance. Additionally, employees could interpret standards differently, which increases the potential of inequitable school maintenance and cleaning practices.

R4.6 Maplewood LSD should provide formal and ongoing training for custodial and maintenance staff. Doing so would ensure that the employees understand how to use new equipment, products, and technologies. As the District provides formal and ongoing training, it should document the training programs completed by staff and

include the documentation in employees' files. This would help to ensure that all employees have received the appropriate training.

Maplewood LSD does not have a formal training program for its employees. However, the District established an informal mentoring system by pairing new employees with an experienced custodian to help them become acclimated to the work requirements. It conducts mentoring activities instead of formal training, partly because it hires primarily from a substitute list of employees that have already worked in the District. Therefore, these employees usually have experience completing the job, and require less training. In addition, the District communicates responsibilities through its job descriptions.

Further, the District does not formally train employees when standards change for new equipment, technology or procedures. However, the Superintendent noted the District's existing employees received new equipment training provided by the OSFC during building renovations. The OSFC building renovations occurred in FY 1997-98 and 1998-99.

The *Planning Guide for Maintaining School Facilities* (NCES, February 2003) recommends that newly hired personnel receive the following types of training as soon as possible after joining the organization:

- Orientation (or tour) of the organization's facilities, including the payroll division (where timecards are punched and submitted), emergency locations (such as the nurse's office), the cafeteria, and the supervisor's office.
- Orientation (or tour) of the person's work area, including the primary location where he or she reports to work and all areas where he or she might be expected to perform job-related tasks (e.g., a plumber should be shown the organization's plumbing headquarters and all campuses he or she will be servicing).
- Equipment instructions, including an introduction to all tools, machinery, and vehicles the individual will be expected to use (e.g., industrial floor sweepers, lawn cutting equipment, power tools, and district trucks).
- Task-oriented lessons, including instructions for best performing the individual's work (e.g., how to clean a carpet, repair a roof, or service a school bus).
- Expectations, including a clear description of precisely what the individual must do to meet the requirements of a job (what, where, and when, and to what extent).
- Evaluation information, including an explanation of all criteria on which the individual will be evaluated, such as the tasks that will be evaluated, all relevant

performance standards and expectations, who will do the evaluating, what mechanisms will be used to perform the evaluations (e.g., random checks or daily assessments), and the potential ramifications of the evaluations.

Custodial Methods and Procedures Manual (ASBO, 2000) recommends a regular program for custodial and maintenance staff training as a matter of district policy. School districts should offer special training as new products, equipment, and techniques become available. For that reason, school districts should consider sending the custodial and maintenance staff to new product and equipment workshops. Furthermore, according to the National Education Association, ongoing professional development for custodial and maintenance employees should include the following elements:

- Building security, including neighborhood watch programs;
- Asbestos training, including information about state and federal regulations pertaining to the handling and removal of such material;
- Blood borne pathogen training, including the potential risks of blood and human waste cleanups, and information about the Blood borne Pathogen Standard drafted by the U.S. Occupational Safety and Health Administration;
- Hazardous equipment, including how to operate all machinery;
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries;
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize back strain; and
- Time management, including how workers can prioritize their tasks so they can accomplish them efficiently and effectively.

In the absence of consistent training, the District runs the risk of employees not working in the most efficient and effective manner and not being informed of important information. In addition, the District may expose students and custodial and maintenance staff to health and safety risks.

R4.7 Maplewood LSD should develop a manuals for custodial, maintenance, and food service staff that address pertinent policies and procedures. Once the manuals are complete, the District should establish a schedule to regularly review the policies and procedures and update them as needed. Policies and procedures should include a “last updated” field to help users ensure that they have the most up-to-date information. Developing manuals would better ensure that all personnel are familiar with work expectations and employment protocols.

The District does not have a policy or procedures manual for custodial and maintenance staff. Custodial and maintenance employees receive broad job descriptions; however, the majority of guidance occurs through verbal communications with building principals.

The Middle School Principal holds weekly custodial staff meetings to discuss current issues, while the Elementary and High School Principals meet with custodians daily. Additionally, the Superintendent holds daily meetings with maintenance staff, to discuss the completion of tasks. Furthermore, the District provides custodial and maintenance employees with building checklists to ensure facilities are properly cleaned and maintained.

Similarly, Maplewood LSD lacks formal policies and procedures for food service operations, with the exception of a policy on overages and shortages. Instead, the District uses verbal instruction, meetings, and memorandums to disseminate information.

The *Custodial Methods and Procedures Manual* (ASBO, 2000) states that formal procedures for custodial and maintenance personnel should consider staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. The International Sanitary Supply Association has developed a training program manual designed to help train custodians. The program details the correct cleaning methods, as well as the proper use of custodial equipment. This manual details procedures, guidelines, and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Scrubbing/stripping;
- Spray buffing/ high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

Hazardous Analysis and Critical Control Point-Based Standard Operating Procedures (U.S. Department of Agriculture, Food and Nutrition Service, and the National Food Service Management Institute, 2005) contains sample standard operating procedures (SOPs) for the following areas:

- Cleaning and sanitizing food contact surfaces;
- Controlling time and temperature during preparation;
- Cooking potentially hazardous foods;

- Cooling potentially hazardous foods;
- Date marking ready-to-eat, potentially hazardous foods;
- Handling a food recall;
- Holding hot and cold foods;
- Addressing personal hygiene;
- Preventing contamination at food bars;
- Receiving deliveries;
- Reheating foods;
- Serving foods;
- Storing and using poisonous or toxic chemicals;
- Using and calibrating thermometers;
- Using suitable utensils when handling ready-to-eat foods;
- Washing fruits and vegetables; and
- Washing hands.

Without a formal manual that details the District's policies and procedures for cleaning and maintaining its facilities, and for food service operations, the District increases the risk of staff inconsistently, inefficiently, and/or ineffectively performing job functions.

Financial Implications Summary

The following table summarizes the estimated annual cost savings identified in this section of the report.

Table 4-9: Summary of Financial Implications

Recommendation	Annual Cost Savings
R4.5 Develop formal energy management policies and procedures, train staff and students, and review temperature settings and consortiums for gas	\$78,500
Total	\$78,500

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Transportation

Background

This section of the performance audit focuses on Maplewood Local School District's (Maplewood LSD or the District) transportation operations. The District's transportation operations were evaluated against selected peer school districts¹ with demographics similar to Maplewood LSD, as well as recommended practices and operational standards from applicable sources that include the American Association of School Administrators (AASA), the National State Auditors Association (NSAA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS). Comparisons were made for the purpose of developing recommendations to improve operations and reduce expenditures.

Ohio Revised Code (ORC) § 3327-01, requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. The legislation also states the board, at its discretion, may provide transportation for students in grades nine through twelve. Districts are also required to provide transportation to community school and non-public school students on the same basis provided to their resident students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. Finally, when required by an individualized education plan (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child. Maplewood LSD's student transportation practices exceed State minimum requirements as the District provides pupil transportation services to students (grades K-12) living less than two miles from school.

Organizational Structure and Responsibilities

Maplewood LSD's Transportation Department used 10 active buses and 4 spare buses to transport 774 riders in FY 2006-07. The Superintendent manages the District's transportation function and has a number of duties that include establishing bus routes, preparing transportation reports (e.g., T-forms), coordinating transportation services with building principals, and ensuring the safe delivery of all transportation services. The Assistant to the Superintendent also assists with the District's transportation function and is responsible for maintaining records, overseeing bus driver assignments, and performing other duties as assigned by the Superintendent.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Operational Statistics and Cost Comparisons

Table 5-1 compares key District statistics and operating ratios for FY 2006-07 to the peer average.

Table 5-1: Key Statistics and Operating Ratios

<u>Key Statistics</u>	Maplewood LSD FY 2006-07	Peer Average FY 2006-07	Percent Difference vs. Peers
Square Miles	78.0	60.6	28.7%
ODE Enrollment	1,057	1,316	(19.7%)
Total Students Transported (All Types)	779	741	5.1%
Yellow Bus Riders (Type I)			
Public	771	718	7.4%
Non-Public	0	2	(100.0%)
Special Needs	3	11 ¹	(72.7%)
Total Yellow Bus Riders	774	731	5.9%
Buses (Type I)			
Active Buses	10	12	(18.0%)
Spare Buses	4	3	33.3%
Miles (Type I)			
Annual Routine Miles	190,260	146,988	29.4%
Annual Non-routine Miles	9,427	24,585	(61.7%)
Operating Ratios			
Enrollment per Square Mile	13.6	22.6	(40.1%)
Daily Miles per Yellow Bus Rider	1.4	1.2	16.2%
Yellow Bus Riders per Square Mile	9.9	12.3	(19.5%)
Yellow Bus Riders per Active Bus	77.4	58.3	32.7%
Routine Miles per Active Bus	19,026	11,585	64.2%
Spare Bus Percentage	28.6%	21.3%	7.3%
Percent State Reimbursement	85.2%	94.9% ²	(9.7%)
Total Transportation Expenditures as Percent of General Fund	5.4%	4.5%	0.9%

Source: District and peer T-1 and T-2 reports

Note: Totals may vary due to rounding.

¹Only eight of the ten peers included special needs students.

²Excluding the one peer with 288.6 percent reduces the peer average to 73.4 percent.

Table 5-1 shows the District transported 77.4 yellow bus riders per active bus. This is 32.7 percent higher than the peer average of 58.3, despite Maplewood LSD covering a much larger geographic area. Specifically, Maplewood LSD covers an area of 78 square miles, which is 28.7 percent more than the peer average of 60.6. As a result, the District's enrollment per square mile and riders per square mile are much lower than the respective peer averages, requiring bus

drivers to drive longer distances to transport students. This contributes to the District average of 19,026 routine miles per active bus, which is 64.2 percent higher than the peer average. While the District's average number of riders per active bus declined to 70.3 in FY 2007-08 due to a decline in ridership, the average of 70.3 is still higher than the peer average by 20.6 percent. Lastly, the District's spare buses comprise 28.6 of its fleet, compared to a peer average of 21.3 percent (see **R5.1**).

Table 5-2 compares the District operational cost ratios to the peer average for FY 2006-07.

Table 5-2: Transportation Cost Ratio Comparison

	Maplewood LSD	Peer Average	Percent Difference
Salaries			
• Per Yellow Bus Rider	\$196.66	\$254.02	(22.6%)
• Per Active Bus	\$15,221.40	\$14,310.03	6.4%
• Per Routine Mile	\$0.80	\$1.24	(35.5%)
Benefits			
• Per Yellow Bus Rider	\$103.22	\$119.50	(13.6%)
• Per Active Bus	\$7,988.90	\$6,913.55	15.6%
• Per Routine Mile	\$0.42	\$0.57	(26.7%)
Maintenance & Repairs ¹			
• Per Yellow Bus Rider	\$115.07	\$86.99	32.3%
• Per Active Bus	\$8,906.60	\$4,808.64	85.2%
• Per Routine Mile	\$0.47	\$0.42	12.6%
Fuel			
• Per Yellow Bus Rider	\$86.08	\$85.55	0.6%
• Per Active Bus	\$6,662.80	\$4,705.71	41.6%
• Per Routine Mile	\$0.35	\$0.41	(15.4%)
Bus Insurance			
• Per Yellow Bus Rider	\$15.63	\$19.31	(19.1%)
• Per Active Bus	\$1,209.60	\$1,059.38	14.2%
• Per Routine Mile	\$0.06	\$0.10	(37.1%)
All Other Costs			
• Per Yellow Bus Rider	\$7.62	\$22.83	(66.6%)
• Per Active Bus	\$589.70	\$1,214.36	(51.4%)
• Per Routine Mile	\$0.03	\$0.10	(68.5%)
Total Expenditures			
• Per Yellow Bus Rider	\$524.28	\$588.19	(10.9%)
• Per Active Bus	\$40,579.00	\$33,011.66	22.9%
• Per Routine Mile	\$2.13	\$2.84	(25.0%)

Source: District and peer T-1 and T-2 reports

¹Includes mechanic and mechanic helper salaries for peers. Maplewood LSD contracts for maintenance and repairs.

Overall, Maplewood LSD's transportation expenditures per yellow bus rider and per routine mile in FY 2006-07 were 10.9 and 25.0 percent below the peer averages, respectively. The higher total expenditures per active bus are primarily due to maintenance and repairs. As illustrated by **Table 5-2**, Maplewood LSD's maintenance and repair expenditure ratios are much higher than the respective peer averages. The District currently contracts for maintenance and repair of its buses (see **R5.3**). In addition, the higher fuel expenditures per active bus are due to the District's buses traveling more miles (see **Table 5-1**). For instance, the District's fuel expenditures per routine mile are 15.4 percent lower than the peer average.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, AOS also conducted assessments on areas in the **transportation** section that did not warrant changes and did not yield recommendations. These areas include the following:

- **Ridership Monitoring:** Maplewood LSD monitors student counts twice a year, once in April for the District's own counts and again during the first week of October for State-mandated counts. The District uses the ridership information to recalibrate its bus routes. For instance, the District reduced the number of routes from 11 to 10 in FY 2005-06 because of declining ridership, which resulted in a reduction-in-force of a full-time bus driver position.
- **Fuel Tank Security:** The District has sufficient security in place to ensure that employees are not abusing the fuel storage tanks. More specifically, Maplewood LSD maintains camera security around its fuel storage tanks. The District also has a fence surrounding its tanks that is unlocked by a custodian in the morning and secured in the evening. Furthermore, the District requires bus drivers to complete a monthly form that tracks the number of gallons of diesel fuel used.
- **Fuel Purchase:** The District bids its fuel contract annually through the local newspaper. The District awarded its fuel contract to the same supplier for the last two years based on the lowest bid. As previously stated, the District's fuel costs per routine mile are lower than the peer average (see **Table 5-2**).
- **Bus Purchasing:** The District is a member of a consortium (the Trumbull County Co-Op Purchasing Consortium) for the purchase of buses.
- **Bus Insurance:** As shown in **Table 5-2**, the District's bus insurance cost per rider and per mile are both significantly lower than the peer average. However, the District's bus insurance expenditures were \$1,210 per active bus compared to the peer average of \$1,059. When including total buses, the District's insurance costs per bus are still higher than the peer average (\$864 compared to \$793). While this is 8.9 percent higher than the

peer average, this is insignificant for the purposes of this audit. For example, the District would reduce expenditures by only \$989 per year if it achieved the FY 2006-07 peer average bus insurance cost per bus.

Issues for Further Study

- **Assignment of Non-Routine Trips:** Maplewood LSD permits the use of different drivers to transport students to and from a non-routine trip. Non-routine miles increased from 6,809 in FY 2005-06 to 9,427 in FY 2006-07. According to the District, this was partially due to some drivers not being able to stay for the entire non-routine trip, resulting in one driver transporting the students to an event while another driver transports them back from the event. The District should evaluate the cost effectiveness of this practice.
- **Bus Utilization:** The District transports more riders per active bus in FY 2006-07 and FY 2007-08, when compared to the peer average in FY 2006-07. Transporting a higher number of riders per active bus contributed to the significantly lower salary and benefit expenditures per rider and per routine mile in FY 2006-07 (see **Table 5-2**). While the District operates more efficiently than the peer average, its ridership per active bus and overall bus utilization rate fall below benchmarks published in the article *“Hidden Savings in Your Bus Budget”* (December 2005). This article, published by American Association of School Administrators and authored by a private school transportation firm that conducts audits for more than 30 school districts including New York City and Kansas City, MO, indicates that “effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.” The District operated a two-tier bus system in FY 2006-07, but fell below the 100 rider benchmark by averaging only 77.4 riders per bus. Similarly, the District used an average of only 54.5 percent of bus capacity in FY 2006-07, well below 80 percent.

The lower ridership per active bus and lower utilization rate when compared to *“Hidden Savings in Your Bus Budget”* could be due, in part, to the District’s relatively large size and low population density as measured by enrollment per square mile and riders per square mile (see **Table 5-1**). Nevertheless, the District should further review its ability to eliminate buses in an effort to come closer to the aforementioned benchmarks. For example, the District would increase bus utilization to 68 percent if it eliminated two active buses and maintained a two-tier system. In reviewing this potential, Maplewood LSD should conduct a cost-benefit analysis to ensure that eliminating active buses would result in a net savings to the District.

Recommendations

Fleet Size and Planning

- R5.1 Maplewood LSD should consider reducing its spare bus fleet by one bus. This would result in a spare fleet allocation that would be more consistent with the ODE benchmark and peer average, reduce costs and potentially increase revenues.**

The District reduced the number of spare buses from 5 in FY 2005-06 to 4 in FY 2006-07. However, as illustrated in **Table 5-1**, the District's spare bus fleet account for approximately 29 percent of the total fleet in FY 2006-07, which is approximately 7 percent higher than the peer average (21 percent). The District reported the same number of active and spare buses for FY 2007-08. According to ODE, spare buses typically comprise 20 percent of a district's fleet. Based on comparisons to the ODE benchmark and the peer average, the District operates with a larger spare fleet.

The Superintendent indicated the District does not find the costs associated with maintaining more spare buses as prohibitive, but rather a prudent practice to address breakdowns. Additionally, the Superintendent indicated the District deemed the four spare buses essential in maintaining sufficient transportation services. Nevertheless, maintaining a large spare bus fleet impacts bus insurance costs, and could affect the District's maintenance and repair expenditures (see **R5.3**). In consultation with the maintenance contractor, the District typically classifies buses with high miles as spares. Higher mileage buses are likely more prone to breakdowns and could potentially require significant repair.

If the District eliminated one spare bus, the remaining spares would comprise approximately 23 percent of the total fleet. This would still be slightly higher than the ODE benchmark and peer average.

Financial Implication: If the District eliminated and sold one spare bus, it could realize approximately \$1,500 in one-time revenues, based on the lower price the District received in 2007 for selling two buses. Additionally, the District would save approximately \$860 in annual insurance costs, based on the average insurance cost per bus in FY 2006-07.

R5.2 Maplewood LSD should establish and implement a formal bus replacement plan to ensure that it is properly planning and budgeting for bus purchases. The plan should include criteria for bus replacement, such as maintenance costs, estimated costs at the time of replacement, safety inspection results, age, mileage, and condition of the buses. All bus replacements should be based upon economic modeling that allows for replacement at the most advantageous point in the vehicle's life cycle. Additionally, the bus replacement plan should be integrated into the District's strategic plan (see financial systems section). By developing a formal replacement plan, Maplewood LSD will be better able to plan for future expenditures.

The District does not have a formal bus replacement plan. According to the Superintendent, the District purchases one new bus a year, with the exception of the last two school years when no buses were purchased due to financial constraints.

The State Highway Patrol visits the District once a year to conduct bus inspections. However, there are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol inspection. As long as a bus can pass the inspection, a district may continue to use it for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests replacement of Type C (conventional buses) and D buses after 12-15 years, and Type A and B buses (lighter duty buses) after 8-12 years. The NASDPTS also notes the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. *A District's Guidebook to School Bus Purchasing in Ohio* (ODE, August 2002), indicates that on average, districts are matching the payment provided by the State for bus purchases with an equal amount of local funding. This has resulted in an average Ohio bus lifespan of 17 years.

The Government Finance Officers Association (GFOA) recommends that governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.

In FY 2006-07, Maplewood LSD operated a fleet of 10 active buses that averaged 81,740 miles per bus and traveled 1,057 daily miles. This equated to 190,260 annual miles, or an average of 19,026 miles per active bus (see **Table 5-1**). The District also operated four spare buses. **Table 5-3** forecasts the District's average mileage for its total fleet at the end of each year, based on the November 2007 odometer readings and the average number of total miles (routine and non-routine) per bus (active and spares) in FY 2006-07.

Table 5-3: Maplewood LSD's Fleet Inventory and Mileage Forecast

FY 2007-08 ¹	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
107,545	121,808	136,071	150,335	164,598	178,861

Source: Maplewood LSD

¹FY 2007-08 was prorated based on the date of the odometer readings in FY 2007-08.

As of November 2007, Maplewood LSD's total fleet averaged 6.2 years old and 96,676 miles per bus. **Table 5-3** indicates the District's average mileage will be under 200,000 for each forecasted year. Further, no buses are projected to exceed 250,000 miles.

Based on the average age and mileage, and the projections in **Table 5-3**, the District would not need to replace any buses during the forecast period. However, without a formal bus replacement plan, the District risks replacing buses based on limited information rather than objective criteria and a planned approach.

Maintenance and Repairs

R5.3 Maplewood LSD should specify the levels and costs of services in the maintenance contract, and sign the contract to acknowledge a formal agreement with the Maintenance Contractor. Additionally, the District should develop a formal preventative maintenance program and include it as a component of the maintenance contract. Coupled with a review of each bus' maintenance and repair history and overall condition, this would better enable the District to determine the appropriate maintenance schedule for each bus. In addition, the maintenance contract should require that all buses pass the annual state inspections. Furthermore, the District should regularly monitor contracted services, which would be facilitated by including the above-mentioned items in the contract.

Maplewood LSD should continue to explore the potential for contracting or pooling services with a neighboring district, which would be especially important if the District is unsuccessful in improving the contracted services as outlined above. If location continues to be an obstacle to pooling services, the District could consult with other districts that are closer in proximity about sharing the costs to construct a centrally located garage. Alternatively, the District could consider constructing its own bus garage to enable it to perform maintenance and repair services with in-house staff. While this would require upfront costs, the District may be able to realize savings in the long-term. If the District considers these alternatives, it should conduct a formal analysis to ensure a cost-effective decision.

Maplewood LSD does not have a bus garage, which prevents it from completing maintenance services in-house. Instead, it contracts with an outside maintenance

contractor to provide maintenance and repair services in FY 2007-08 for all buses and one school van. The District had a similar contract with the same vendor in FY 2006-07. According to the Superintendent, the District uses competitive bidding for its bus maintenance contract; however, the District has received only one bid over the last two years.

The District's bus maintenance contract for FY 2007-08 has some vague terms that do not specify the level and cost of services. For example, the maintenance contract states "all buses that require towing service will be sublet, and buses wrecked or in ditches will be charged accordingly". While the maintenance contract states that "all bodywork and mechanical work completed on our premises will be done at the rate of \$54.50 per hour," it does not specify charges for major diesel or mechanical work that may be sublet or whether the District has any control over price and quantity of sublet work.

Furthermore, the contract does not require the maintenance contractor to maintain the buses adequately to pass the Ohio Highway Patrol annual school bus safety inspection. The Ohio Highway Patrol reported that as of September 5, 2007, 35.71 percent of Maplewood LSD's buses did not have violations, 28.57 percent had minor violations, and 35.71 percent had out of service violations. The Ohio Highway Patrol also reported that five of the District's buses had out of service violations and required re-inspection after repairs were completed. Four buses with out of service violations passed after re-inspection and the District sold the fifth bus. However, the Superintendent and his Assistant were under the impression that only one bus did not pass inspection. As a result, the District does not appear to closely monitor inspection results. The District also indicated that since it has not encountered any failure of maintenance contract services, it does not closely monitor the contract.

The District has a form that drivers are supposed to use to check and sign off every morning after completing pre-trip inspections of their buses. The District also has a bus inspection schedule that lists every active bus and assigns a date in each month of the school year that busses are taken to the outside contractor's garage for maintenance. However, the maintenance of buses on a monthly schedule, rather than on a mileage schedule, can result in unneeded maintenance and costs. In addition, the District lacks a formal preventive maintenance program that defines the appropriate types and frequency of maintenance activities. These elements are also absent in the maintenance contract.

According to *Contracting for Services* (National State Auditors Association (NSAA), 2003), contracts should clearly state and define the scope of work, contract terms, allowable renewals, and procedures for any changes. Additionally, *Contracting for Services* indicates that contracts should include the following which are absent in the District's maintenance contract:

- Performance standards, performance incentives and/or clear penalties and corrective actions for non-performance, with a dispute resolution process;
- Inspection and audit provisions;
- Provisions for contract termination;
- Provisions for contract renegotiation and/or price escalations if applicable; and
- Appropriate signatures, approvals, acknowledgements, or witnesses (District contract is signed only by the maintenance contractor).

As stipulated by the Ohio Administrative Code (OAC) § 3301-83-22, school buses and other vehicles used to transport school children are to be maintained in safe operating condition through a systematic preventive maintenance program. According to the *Public Works Practices Manual* (American Public Works Association, 2001), effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs that follow the manufacturer's recommendations and schedules will result in a dependable fleet and extended equipment life with lower operation and maintenance and repair costs. Planning and scheduling preventive maintenance activities requires providing the right maintenance at the right time at the overall lowest cost.

Because the contract does not include several appropriate elements, the District increases the risk of costly and ineffective maintenance services. This risk is further compounded by the lack of close and regular monitoring of contracted services. For example, the District's maintenance and repair expenditures per active bus, per yellow bus rider, and per routine mile were 85.2, 32.2, and 12.6 percent higher than the respective peer averages (see **Table 5-2**)². The Superintendent stated the 25.6 percent increase in maintenance and repair costs from FY 2004-05 to FY 2006-07 was due to not purchasing any new buses and maintaining an older fleet. However, the fleet's average age and mileage do not appear exceptional (see **Table 5-3** and **R5.2** for more information). Therefore, the higher maintenance and repair costs could be partially attributable to the aforementioned items.

Lastly, contracting or pooling maintenance and repair services with a neighboring school district could help control and potentially reduce costs. For example, Barberton City School District contracted with Norton City School District for repair and maintenance services. According to Barberton CSD's Business Manager, the maintenance contract

² The District includes non-routine expenditures in its T-2 report, contrary to ODE instructions (see **R5.4**). While doing so contributes to the higher expenditure ratios (assuming that the peer districts excluded non-routine expenditures), it does not appear to account for the entire discrepancy. This is based on non-routine miles comprising only 4.7 percent of total miles in FY 2006-07. The variances in expenditure ratios are much higher than 4.7 percent.

with Norton CSD resulted in a 25 percent decrease in the District's maintenance and repair costs, repairs being performed in a timely manner, and satisfactory passage of all state inspections. According to the Superintendent, the District has considered partnering with local districts for maintenance and repairs, but the closest district with a bus garage is over 40 miles away.

Financial Implications: If the District was able to reduce maintenance and repairs expenditures to the peer average per routine mile, Maplewood LSD would save approximately \$9,500 annually. Considering that the disparity in costs per active bus are much higher than per routine mile, this provides a conservative estimate.

Data Reporting

R5.4 Maplewood LSD should establish formal policies and procedures to ensure accurate T-forms are prepared, reviewed, and reconciled before submission to ODE. The policies and procedures should define the parties responsible for each part of the process, and include review and reconciliation procedures (e.g., reconciling the expenditures reported on the T-2 form to the 4502 financial statements, and identifying anomalies based on prior year data). Similarly, the District should establish formal policies and procedures governing charge-backs for non-routine transportation.

The Superintendent is responsible for the accurate completion and submission of the T-forms to ODE. The Treasurer's office tracks financial information reported to the Superintendent and his assistant for completion of the T-forms. In completing the T-forms, the Superintendent receives ridership information from bus drivers based on forms completed during the October student count week. However, the District does not have formal policies and procedures to ensure T-forms are accurately prepared, reviewed, and reconciled prior to submission to ODE. Without formal policies and procedures, the District risks submitting inaccurate information to ODE.

During a review of the District's T-forms, the following irregularities were noted:

- **Incorrect Ridership:** The total number of yellow bus riders dropped from 1,001 in FY 2005-06 to 774 in FY 2006-07. The District acknowledged drivers may have misreported riders. However, the District now uses forms for bus drivers to document rider counts.
- **Expenditure Reporting:** Bus insurance expenditures decreased 65.5 percent over a three-year period, going from \$35,022 in FY 2004-05, to \$12,529 in FY 2005-06, and to \$12,096 in FY 2006-07. According to the Superintendent, there was some misclassification of expenditures in this category in FY 2004-05.

- **Non-Routine Expenditures:** The District includes expenditures on its T-2 form for the non-routine use of school buses. This is inconsistent with ODE requirements as the instructions indicate that expenditures (including operational and labor) for non-routine use of school buses should be excluded.

Likewise, the District lacks formal policies and procedures for charging back costs for non-routine trips. However, according to the Superintendent, the District charges back costs associated with the non-routine use of buses to users, where appropriate. The practice has been to bill or charge back all groups and clubs (i.e. band, Spanish club) for the non-routine use of buses, with the exception of athletics.

Developing and using formal policies and procedures would better ensure accurate reporting and charge-backs for non-routine transportation.

Transportation Policy

R5.5 The District should update its transportation policies to reflect actual service levels, reference the one-half mile stipulation in OAC § 3301-83-13, and disclose that road hazards are considered in determining transportation services and in establishing routes and bus stops. Once the policies are updated, the District should post the information on its website to provide community and parent access.

The District's transportation policy states, "It is the policy of the Board of Education to provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law. Such laws and rules shall govern any question not covered by this policy." The policy goes on to state that "bus routes shall be established so that an authorized bus stop is available within reasonable walking distance of the home of every transported resident student." The policy also addresses annual bus route approval, transportation of non-public school students, and contracts for payment-in-lieu-of transportation.

The policy also indicates that children living beyond walking limits of two miles are entitled to transportation. However, the District actually provides transportation services to students (grades K-12) living less than two miles from school. The Superintendent indicated there are no sidewalks within the District, which requires the bus pick-up points to be close to the students' residence. The Superintendent also noted the District has many road hazards. However, the transportation policy does not indicate whether the District considers the impact of road hazards when developing routes and bus stops. The transportation policy also does not define the maximum walking distance to a bus stop as outlined in Ohio Administrative Code (OAC) § 3301-83-13. Because the transportation policy only refers to a "reasonable" walking distance, not referring to the maximum walking distance can cause someone to interpret "reasonable" as a distance that could

exceed the maximum distance stipulated in OAC § 3301-83-13. In addition, the transportation policy is not available to community members and parents through the District's website.

According to the Ohio Revised Code (ORC) § 3327.01, school district's must minimally provide transportation to pupils in kindergarten through eighth grade who live more than two miles from school. OAC § 3301-83-13 also states that students may walk up to one-half mile to a bus stop.

The District's actual transportation practices exceed State minimums in the following areas:

- Transporting kindergarten through eighth grade students living less than two miles from school; and
- Transporting high school students.

The adoption of a policy that does not align with actual service levels, does not reference applicable laws, and does not disclose the key factors impacting services, suggests the District is not effectively communicating its service levels and related factors to parents and students.

Financial Implications Summary

The following table summarizes the estimated one-time revenues and annual cost savings identified in this section of the report.

Summary of Financial Implications for Transportation Section

Recommendation	One-Time Revenue Enhancement	Annual Cost Savings
R5.1 Eliminate one spare bus	\$1,500	\$860
R5.3 Improve contract and monitoring for maintenance and repairs		\$9,500
Total	\$1,500	\$10,360

District Response

The letter that follows is Maplewood Local School 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 District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

Maplewood Local School District

Superintendent and Treasurer, 2414 Greenville Road N.E.
Cortland, Ohio 44410 - (330) 637-7506

Maplewood Middle School, 4174 Greenville Road N.E.
Cortland, Ohio 44410 - (330) 924-2431



Maplewood High School, 2414 Greenville Road N.E.
Cortland, Ohio 44410 - (330) 637-8466

Maplewood Elementary School, 1699 Kinsman Road N.E.
North Bloomfield, Ohio 44450 - (330) 583-2321

June 19, 2008

Auditor of State, Performance Audit Section
Government Official Response Request
Laushe Building
615 W. Superior Avenue
Twelfth Floor
Cleveland, OH 44113-1801

Mr. James Pyers:

On behalf of the Maplewood Board of Education, I would like to thank you and your team for the expertise in creating the final draft of our performance audit. As you know, the Maplewood Local School District was placed in financial caution for projected deficits in fiscal years 2005-06 and 2006-07. The Board of Education, with the assistance of the local finance committee created a financial recovery plan which included salary & benefit reductions and other cost savings which reduced the projected deficit. Through additional efforts of the finance and the levy committees they were able to be successful in the passage of a new 5.5 mill levy. In February 2008, we were removed from financial caution.

The Maplewood Board of Education and the administration are committed to being fiscally responsible and ensure steps are taken to protect our fund balance. We will continue to monitor our five year forecast to be sure that our assumptions are within range so that any deviation will be identified quickly and steps can be taken to correct the situation. Additionally, no changes will need to be made to the five year forecast for the 2007-08 fiscal year. We will re-examine the 2008-09 fiscal year in October 2008, per your recommendations.

We will create a strategic plan that corresponds with the five year forecast, monitors and examines the current levels of staffing, looks to reduce those positions listed in the audit through attrition, addresses enrollment projections and property valuations. At this time, we do not plan to add an administrative position as recommended by the audit. Even though, an additional administrator would be extremely helpful in completing some of the recommendations presented in this audit, due to the financial instability of our area we believe this would not be financially responsible.

Recently, our maintenance staff has been educated on the use of new equipment and has received MSDS training. We will work to develop energy reduction policies and procedures for improving our energy management.

Steps have been taken to develop a formal contract that addresses the maintenance and services for our buses. This contract will serve as a means for the Superintendent to monitor and control the charges incurred for large repairs.

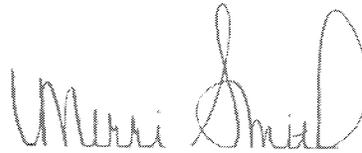
Currently, new buses are purchased from our Permanent Improvement Levy. Renewal of this levy, which expires in the calendar year of 2010, will be needed to determine the purchasing of future new buses.

The Maplewood Board of Education, administration, staff and community will continue to provide the best education possible for our students. All of us share in the responsibility to maintain a school district that is fiscally responsible and at the same time meets the needs of our students. This audit will serve as a means to guide us in making future decisions.

Respectfully,



Perry D. Nicholas
Superintendent



Merri L. Smith
Treasurer