



**Auditor of State
Betty Montgomery**

STRUTHERS
CITY SCHOOL DISTRICT
PERFORMANCE AUDIT

OCTOBER 11, 2005



**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Struthers City School District:

On October 22, 2004, Struthers City School District (Struthers CSD) was placed in fiscal caution because of the possibility of ending the 2005 fiscal year in a deficit as well as the potential for deficits in future years. Because the District failed to submit an acceptable fiscal caution proposal to address the projected deficits, Struthers CSD was declared to be in fiscal watch on January 24, 2005. Struthers CSD was subsequently placed in fiscal emergency on May 11, 2005, based on an analysis performed by my office. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in Struthers CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist in eliminating the conditions which brought about the declarations of fiscal caution, watch and emergency.

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

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution, watch and emergency designations; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Struthers CSD and the Financial Planning and Supervision Commission, 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 11, 2005

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Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031(A), 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 a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the State superintendent may declare 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.

Effective October 22, 2004, Struthers CSD (SCSD or the District) was placed in fiscal caution by the Ohio Department of Education. Pursuant to ORC § 3316.031(C), the District failed to submit an acceptable fiscal caution proposal to address the projected deficits. Therefore, on January 24, 2005, the Auditor of State placed the District in fiscal watch. Then, on May 11, 2005, AOS declared SCSD to be in fiscal emergency. The emergency declaration was based on a forecasted deficit of \$1.9 million for the fiscal year ending June 30, 2005. The District also met the conditions for fiscal emergency because it was unable to pass a levy to eliminate the deficit.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of SCSD. Based on a review of District information and discussions with the Superintendent and Treasurer, the following four functional areas were included in the performance audit:

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

District Overview

Struthers City School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District. SCSD is located in Mahoning County, approximately five miles south of Youngstown, Ohio.

According to the United States Census Bureau's 2000 Census, the District's population of 11,756 residents includes 3,255 family households with an average family size of 3.03 persons. The percentage of the District's population that was school aged was 20.6 percent (19 years old and under), while an additional 5.6 percent were less than 5 years old. In addition, 80.3 percent of the population graduated from high school, and 10.3 percent had bachelor's degrees or greater.

SCSD operates an administration building and three school buildings: Struthers Elementary School (grades Kindergarten-4), Struthers Middle School (grades 5-8) and Struthers High School (grades 9-12). The District has 224.6 full-time equivalent (FTE) employees. There are 123.7 certificated teaching FTEs and 12.0 administrator FTEs who provide educational services to an average daily membership (ADM) of 2,066 students. Students with physical and learning disabilities comprise 11.4 percent of the student population. The regular education student-to-teacher ratio is 17.3 to 1, and special education student-to-teacher ratio is 14.9 to 1. In FY 2003-04, the District met 10 of 18 academic performance indicators established by ODE and was categorized as a continuous improvement district. However, for the FY 2004-05 school year, the District achieved an effective rating.

In FY 2003-04, the Total Governmental Fund Operational cost per pupil of \$9,263 was approximately 20 percent higher than the peer average of \$7,657. Expenditures are greater than the peers for two primary reasons: SCSD has higher salary and health insurance benefit costs (see **human resources**).

The District has experienced a declining fund balance, from nearly \$300,000 in FY 2002-03, to a deficit of \$1.1 million in FY 2003-04. A deficit of nearly \$1.8 million is projected in FY 2004-05. SCSD placed an 8 mill levy on the ballot for the May 3, 2005 election that was defeated by 60.5 percent of voters, resulting in the District's fiscal emergency designation. The last time the District placed an issue on the ballot was in November 1999. That issue passed with almost 72 percent of the vote, and was a bond issue for the Ohio School Facilities Commission construction project and the creation of a preventative maintenance fund.

The District has begun to take a proactive stance to reduce its deficit by not filling vacancies and making personnel cuts. SCSD also obtained concessions from its certified bargaining unit in the form of a 0.0 percent cost-of-living-adjustment for the next school year, as well as changes in health insurance. The Districts began negotiations with its classified bargaining unit in March 2005, which concluded in July 2005.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between January and June 2005. The goal of the

performance audit process was to assist SCSD management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution, watch and emergency. The ensuing recommendations comprise options that SCSD can consider in its continuing efforts to improve and stabilize its financial condition. This performance audit assessed the key operations of SCSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's October 2004 five-year financial forecast, including its underlying financial data and accompanying notes and assumptions, was assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Custodial operations and energy use were examined in the facilities section.
- Key transportation operational statistics, such as staffing, average costs per bus, and average costs per student were reviewed to identify potential efficiency improvements and cost savings for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with SCSD personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made to three similarly sized school districts. These districts include Bucyrus City School District (Bucyrus CSD) in Crawford County; Girard City School District (Girard CSD) in Trumbull County; and Washington Court House City School District (WCHCSD) in Fayette County. These districts were selected as peers based on their identification as comparable districts as defined by the Ohio Department of Education, reviews of various demographic information, and input from SCSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with SCSD, including preliminary drafts of findings about identified audit areas and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and to share proposed recommendations designed to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from SCSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express their appreciation to the SCSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

SCSD's attention and responsiveness to its financial situation has helped it realize a reduction in the negative ending fund balance previously projected. Additional noteworthy accomplishments were identified during the course of the performance audit and are presented below.

Financial Systems

- During the course of this audit, actual revenue and expenditure information became available for FY 2004-05. The actual figures for FY 2004-05 compared favorably with the treasurer's projected figures. For example, the actual total revenues were within one percent of the projected amounts while the actual total expenditures were within two percent of the projected figures.

Human Resources

- Struthers CSD employs slightly more clerical personnel per 1,000 ADM than the peer average. However, the District has taken steps to reduce clerical staffing levels for the FY 2005-06 school year. All secretaries will be reduced to 10 months with the exception of the secretary to the superintendent, who will remain at 12 months for the next school year. This equates to reducing approximately 2.3 FTEs. By reducing approximately 2.3 FTEs, the District will employ 6.3 clerical FTEs per 1,000 ADM, which is lower than Bucyrus CSD and WCH CSD. Furthermore, by reducing clerical staff time by two months, the District is eliminating the equivalent of 28 months of salary. Based on the average clerical salary of \$31,523, SCSD will save approximately \$76,000.

Facilities

- SCSD had a 1.8 mill (0.5 effective) permanent improvement levy that originally passed in 1976. However, when the 0.5 mill classroom maintenance levy associated with the OSFC program was passed, the District allowed the permanent improvement levy to expire. The 23-year 0.5 mill classroom maintenance levy generates approximately \$80,000 a year and these funds are used for maintenance contracts such as boilers, elevators, and fire alarms.
- Struthers CSD is effectively controlling overtime use. Overtime expenditures comprised only 3.0 and 3.5 percent of salaries in FY 2001-02 and FY 2003-04, respectively. They

comprised 6.2 percent of salaries in FY 2002-03, mainly due to the construction and renovation that took place in the District. The classified collective bargaining agreement has very specific language defining a work day, when overtime is to be used, and the approval of overtime. The Superintendent and Supervisor of Building and Grounds indicated that overtime is always approved prior to use per the collective bargaining agreement.

Transportation

- SCSD's maintenance and repair expenditures per bus are less than the peer average when including the District's part-time and the peers' full-time mechanic personnel costs. The District has achieved a cost-effective transportation maintenance and repair process by using a part-time mechanic and contracting out all other maintenance and repair work. Furthermore, the District's transportation supply costs are lower than the peer average, and SCSD has established purchasing policies and appears to follow them.

Key Recommendations

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

Financial Systems

- Struthers CSD should analyze and use the proposed financial forecast outlined in **Table 2-18** to evaluate the recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. Struthers CSD should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation.
- SCSD should take steps toward eliminating its financial problems by effectively budgeting its resources and periodically monitoring its financial performance. The District should begin to address this issue by not adopting the budget unless it contains realistic revenue and expenditure estimates, and the proposed appropriations for all funds fall within the current year's available revenues. After the budget has been adopted, the Treasurer should provide detailed reviews of the District's actual performance against the budget to the Superintendent and Board on a monthly basis. Lastly, if a proposed expenditure is going to exceed the available appropriation, the purchase should be postponed until the Superintendent and Board identify reductions in other areas of the budget that can be used to cover the proposed expenditure.

- In developing future forecasts, the Treasurer should include estimates for cost of living adjustments (COLA) based on past history. Although the current COLA assumptions were used because the District would not be able to certify bargaining agreements due to deficit balances, the forecast does not provide a reasonable projection of the operating deficit the District is potentially facing. This would increase original projections by approximately \$202,000 in FY 2005-06 and \$31,000 in FY 2006-07, and decrease original projections by approximately \$187,000 in FY 2007-08 and \$415,000 in FY 2008-09.
- The Treasurer should review the methodology for projecting purchased services, other expenditures, operating transfers and year-end encumbrances. In preparing future forecasts, the Treasurer should ensure that the projections are consistent with the historical trends and account for inflation. This would decrease original projections by approximately \$133,000 in FY 2004-04, \$159,000 in FY 2005-06, \$228,000 in FY 2006-07, \$300,000 in FY 2007-08, and \$375,000 in FY 2008-09.

Human Resources

- Struthers CSD should consider reducing 23.0 regular teaching FTEs. While this would increase the student-to-teacher ratio to 23 to 1, it would be below Ohio Administrative Code (OAC) standards and the collective bargaining agreement (assuming the desired class sizes pertain to the regular education population). However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time. As one teacher reduction has been reflected in the AOS recovery plan due to retirement, this financial implication will include the cost savings of approximately \$1.091 million for the reduction of an additional 22.0 FTEs.
- SCSD should negotiate to require all full-time employees, and all employees receiving full benefits, to pay 10 percent of their health care and dental premiums. Furthermore, it should continue to negotiate to move the classified employees to the PPO plan. The District should also work with Mahoning County School Employees Consortium (MCSEC) to determine if combining the medical and prescription plans would reduce its overall premium costs. In addition, the District should explore other consortia or third-party health insurance providers that include prescription coverage within the overall benefit package to attempt to reduce premium expenditures. Further savings can also be achieved by altering plan benefit levels. If the District negotiated a 10 percent employee contribution towards monthly healthcare premiums, the annual cost savings would be approximately \$181,000. This assumes that the District is able to reduce its premium costs to the SERB regional average. If the District is unable to reduce premium costs, the

District would save approximately \$232,000 by requiring a 10 percent employee contribution based on the current premium costs for medical and prescription plans.

- Struthers CSD should review its staffing levels in the educational service personnel (ESP) classification for a reduction of up to 8.0 FTEs. Classifications which should be reviewed for possible reductions include art teachers, music teachers, physical education teachers, counselors, and registered nurses. However, before the District makes any reductions, it should determine the impact on attainment of its mission and goals and the impact on student contact time. SCSD could generate an estimated cost savings of approximately \$619,000 by reducing 8.0 FTEs. This is based on the average of the lowest salaries in the classification of ESP teacher, counselor and registered nurse, and benefits equal to 41 percent of annual salaries.

Facilities

- Struthers CSD should reduce 3.0 FTE custodial/maintenance positions and three (2.625 FTE) janitorial tech positions. In order to implement these staffing reductions, the District should attempt to remove the minimum staffing level requirements from the classified collective bargaining agreement during future contract negotiations. The reduction of three custodian FTEs would save approximately \$124,000 in salary and benefits, and the reduction of three janitorial technician positions would save approximately \$71,000 in salaries and benefits, for a total annual savings of \$195,000.
- SCSD should continue to participate in the State of Ohio's Cooperative Purchasing Program for natural gas and electricity. Furthermore, SCSD should develop an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs. Lastly, SCSD should communicate and train its staff about the energy management program, and should consider providing training via a qualified consultant. The District's estimated utility costs for FY 2004-05 are approximately \$500,000. If it implemented an energy management program and decreased energy costs by 20 percent, Struthers CSD could expect nearly \$100,000 in annual cost savings.

Transportation

- The District should review its routing and bell schedules to increase the number of students transported per bus, which could result in the reduction of one bus. For instance, changing the bell schedule to allow for the release of kindergarten students with the rest of the elementary school students in the afternoon would reduce the number of runs made by its fleet. By reducing one bus, the District would save approximately \$36,000 annually. Additionally, this could result in the District being reimbursed for close to 100

percent of its transportation expenditures, assuming a level of reimbursement similar to that received in FY 2004-05.

Additional Recommendations

The remainder of this executive summary highlights additional recommendations from the audit report.

Financial Systems

- Struthers CSD should closely examine the spending patterns indicated in **Table 2-13** and the cost reductions recommended in the **human resources, facilities and transportation** sections of this report. The District should consider reallocating the monies it is currently receiving toward those programs and priorities which have the greatest impact in improving the students' education and proficiency test results. Furthermore, the District should analyze the spending patterns and recommendations to aid in efforts to regain financial stability.
- Struthers CSD should diligently monitor those spending areas over which it can exercise more discretion. Various areas are noted in **Table 2-16** where Struthers CSD spent more per student than its peer districts. District management should closely review these costs to identify possible opportunities for reductions and savings.
- The Superintendent, Treasurer and Board should review and evaluate all proposed expenditures and assumptions contained in the financial forecast to ensure that the document reflects the priorities and spending plans of the District. In particular, the projections for line items the District can control, such as instructional materials and supplies, should be evaluated to determine if it is critical that spending occur at the proposed levels.

Human Resources

- SCSD should evaluate methods to increase the cost-effectiveness of its vocational education programs. Specifically, Struthers CSD should identify strategies to further reduce costs, increase the enrollment in its vocational education programs and find ways to generate additional revenues; or stop offering vocational education programs which require significant support from the General Fund. Additionally, the District should consider not hiring additional staff and continually evaluate ways to operate with fewer staff (e.g., further consolidate teaching assignments). If the District was able to reduce its total vocational expenditures to \$160 per ADM, similar to Girard CSD, which spent the

next highest amount per ADM, it would save approximately \$261,000 in General Fund expenditures. This amount is based on the percentage of total expenditures subsidized by the General Fund in FY 2003-04.

- Struthers CSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee policy to ensure proper use of sick leave. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements. These prohibitions can help in identifying excessive sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” he or she may be subject to discipline. Struthers CSD would realize cost savings of approximately \$9,000 if each certificated staff member used, on average, one less leave day per year. Reducing sick leave use by an average of 3.5 days per employee would enable Struthers CSD to match the State average and save the District approximately \$31,300 in substitute costs. A reduction in classified sick leave usage could not be quantified because substitutes are not consistently used to cover absences.

Transportation

- SCSD should consider joining the Ohio Department of Administrative Services (DAS) General Services Administration (GSA)’s fuel pricing program. Since SCSD paid 6 percent more in fuel per gallon than the DAS seven month average, it could save approximately \$1,100 based on FY 2003-04 fuel expenditures.
- As planned, the Treasurer should solicit a bid from the Ohio Schools Council Consortium (OSC) for bus insurance. In addition, the District should periodically solicit bids to ensure it pays an appropriate price for bus insurance. If the District was able to reduce insurance costs per bus to a level similar to WCHCSD by participating in the consortium and actively soliciting bids, it would save approximately \$2,500 annually.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. Some of the recommendations are dependent on labor negotiations or labor agreements (see **human resources** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

	Estimated Annual Cost Savings
<i>Financial Systems: Revised Assumptions¹</i>	
R2.1 Real Estate and Property Tax Allocation	(\$6,000)
R2.2 Tangible Personal Property	\$8,000
R2.3 Salaries and Benefits	(\$92,250)
R2.4 Supplies and Materials	\$127,000
R2.5 Debt Service	(\$1,302)
R2.6 Purchased Services, Other Expenditures, Net Transfers, Encumbrances	(\$239,000)
<i>Total Impact of Revised Assumptions</i>	(\$203,552)
Total Recommendations Subject to Negotiation	
R3.5 Implement 10% contribution towards health insurance for all employees	\$181,000
R3.5 Implement 10% contribution towards dental insurance for all employees	\$10,000
R3.6 Reduce certificated employee's sick leave incentive amount	\$11,700
R3.6 Reduce certificated employee's association leave	\$715
R3.7 Reduce classified sick leave incentive	\$12,300
R3.8 Reduce sick leave by 3.5 days per employee	\$31,300
R4.1 Reduce 3 custodian FTEs & 3 janitorial tech positions	\$194,199
<i>Total Recommendations Subject to Negotiation</i>	\$441,214
Recommendations Not Subject to Negotiation	
R2.11 Monitor and reduce discretionary spending	\$181,000
R3.1 Reduce up to 22 regular education teachers	\$1,090,942
R3.2 Reduce vocational education expenditures from the General Fund	\$261,000
R3.3 Reduce up to 6.5 ESP positions	\$484,000
R3.5 Reduce premium costs	\$514,000
R4.2 Implement an energy management program	\$100,000
R5.2 Reduce one bus	\$36,000
R5.4 Consider joining the DAS fuel purchasing program	\$1,100
R5.5 Solicit bids for bus insurance	\$2,500
<i>Total Recommendations Not Subject to Negotiation</i>	\$2,670,542
Total Financial Implications (Excludes Revised Assumptions)	\$3,111,756

Source: AOS Recommendations

¹ Reflects annual average change of revised assumptions over the forecasted period.

The financial implications summarized above are presented on an individual basis. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary.

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Financial Systems

Background

This section focuses on the financial systems within Struthers City School District (Struthers CSD, SCSD or the District). The objective is to analyze the current financial condition of Struthers CSD and develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to the following peer districts: Bucyrus City School District (Bucyrus CSD), Girard City School District (Girard CSD) and Washington Court House City School District (WCH CSD).

The Auditor of State (AOS) recommended the establishment of fiscal caution, fiscal watch and fiscal emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and technical assistance to help school administrators restore fiscal stability. Senate Bill 310, effective September 19, 1996, established fiscal watch and emergency laws for Ohio school districts. Senate Bill 345, effective April 10, 2001, amended the conditions for declaring fiscal watch and emergency and created a new category of fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consults with the school district board of education. The school board is then required to provide a written proposal to ODE to correct the fiscal deficiencies. Further examination by ODE and AOS that identifies potential problems may result in fiscal caution status. Once a school district is declared to be in fiscal caution, it is required to submit a recovery plan within 60 days proposing changes that would eliminate the potential deficits. If ODE finds a district has not made reasonable proposals or taken action to correct the practices or conditions that lead to the declaration, ODE may report to the Auditor of State that a declaration of fiscal watch is necessary to prevent further decline.

On October 22, 2004, ODE placed Struthers CSD in fiscal caution due to the District projection of operating deficits of approximately \$1.8 million in FY 2004-05 and approximately \$3.3 million in FY 2005-06. Although Struthers CSD submitted a proposed recovery plan on December 21, 2004, the plan only identified savings of approximately \$94,000 in FY 2004-05 and approximately \$762,000 in FY 2005-06, and relied on the passage of a new levy to eliminate the projected deficits. As a result, ODE rejected the proposed recovery plan and the Auditor of State formally declared Struthers CSD to be in fiscal watch status on January 24, 2005. The

District placed an 8.0 mill levy on the May 3, 2005 ballot, which was defeated by 60.5 percent of the voters.

At the request of the Struthers City School District Board of Education, AOS performed an examination of the District's financial forecast of the General Fund as required under Ohio Revised Code (ORC) § 3316.03. This examination resulted in the AOS placing the District in fiscal emergency on May 11, 2005, based on the following factors:

- AOS certified an operating deficit of the general fund in the amount of \$1,907,000. This amount exceeds 10, but does not exceed 15 percent of the general fund revenues for the prior fiscal year;
- The voters of the Struthers City School District have not passed a levy that will eliminate the first condition; and
- AOS has determined that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

As specified under ORC § 3316.05, a Financial Planning and Supervision Commission (Commission) was convened for SCSD consisting of the following five voting members:

- Superintendent of Public Instruction, or designee;
- Director of Budget and Management, or designee;
- A parent of a child attending Struthers CSD appointed by the Superintendent of Public Instruction;
- A business person appointed by the Mayor of Struthers; and
- A business person appointed by the Governor.

ORC § 3316.07 gives the Commission the responsibility to re-establish the fiscal integrity of SCSD and eliminate the conditions that created the declaration of fiscal emergency. Since its inception, the Commission has regularly held public meetings to discuss important issues related to the operations of the District and the development of a statutorily required financial recovery plan. Pursuant to ORC § 3316.06, the financial recovery plan will serve as a broad outline for the management decisions the Commission must make to restore SCSD to financial solvency. The plan establishes a strategy and timeline for bringing the District's expenditures in line with revenues.

Financial Forecast

Table 2-1 presents the District's five-year financial forecast as of October 31, 2004. AOS reviewed the assumptions developed by the treasurer that have a significant impact on the

forecast, such as tax revenue, state funding, salaries and benefits. Where appropriate, changes were made to the treasurer's assumptions and/or methodology to present more reliable projections of future revenues and expenditures. The projections, which incorporate the combined general and disadvantaged pupil impact aid (DPIA) Funds, and that portion of the debt service fund relating to general fund obligations, are accompanied by three years of comparative historical information, general assumptions and explanatory comments.

Table 2-1: Struthers CSD Financial History and Forecast (in 000's)

	Actual 2001-02	Actual 2002-03	Actual 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Real Estate Property Tax	\$3,508	\$3,500	\$3,503	\$3,579	\$3,617	\$3,713	\$3,813	\$3,913
Tangible Personal Property Tax	511	449	517	379	353	353	353	353
Unrestricted Grants-in-Aid	8,323	8,994	9,268	9,320	9,320	9,320	9,320	9,320
Restricted Grants-in-Aid	0	35	144	799	798	798	798	798
Property Tax Allocation	558	560	562	558	561	561	561	561
Other Revenues	478	515	439	435	433	433	433	433
Total Operating Revenues	\$13,378	\$14,053	\$14,433	\$15,070	\$15,082	\$15,178	\$15,278	\$15,378
Salaries & Wages	\$7,780	\$8,241	\$8,844	\$9,096	\$9,410	\$9,570	\$9,731	\$9,891
Fringe Benefits	3,155	3,440	3,650	3,793	4,084	4,350	4,617	4,883
Purchased Services	1,548	1,716	2,164	1,981	2,007	2,007	2,007	2,007
Supplies, Materials & Textbooks	358	420	545	471	468	477	477	477
Capital Outlay	151	665	434	117	5	5	5	5
Debt Service	382	293	797	284	284	39	40	42
Other Expenditures	114	123	182	194	204	205	204	205
Total Operating Expenditures	\$13,488	\$14,898	\$16,616	\$15,936	\$16,462	\$16,653	\$17,081	\$17,510
Net Transfers/ Advances	(1)	(1)	(5)	23	18	18	18	18
Other Financing Sources	4	0	502	0	0	0	0	0
Net Financing	\$3	(\$1)	\$497	\$23	\$18	\$18	\$18	\$18
Result of Operations (Net)	(\$107)	(\$846)	(\$1,686)	(\$843)	(\$1,362)	(\$1,457)	(\$1,785)	(\$2,114)
Beginning Cash Balance	\$1,691	\$1,584	\$738	(\$948)	(\$1,791)	(\$3,153)	(\$4,610)	(\$6,395)
Ending Cash Balance	\$1,584	\$738	(\$948)	(\$1,791)	(\$3,153)	(\$4,610)	(\$6,395)	(\$8,509)
Total Reservations	68	0	0	0	103	103	0	0
Ending Fund Balance	\$1,516	\$738	(\$948)	(\$1,791)	(\$3,256)	(\$4,713)	(\$6,395)	(\$8,509)

Source: Struthers CSD Treasurer's Office

The projections in **Table 2-1** present the expected revenues, expenditures and fund balances in the general fund for each of the fiscal years from June 30, 2005 through June 30, 2009, with historical information presented for the fiscal years ended June 30, 2002, 2003 and 2004. Struthers CSD ended FY 2003-04 with a deficit balance of approximately \$948,000. By FY 2008-09, Struthers CSD projects the deficit to increase to approximately \$8.5 million.

One of the primary objectives of this performance audit is to test the reasonableness of the District's methodology and assumptions in order to develop a reliable financial recovery plan. Accordingly, the District's methodology and the major assumptions used in preparing the financial forecast are presented below. The Auditor of State's conclusion as to the reasonableness of the assumptions and methodology are also presented.

As audit field work was primarily conducted between January and June 2005, AOS reviewed year-to-date revenues and expenditures for FY 2004-05 to help test the District's methodology and assumptions. However, actual revenues and expenditures for FY 2004-05 became available at the end of this performance audit. While the actual figures for FY 2004-05 compared favorably with the treasurer's projected figures, the AOS financial recovery plan includes an adjustment to reflect the actual ending fund balance for FY 2004-05 (see **R2.12** and **Table 2-18**).

Revenues

Real Estate Property Taxes

The real estate property tax revenue estimates include residential real estate tax, public utility property tax and manufactured home tax revenues. Real estate property tax collections represented approximately 24 percent of the District's FY 2003-04 revenues. The District's assumptions for projecting real estate tax revenues are based on the following:

- The treasurer worked with ODE to prepare the FY 2004-05 and FY 2005-06 real estate property tax collection estimates. The treasurer's and ODE's (completed 9/17/04) forecasts for these years project tax growth of approximately two percent in FY 2004-05 and one percent in FY 2005-06. The higher growth rate in FY 2004-05 is due to the potential collection of approximately \$76,000 in delinquent taxes by the County. The one percent growth in FY 2005-06 is due to normal yearly increases and an assumption that the District will start to see some impact from the new housing development (Clingan Trails) that is planned.
- The projections for FY 2006-07 through FY 2008-09 are based on the assumption that tax collections will increase approximately \$100,000 each year due to the new housing development (Clingan Trails).

- All the current levies will remain in place throughout the forecast period since they are all continuing. For operating purposes, the District currently collects on 30.5 effective mills (49.8 voted mills). The last levy was passed in 1996 for 10 mills.

The projections for FY 2004-05 and FY 2005-06 look reasonable based on past history, the year-to-date collections for FY 2004-05 (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures) and information provided by the County Auditor. The projections for FY 2006-07 are likely to be understated because the assumptions noted above do not account for the scheduled property reappraisal. Conversely, the projections for FY 2007-08 and FY 2008-09 appear overstated because the \$100,000 growth rate attributed to the Clingan Trails housing development is not based on a detailed understanding of the project. (See **R2.1**)

Tangible Personal Property Taxes

Tangible personal property taxes are paid by businesses based on the assessed value of the furniture and fixtures, machines, equipment, supplies and inventory used in conducting the business. Legislation (ORC § 5711.22) is in place that slowly phases out the tangible personal property tax by reducing the yearly assessed valuation rates. The tangible personal property taxes represented approximately four percent of the District's FY 2003-04 revenues. The District's assumptions for projecting the tangible property tax receipts are based on the following:

- The treasurer worked with ODE to prepare the FY 2004-05 and FY 2005-06 tangible personal property tax collection estimates. The treasurer's and ODE's forecasts for these years project the tangible personal property tax collections to decline nearly 27 percent in FY 2004-05 and seven percent in FY 2005-06.
- The treasurer's projections for FY 2006-07 through FY 2008-09 are held constant due to not knowing how strong the local economy will be during these years.

The assumptions and methodology used in projecting FY 2004-05 and FY 2005-06 look reasonable based on past history. However, the actual personal property tax collections for FY 2004-05 were approximately \$32,000, or eight percent, higher than anticipated. Therefore, the forecast will be adjusted to reflect the actual collections in FY 2004-05. The FY 2005-06 estimates will also be increased in order to maintain the seven percent decline originally projected by the treasurer and ODE. The projections for FY 2006-07 through FY 2008-09 are potentially overstated because the assumptions do not account for the tangible personal property tax phase-out stipulated in ORC § 5711.22. (See **R2.2**)

State Funding (Unrestricted & Restricted Grants-in-Aid)

State funding represents restricted and unrestricted revenues received from the State of Ohio through the state foundation program. The funding levels are established by the state legislature

and the program is administered by ODE. For Struthers CSD, state funding represented approximately 65 percent of FY 2003-04 revenues. According to the treasurer, the majority of the fluctuations in the restricted grants-in-aid category is due to changes at the State level in terms of which funding items should be classified as unrestricted versus restricted. The District's assumptions for projecting state funding are based on the following:

- The FY 2004-05 state funding projections are based on the July 2004 SF-3 state funding report prepared by ODE.
- The treasurer's projections for FY 2005-06 through FY 2008-09 hold all state funding fixed at the FY 2004-05 levels due to the uncertainty of the State budget for the next biennium.

The projections for FY 2004-05 look reasonable based on the SF-3 state funding report prepared by ODE and the year-to-date receipts (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). The projections for FY 2005-06 through FY 2008-09 also look reasonable based on the uncertainty surrounding the state budget for the next biennium. However, because state funding represents 65 percent of the District's revenues, if the state legislature does increase the funding levels during the next biennium, the District's assumptions likely will result in a material misstatement of the forecast. The District's total state funding has increased every year since FY 1998-99. During the course of this audit, the State legislature adopted the budget for the next biennium beginning with FY 2005-06 (see **R2.12** and **Table 2-18** for the effect of the State budget on the District's forecast).

To avoid the potential for a material misstatement and to show the impact on the District if the state legislature does increase the future funding levels, the recovery plan includes the incremental impact of a 2.2 percent increase in state funding levels. This increase is based on the current legislation which increased the per pupil funding amount by 2.2 percent in FY 2003-04 and FY 2004-05. The impact of the 2.2 percent increase in state funding levels will be shown in a line-item inserted below the AOS Recommendations line-item in the recovery plan. The impact on the recovery plan is shown in the **Table 2-2**.

Table 2-2: Forecast Adjustment for State Funding (in 000's)

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Unrestricted State Funding	\$9,320	\$9,320	\$9,320	\$9,320	\$9,320
Restricted State Funding	798	798	798	798	798
Total State Funding	\$10,118	\$10,118	\$10,118	\$10,118	\$10,118
AOS Revised Projections:					
Unrestricted State Funding	\$9,320	\$9,680	\$9,798	\$10,024	\$10,255
Restricted State Funding	798	736	748	754	761
Total Revised State Funding	\$10,118	\$10,416	\$10,546	\$10,778	\$11,016
Net Impact on Fund Balance	\$0	\$298	\$428	\$660	\$898

Source: SCSD forecast and AOS adjustments

The AOS revised projections were prepared by using the District's projections for FY 2004-05, which are similar in total to the most recent SF-3 statements reported by ODE. FY 2005-06 and FY 2006-07 were projected using state funding simulation models prepared by ODE. The decline in the FY 2005-06 restricted grants-in-aid funding is due to an adjustment AOS made to the ODE simulation to reflect that the vocation education funding declined nearly \$70,000 in FY 2004-05. The total state funding revenues are projected to increase by only 1.2 percent in FY 2006-07 due to the impact the property reappraisal will have on the charge-off portion of the state funding formula. In FY 2007-08 and FY 2008-09, it is assumed that the per pupil amount of the state funding formula will increase 2.2 percent and the other components of state funding that are calculated outside of the per pupil formula will increase at historical rates.

Property Tax Allocation

The property tax allocation line-item represents reimbursements received from the State of Ohio for various real estate property tax credits granted to citizens of Ohio. Because of this relationship, the growth in property tax allocations usually parallels the growth in real estate property taxes. For Struthers CSD, property tax allocations represented approximately four percent of the District's FY 2003-04 revenues. In preparing the forecast, the District worked with ODE to project the FY 2004-05 and FY 2005-06 property tax allocation estimates. The treasurer held the projections for FY 2006-07 through FY 2008-09 flat because the District has experienced minimal growth in this line-item in the past.

The projections for FY 2004-05 and FY 2005-06 look reasonable based on past history and the year-to-date collections in FY 2004-05 (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). However, the projections for FY 2006-07 through FY 2008-09 are likely to be understated because the assumptions noted above do not allow the property tax allocations to increase at rates consistent with the projected real estate property taxes. (See **R2.1**)

Other Revenues

Other revenues represented approximately three percent of the District's FY 2003-04 revenues and consist of interest receipts, tuition, fees and various other sources. In preparing the forecast, the District worked with ODE to project the FY 2004-05 and FY 2005-06 other revenue estimates. The treasurer held the projections for FY 2006-07 through FY 2008-09 flat at the FY 2005-06 levels. Based on the historical fluctuations, the treasurer's projections look reasonable.

Expenditures***Salaries & Wages***

Employee salaries and wages represented approximately 53 percent of the District's FY 2003-04 expenditures and consist of employee wages, substitute costs, supplemental contracts and overtime. The District's assumptions for projecting salaries and wages are based on the following:

- The projections for FY 2004-05 are based on the treasurer's estimate of the actual wage costs for the year.
- In FY 2004-05, the classified employees will complete the last year of the current bargaining agreement and will receive a three percent cost of living adjustment (COLA). The certificated staff are in the first year of a two-year bargaining agreement and have agreed to no COLA in FY 2004-05 and a two percent COLA in FY 2005-06.
- The treasurer assumes that the classified staff will agree to no COLA in FY 2005-06. The salaries and wages for FY 2006-07 through FY 2008-09 are projected assuming no COLA increases for any employee. The increase in total wages each year amounts to \$160,364, which is the estimated cost of step increases.
- The treasurer assumed that the staffing levels will remain the same throughout the forecast.

The projections for FY 2004-05 look reasonable based on the year-to-date expenditures and the salary estimates prepared by ODE (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). While the assumptions and methodology used to project FY 2005-06 appear reasonable, the projections do not account for the savings associated with three employees who are retiring at the conclusion of the FY 2004-05 school year. This is a timing issue as the treasurer's forecast was prepared in October 2004, and the employees did not announce their intention to retire until December 31, 2004. The projections for FY 2006-07 through FY 2008-09 are likely to be understated because they assume no COLA increases. (See **R2.3**)

Fringe Benefits

Employee fringe benefits represented approximately 22 percent of the of the District's FY 2003-04 expenditures and consist of employee health insurance, pension costs, Medicare benefits and workers' compensation insurance. The District's assumptions for projecting employee fringe benefits are based on the following:

- In the notes to the financial forecast, the treasurer states that the medical and prescription premiums are projected to increase five percent in FY 2004-05 and ten percent throughout the remainder of the forecast.
- Retirement, workers' compensation and Medicare are projected to increase by applying the appropriate contribution rate against the incremental increase in yearly payroll costs.
- The treasurer assumed that the staffing levels will remain the same throughout the forecast.

The fringe benefit projections for FY 2004-05 look reasonable based on the year-to-date expenditures and estimates prepared by ODE (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). Although the notes to the forecast state that medical and prescription premiums are projected to increase 10 percent annually beginning in FY 2005-06, this is somewhat misleading as the actual percentage increases are less than 10 percent after FY 2004-06. In addition, the projections do not account for the savings associated with three employees who are retiring at the conclusion of the FY 2004-05 school year. (See **R2.8**)

As retirement, workers' compensation and Medicare are projected to increase by applying the appropriate contribution rate against the incremental increase in yearly payroll costs, they appear reasonable. Although the treasurer actually applied appreciation rates less than ten percent after FY 2006, the average annual increase of eight percent annually appears reasonable based on corroboration with the third party administrator. Additionally, implementing similar health benefit changes for classified staff that take effect beginning in FY 2006 should decrease premium costs, further supporting increases in health premium costs that are slightly lower than industry standards. Lastly, the annual change in dollars for total fringe benefits during the forecast period of approximately \$266,000 is consistent with the six-year historical average of \$269,000.

Purchased Services

Purchased services represented approximately 13 percent of the of the District's FY 2003-04 expenditures, consisting of utilities, legal fees, open enrollment deductions, building and vehicle insurance, and various other items. In preparing the forecast, the District worked with ODE to project the FY 2004-05 and FY 2005-06 purchased services estimates. The projections for FY

2006-07 through FY 2008-09 are held flat because the District feels that these costs can be effectively controlled.

The projections for FY 2004-05 look reasonable based on past history and the year-to-date actual expenditures (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). The projections for FY 2005-06 through FY 2008-09 are likely understated as they are not consistent with the historical trends and do not account for inflationary growth. (See **R2.6**)

Supplies, Materials and Textbooks

Supplies, materials and textbooks represented approximately three percent of the District's FY 2003-04 expenditures and consisted of textbooks, and instructional and non-instructional supplies and materials. ORC § 3315.17 requires school districts to maintain a minimum level of spending for textbooks and instructional materials. According to the treasurer, the large increase in supplies and material costs in FY 2003-04 is due to the District furnishing the wellness center that was constructed during FY 2003-04. Some of the fluctuations in the other years are due to the District's financial condition and the various projects taking place at the time. The District's assumptions for projecting the supplies, materials and textbooks are based on the following:

- The treasurer worked with ODE to prepare the FY 2004-05 and FY 2005-06 supplies, materials and textbooks estimates.
- The treasurer's projections for FY 2006-07 through FY 2008-09 are held flat based on the belief that the District can effectively control these costs.
- The expenditures are projected to comply with ORC § 3315.17.

The FY 2004-05 projections for supplies, materials and textbooks look reasonable based on the year-to-date expenditures (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). The overall projections for FY 2006 through FY 2009 also look reasonable, based on past history and the District's ability to control these expenditures. However, as the District is projected to exceed the spending requirement outlined in ORC § 3315.17 in each year, it has some flexibility to decrease its projected supplies, materials and textbook expenditures during the forecast period. (See **R2.4**)

Capital Outlay

Capital outlay expenditures represented approximately three percent of the District's FY 2003-04 expenditures. Historically, the District has used the capital outlay line-item to account for the cost of acquiring new assets such as buses, equipment and computer technology. The varying levels of these acquisitions in each year account for the historical fluctuations in capital outlay. ORC § 3315.18 requires school districts to maintain a minimum level of spending for capital purposes. In preparing the forecast, the District worked with ODE to project the FY 2004-05 and FY 2005-06 capital outlay estimates. The projections for FY 2006-07 through FY 2008-09 are

held flat due to the District's financial condition and the belief that the District can effectively control these costs.

The FY 2004-05 projections for capital outlay look reasonable based on the year-to-date expenditures (see **R2.12** and **Table 2-18** for the effect of FY 2004-05 actual figures). The projections for FY 2004-05 are higher than the remaining years of the forecast due to the District receiving subsidies from the State to be used for bus purchases. Although the treasurer is drastically cutting the capital outlay projections for FY 2005-06 through FY 2008-09, the District has recently performed major upgrades to its bus fleet, equipment and technology. Therefore, the District probably can operate for a period of time without incurring significant capital outlay expenditures. Furthermore, even with the reduction in the projected capital outlay expenditures, the District is projected to comply with the ORC § 3315.18 spending requirements by using its classroom maintenance levy, the building repair and maintenance account, and the purchased services line-item. Considering all these factors, the treasurer's projections for 2005-06 through FY 2008-09 look reasonable.

Debt Service

Debt service expenditures represented approximately five percent of the District's FY 2003-04 expenditures. The District based its debt projections on the general fund debt obligations outstanding in October, 2004. However, due to cash flow issues, the District had to issue \$850,000 in tax anticipation notes in November, 2004.

The projections for FY 2004-05 are understated because the forecast does not include the interest expenditure associated with tax anticipation notes that were issued in November, 2004. The projections for FY 2005-06 through FY 2008-09 are slightly overstated because the treasurer estimated the interest expenditures during these years instead of using the actual debt amortization schedules. (See **R2.5**)

Other Expenditures

Other expenditures represented approximately one percent of the District's FY 2003-04 expenditures. Historically, the District has used the other expenditure line item to account for the cost of financial audit fees, county auditor tax collection fees, liability insurance and various other miscellaneous items. The large increase in the FY 2003-04 other expenditures is due to a one-time purchase (\$60,000) of additional liability insurance during the construction of the wellness center. In preparing the forecast, the District worked with ODE to project the FY 2004-05 and FY 2005-06 other expenditure estimates. The projections for FY 2006-07 through FY 2008-09 are held flat due to the District's belief that these expenditures can be effectively controlled.

The projections for FY 2004-05 through FY 2008-09 are overstated by \$60,000 each year because the estimates were calculated using FY 2003-04 as the base-year without making an adjustment to eliminate the one-time insurance purchase. In addition, the treasurer's assumption to hold the other expenditures flat from FY 2006-07 through FY 2008-09 is not consistent with historical trends and does not allow for any inflationary growth during the forecast period. Historically, other expenditures have grown at an average annual rate of approximately five percent. (See **R2.6**)

Net Transfers & Encumbrances

The District is projecting transfers-in of \$28,000 in FY 2004-05 and \$23,000 thereafter. The transfers-in represent monies the District feels it will receive from Medicare billings through the Community Alternative Funding System (CAFS) program. The District is projecting transfers-out to equal \$5,000 in each year of the forecast. The transfers-out represent monies the treasurer is setting aside to cover minor deficits in other funds, if needed. Lastly, the District is not projecting any year-end encumbrances during the forecast period.

The treasurer's assumptions regarding transfers-in and year-end encumbrances are not supported by past history. However, the treasurer's assumptions for transfers-out look reasonable based on past history. (See **R2.6**)

Assessments Not Yielding Recommendations

The District's forecast methodology and assumptions in the following categories appeared reasonable and did not result in any recommendations: restricted and unrestricted grants-in-aid, other revenues, and capital outlay.

Recommendations

Financial Forecast & Planning

R2.1 The treasurer should review his methodology for projecting revenues from real estate property taxes and property tax allocations. Because they represent a significant portion of the District's total revenues, all known factors impacting these revenue sources should be incorporated into the forecast. These factors should include the potential impact of scheduled property reappraisals and updates. Furthermore, the treasurer should ensure that the projections for property tax allocations are consistent with the historical trends and that they consider the parallel relationship that exists with real estate property taxes.

In developing future forecasts, the treasurer should only include significant increases from proposed construction projects in his estimates when specific information is known, such as the approximate number of houses/buildings to be constructed, the potential assessed valuation of the project and the timeframes for the construction. If this information is not known, the revenues should be projected based on past history with a conservative estimate for the impact of the new project.

The treasurer projected real estate property tax collections to increase \$100,000 annually from FY 2006-07 through FY 2008-09 due to a new housing development (Clingan Trails) that is supposed to be constructed. According to the Mahoning County Planning Commission (MCPC), preliminary approval had been granted to a construction company for the Clingan Trails housing development for 75 lots. However, that occurred on January 27, 2004 and no action has taken place since. While the treasurer is correct in assuming the new housing development will result in additional revenue for the District, MCPC could not verify how much additional revenue would be achieved, and the current projected increases of \$100,000, or 2.6 percent, are high when compared to past history. The average annual growth rate between FY 1998-99 and FY 2003-04 was approximately 0.5 percent. The treasurer indicated that his assumptions related to the Clingan Trails project are based primarily on a best guess rather than a detailed understanding of the project.

In addition, the treasurer's real estate property tax assumptions do not consider the impact of the next property reappraisal in FY 2006-07. The last reappraisal resulted in property tax growth of approximately 3.6 percent in FY 2000-01. In contrast, the treasurer is projecting growth of \$100,000, or 2.6 percent, based solely on the Clingan Trails project.

The treasurer projected the property tax allocation revenues to remain flat from FY 2006-07 through FY 2008-09. In an effort to provide guidance to school districts preparing financial forecasts, the Auditor of State's office prepared technical bulletin 98-015 which states that, "property tax allocations should be calculated as a fixed percentage of property tax receipts. The fixed percentage may be calculated as an average of this percentage from the prior three years. The growth in this revenue should parallel the anticipated growth (or decline) in real estate property taxes." Although the treasurer projected increases in the real estate property tax collections during FY 2006-07 through FY 2008-09, the receipts from the property tax allocations are projected flat. Given the parallel relationship between these two revenue sources, the treasurer should project increases in property tax allocation estimates because he projects increases in real estate property tax collections.

Table 2-3 presents the AOS revised projections for real estate property taxes and property tax allocations, and compares them to the projections prepared by Struthers CSD. The revised real estate property tax estimates allow for 3.5 percent growth in FY

2006-07 due to the scheduled property reappraisal. This growth rate is consistent with the increase experienced during the last reappraisal in FY 2000-01. In all non-reappraisal years, the AOS revisions project the real estate property tax collections to increase by one percent. The one percent was developed based on the 0.5 percent average annual growth experienced during the last six years, allowing for a more conservative growth of another 0.5 percent for the Clingan Trails project. The property tax allocations are projected to equal 15.5 percent of the projected real estate property tax estimates. The 15.5 percent is similar to the percentage used by the treasurer and ODE in projecting FY 2004-05 and FY 2005-06, and is generally consistent with the historical trend.

**Table 2-3: Net Effect of Revised Real Estate Taxes
& Property Tax Allocation Receipts (in 000's)**

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Real Estate Property Taxes	\$3,579	\$3,617	\$3,713	\$3,813	\$3,913
Property Tax Allocation	558	561	561	561	561
Total	\$4,137	\$4,178	\$4,274	\$4,374	\$4,474
AOS Revised Projections:					
Real Estate Property Taxes	\$3,579	\$3,617	\$3,744	\$3,782	\$3,820
Property Tax Allocation	558	561	580	586	592
Total	\$4,137	\$4,178	\$4,324	\$4,368	\$4,412
Net Impact on Forecast	\$0	\$0	\$50	(\$6)	(\$62)

Source: SCSD forecast and AOS adjustments

R2.2 The treasurer should review the methodology used for projecting tangible personal property taxes. In developing future forecasts, the treasurer should ensure that all years of the forecast are prepared consistent with existing legislation and past history. In addition, when one-time items have a significant impact on the historical trend information, like the expiration of the tax abatement in FY 2003-04, these instances should be explained in the notes so that the reader can develop a better understanding of the forecast.

The treasurer and ODE projected the tangible personal property tax collections to decline nearly 27 percent in FY 2004-05 and decline another seven percent in FY 2005-06. The treasurer then projected the tangible personal property tax collections to hold steady in FY 2006-07 through FY 2008-09. The treasurer attributed the projected declines in FY 2004-05 and FY 2005-06 to legislation in place that gradually phases-out this revenue source. He attributed the flat projections in FY 2006-07 through FY 2008-09 to an inability to predict how strong the local economy will be during these years.

ORC § 5711.22 slowly phases out the tangible personal property tax by reducing the assessed tangible property valuation rates by one percent in tax years 2002, 2003 and 2004. The reduction rate is then increased to two percent annually beginning in tax year 2005 and will continue at that rate until the tax is eliminated. The FY 2004-05 and FY 2005-06 projections that the treasurer developed were consistent with this legislation and were generally reasonable at the time. However, as of 12/31/04, the District had received \$411,326 in tangible personal property taxes, which is approximately \$32,000 higher than the projected amount of approximately \$379,000. The \$411,326 in tangible personal property taxes represents the total settlement for the year. Additionally, during the course of this audit, the State legislature adopted the budget for the next biennium beginning with FY 2005-06. The new budget accelerates the phase-out period for tangible personal property taxes. See **R2.12** and **Table 2-18** for further discussion of the new State budget. The treasurer's assumption holding the tangible tax collections constant for FY 2006-07 through FY 2008-09 is not consistent with historical trends or the phase-out called for in ORC § 5711.22. During the last six years, the District has experienced large losses from this revenue source. Although the District experienced growth in tangible tax collections in FY 2003-04 of approximately 15 percent, this growth was due to irregular sources like an unexpected increase in delinquent tax collections and the expiration of an eight-year tax abatement. If the \$98,000 in tax abatement revenue was eliminated from the FY 2003-04 collections, the District would have lost approximately seven percent in tangible tax collections – similar to the treasurer's and ODE's projection for FY 2005-06. In the year after the large gain, FY 2004-05, the District experienced another loss of approximately 21 percent (based on actual collections of \$411,326). In addition, although the expiration of the tax abatement has had a significant impact on the District's historical trends, the treasurer did not include a discussion of this issue in the notes to the forecast.

Table 2-4 presents the AOS revised projections for tangible personal property tax collections. The revised forecast increases the FY 2004-05 tangible personal property tax estimates to reflect the actual collections for the year. The projections for FY 2005-06 are also increased in order to maintain the seven percent decline originally projected by the treasurer and ODE. The FY 2006-07 through FY 2008-09 estimates are then reduced seven percent annually based on the enacted legislation and the large declines the District has experienced from this revenue source during the past six years. Furthermore, the seven percent reduction is consistent with the treasurer's and ODE's projections for FY 2005-06.

Table 2-4: Net Effect of Revised Tangible Personal Property Tax Receipts (in 000's)

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Tangible Personal Property Taxes	\$379	\$353	\$353	\$353	\$353
AOS Revised Projections:					
Tangible Personal Property Taxes	\$411	\$383	\$371	\$345	\$321
Net Impact on Forecast	\$32	\$30	\$18	(\$8)	(\$32)

Source: SCSD forecast and AOS adjustments

R2.3 When developing future forecasts, the treasurer should include estimates for Cost Of Living Adjustments (COLA) based on past history. Although the current COLA assumptions were used because the District would not be able to certify bargaining agreements due to deficit balances, the forecast does not provide a reasonable projection of the operating deficit the District is potentially facing.

The FY 2004-05 salaries and wages are projected based on the treasurer's estimate of the actual wage costs for the year. This estimate was developed by plotting each employee out on the District's pay schedule and then adding amounts for overtime, substitutes and supplemental contracts. In FY 2004-05, the classified employees will complete the last year of the current bargaining agreement and will receive a three percent COLA. The certificated staff is in the first year of a two year bargaining agreement and has agreed to no COLA in FY 2004-05 and a two percent COLA in FY 2005-06.

The FY 2005-06 salaries and wages are projected by increasing the FY 2004-05 projections for certificated staff by two percent, the COLA amount contained in the bargaining agreement. The treasurer assumes that the classified staff will agree to no COLA in FY 2005-06. Past history indicates that classified staff agreed to no COLA the year after the certificated staff agreed to no COLA. The treasurer then increases the total estimate for certificated wages by \$140,682 and \$19,682 for classified employees. These amounts represent the estimated cost of step increases. The salaries and wages projections for FY 2006-07 through FY 2008-09 assume no COLA increases for any employee. The increase in total wages each year amounts to \$160,364, which is the estimated cost of step increases. The treasurer assumed that the staffing levels will remain the same throughout the forecast.

Based on an analysis of the certificated step schedules, the treasurer's assumption that step increases will amount to \$160,364 appears reasonable. In addition, the assumption that classified staff will receive no COLA in FY 2005-06 appears reasonable since the certificated and administrative staff agreed to no COLA's in the prior year. However, the treasurer's assumption of no COLA increases for any employee from FY 2006-07 through FY 2008-09 is not supported by the last six-years of historical information. A review of the COLA's granted to the various bargaining units during this timeframe

shows that the unions have not gone without a COLA increase for more than one year at a time. By assuming the various unions will take a wage freeze for three consecutive years, the treasurer is probably understating the cost of wages in these years. The treasurer indicated that his assumption of no COLA's from FY 2006-07 through FY 2008-09 was based on the District's inability to certify that the funds will be available to pay for the wage increases.

During negotiations with the certificated bargaining unit, a retirement bonus was included for teachers eligible to retire through the State Teachers Retirement System. According to the superintendent, this was a one-time program that expired on December 31, 2004, which was the required notification date for the teachers retiring at the conclusion of FY 2004-05. The superintendent indicated that four teachers took this incentive, which will yield a savings of \$155,583 (\$136,913 salary & \$18,670 benefits) in FY 2005-06 and \$289,568 (\$254,785 salary & \$54,548 benefits less \$19,745 to hire a part-time nurse) annually throughout the remainder of the forecast. The four teachers that took the incentive consisted of a Title I grant teacher, a physical education teacher, a first grade teacher and a registered nurse. The superintendent also indicated that she will only replace the nursing position and will use a part-time employee in this role. Because the treasurer's forecast was prepared in October 2004, it does not reflect the estimated savings resulting from the retirement bonus program. However, for purposes of adjusting the treasurer's forecast, it is only misstated by three teachers since the Title I grant teacher would not have been included in a forecast of the General and DPIA funds.

Table 2-5 presents the AOS revised projections for salaries and wages. Since the changes in salaries and wages also impact the fringe benefits, the revised estimates for fringe benefit costs are also presented. **Table 2-5** was developed assuming a two percent COLA for all employees from FY 2006-07 through FY 2008-09, based on the COLA increase for certificated staff in FY 2005-06. In addition, **Table 2-5** reflects the savings associated with not replacing three teachers beginning in FY 2005-06.

Table 2-5: Net Effect of Revised Salaries & Benefits (in 000's)

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Salaries & Wages	\$9,096	\$9,410	\$9,570	\$9,731	\$9,891
Fringe Benefits	3,793	4,084	4,350	4,617	4,883
Total	\$12,889	\$13,494	\$13,920	\$14,348	\$14,774
AOS Revised Projections:					
Salaries & Wages	\$9,096	\$9,279	\$9,589	\$9,941	\$10,300
Fringe Benefits	3,793	4,013	4,300	4,594	4,889
Total	\$12,889	\$13,292	\$13,889	\$14,535	\$15,189
Net Impact on Forecast	\$0	\$202	\$31	(\$187)	(\$415)

Source: SCSD forecast and AOS adjustments

R2.4 The superintendent, treasurer and board should review and evaluate all proposed expenditures and assumptions contained in the financial forecast to ensure that the document reflects the priorities and spending plans of the District. In particular, the projections for line items the District can control, such as instructional materials and supplies, should be evaluated to determine if it is critical that the District spend at the proposed levels. Based on the accumulated carry-forward balance, it does not appear that the District would need to spend \$320,000 annually on textbooks and instructional materials.

To ensure adequate funding for textbooks and instructional materials, ORC § 3315.17 requires school districts to spend a minimum of three percent of the preceding years' state funding formula amount on textbooks and instructional materials. The legislation also indicates that if a district spends more than is required in one year, the difference can be used to offset the next year's requirement.

During the last three years, Struthers CSD has spent a significant amount of money to update its textbooks and instructional materials. As a result, the District has exceeded the minimum spending requirements in each year and accumulated a carry-forward balance at the conclusion of FY 2003-04 of approximately \$438,000 that could be used to offset the spending requirements during the forecast period. In developing his projections for supplies and materials, the treasurer assumed that the District would spend \$477,000 in FY 2006-07 through FY 2008-09. Of this \$477,000, the treasurer assumed that \$320,000 annually would qualify as textbooks and instructional materials. **Table 2-6** compares the District's proposed expenditure of \$320,000 annually to the spending requirements in ORC § 3315.17.

Table 2-6: Analysis of Textbook & Instructional Spending Requirements

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Minimum Spending Requirement	\$290,482	\$287,911	\$293,669	\$299,543	\$305,533	\$311,644
Amount Spent by District	\$320,664	\$320,000	\$320,000	\$320,000	\$320,000	\$320,000
Net Result	\$30,182	\$32,089	\$26,331	\$20,457	\$14,467	\$8,356
Plus: Prior Year Carry Forward	\$407,978	\$438,160	\$470,249	\$496,580	\$517,037	\$531,504
Ending Carry Forward Balance	\$438,160	\$470,249	\$496,580	\$517,037	\$531,504	\$539,860

Source: SCSD forecast and AOS adjustments

The analysis in **Table 2-6** uses the actual spending requirements for FY 2003-04 and FY 2004-05 based on information reported by ODE. The spending requirements are then increased two percent annually beginning in FY 2005-06 based on the AOS assumptions regarding state funding (see **pg. 2-4**). **Table 2-6** shows that if Struthers CSD incurs textbook and instructional materials expenditures of \$320,000 annually during the

forecast period, it will exceed the spending requirement each year and the carry-forward balance will grow to nearly \$540,000 by FY 2008-09. Therefore, it appears that the District has some flexibility to decrease its projected supplies and materials expenditures during the forecast period.

Table 2-7 shows the same schedule but assumes that the District only spends \$193,000 annually on textbooks and instructional materials beginning in FY 2005-06.

Table 2-7: Textbook & Instructional Spending Requirements - Revised

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Minimum Spending Requirement	\$290,482	\$287,911	\$293,669	\$299,543	\$305,533	\$311,644
Amount Spent by District	\$320,664	\$320,000	\$193,000	\$193,000	\$193,000	\$193,000
Net Result	\$30,182	\$32,089	(\$100,669)	(\$106,543)	(\$112,533)	(\$118,644)
Plus: Prior Year Carry Forward	\$407,978	\$438,160	\$470,249	\$369,580	\$263,037	\$150,504
Ending Carry Forward Balance	\$438,160	\$470,249	\$369,580	\$263,037	\$150,504	\$31,860

Source: SCSD forecast and AOS adjustments

Table 2-7 shows that the District could reduce its textbook and instructional material expenditures to \$193,000 annually and still comply with ORC § 3315.17.

Table 2-8 presents the AOS revised projections for supplies and materials. The AOS revised forecast decreases the proposed supplies and materials expenditures by \$127,000 (\$320 less \$193) annually beginning in FY 2005-06.

Table 2-8: Net Effect of Revised Supplies & Materials (in 000's)

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Supplies & Materials	\$471	\$468	\$477	\$477	\$477
AOS Revised Projections:					
Supplies & Materials	\$471	\$341	\$350	\$350	\$350
Net Impact on Forecast	\$0	\$127	\$127	\$127	\$127

Source: SCSD forecast and AOS adjustments

R2.5 The treasurer should review the methodology and assumptions for projecting debt service costs. In preparing future forecasts, the treasurer should ensure that the projections are consistent with the debt amortization schedules provided by bond counsel and other third-party sources.

A summary of the District's General Fund debt obligations as of 12/31/04 are as follows:

- **State Emergency Loan** – In FY 1995-96, the District experienced severe financial difficulties that resulted in borrowing approximately \$1.9 million from the State Emergency Loan program. The \$1.9 million is being repaid over a ten-year period at an interest rate of 5.1 percent. The last payment on this debt is scheduled for FY 2005-06.
- **H.B. 264 Notes** - Struthers CSD issued approximately \$374,000 in debt during 1998 in order to install new boilers, windows and doors in various buildings throughout the District. The \$374,000 is being repaid over a 15 year period at an interest rate of 4.97 percent. The last payment on this debt is scheduled for 2013.
- **Tax Anticipation Notes** – Due to cash flow issues, the District issued a \$500,000 tax anticipation note in FY 2003-04. This note was repaid by June 30, 2004 and cost the District \$4,525 in interest charges. Because Struthers CSD never rectified the issues that necessitated the cash flow borrowing in FY 2003-04, the District had to issue another \$850,000 tax anticipation note in November, 2004 (FY 2004-05). The FY 2004-05 tax anticipation note will be repaid on June 27, 2005 at an interest rate of 3.05 percent.

Based on a review of the debt service schedules for FY 2004-05 through FY 2008-09, the forecast does not accurately portray the District's future debt service requirements. The treasurer prepared his forecast in October, 2004 to reflect the debt liabilities that were outstanding at that time. However, the treasurer did not update the forecast to reflect the \$850,000 tax anticipation note and related interest costs. In addition, beginning in FY 2006-07, the only general fund debt the District will have outstanding is the H.B. 264 notes. The treasurer assumes that the debt interest payment related to these notes will remain the same throughout the forecast period. However, a review of the District's debt amortization schedule shows that the yearly interest costs should be decreasing. More specifically, by FY 2008-09, the total debt service payment should only be \$37,059.

Table 2-9 presents the AOS revised projections for debt service costs. The revised forecast shows the debt service costs based on the actual debt amortization schedules.

Table 2-9: Net Effect of Revised Debt Service Expenditures

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Debt Service Costs	\$284,046	\$283,969	\$38,985	\$40,285	\$41,585
AOS Revised Projections:					
Debt Service Costs	\$298,961	\$283,969	\$37,018	\$37,071	\$37,059
Net Impact on Forecast	(\$14,915)	\$0	\$1,967	\$3,214	\$4,526

Source: SCSD forecast and AOS adjustments

R2.6 The treasurer should review the methodology used for projecting purchased services, other expenditures, operating transfers and year-end encumbrances. In preparing future forecasts, the treasurer should ensure that the projections are consistent with the historical trends and account for inflation.

In projecting the detailed line items that comprise the purchased services expenditures in FY 2005-06, the treasurer holds all line-items, except electric, flat at the FY 2004-05 levels. Electric expenditures are projected to increase 17 percent based on past history. The treasurer then assumes all purchased services costs, including electric, will remain fixed at the FY 2005-06 levels during the remainder of the forecast. Although the treasurer indicated he based his assumptions on the District's ability to control these costs, a review of the detailed line items that comprise purchased services shows that the majority of the expenditures are either outside the District's control (open enrollment, community schools, County ESC deductions), or would require closing buildings (insurance and utilities) or better utility management (see the **facilities** section). The only significant purchased services that can be directly controlled by the District are the capital related expenditures.

Furthermore, the projections for purchased services are not consistent with past history as they have increased at an average annual rate of nine percent during the last six years. However, the historical average is inflated due to the District's use of \$340,000 of general fund monies in FY 2003-04 to help fund construction of the wellness center. If FY 2003-04 were removed from consideration, the average annual increase would have been 4.5 percent. In addition, increases in electric expenditures significantly contributed to the overall increases in purchased services in FY 2002-03 and FY 2003-04, primarily due to the Ohio School Facilities Commission (OSFC) construction project (see Facilities section). Since this project has since been completed, electric expenditures may begin to stabilize.

Other expenditures were projected in a manner similar to purchased services, with all the detailed line-items being projected to remain flat at the FY 2005-06 levels. However, this is not consistent with the historical trends. After adjusting for significant one-time

expenditures, past history shows that total other expenditures have grown at an average annual rate of approximately five percent. In addition, the majority of these expenditures are outside of the District's direct control (financial audit fees, county auditor fees, and insurance renewal rates). The projections for FY 2004-05 through FY 2008-09 are also overstated by \$60,000 annually because the estimates were calculated using FY 2003-04 as the base-year without making an adjustment to eliminate a one-time insurance purchase that took place during the construction of the wellness center. In developing the estimates for FY 2004-05 and FY 2005-06, ODE assumed that the other expenditures would increase six percent annually.

The District is projecting transfers-in of \$28,000 in FY 2004-05 and \$23,000 thereafter. The transfers-out are projected to equal \$5,000 in each year of the forecast. The transfers-in represents monies the District feels it will receive from Medicare billings through the Community Alternative Funding System (CAFS) program. In FY 2000-01, the District transferred approximately \$100,000 from the general fund to the CAFS fund to use as start-up money in establishing this program. The transfers-in during the forecast period represents the treasurer's belief that the District will be able to start recouping some of this money.

The treasurer's assumption that the CAFS program will allow for transfers to the general fund of \$23,000 annually is not supported by past history. The CAFS program has not yet been able to generate enough in reimbursement money to continue operating or to begin repaying the general fund. Furthermore, no CAFS monies were transferred into the general fund during FY 2002-03 or FY 2003-04. The transfers-out look reasonable based on past history and represent monies the treasurer is setting aside to cover minor deficits in other funds, if needed.

The District's assumption that there will be no year-end encumbrances is not consistent with past history. For example, the year-end encumbrances equaled approximately \$278,000 in FY 2000-01, \$406,000 in FY 2001-02, \$438,000 in FY 2002-03 and \$165,000 in FY 2003-04. However, prior to FY 2003-04, the encumbrances are likely inflated due to the various construction projects that were taking place during that timeframe (see **facilities** section). The forecast prepared by ODE assumes that the encumbrances will equal \$165,000 in FY 2004-05 and FY 2005-06.

Table 2-10 presents the AOS revised projections for purchased services, other expenditures, net transfers and encumbrances. Purchased services are projected to increase three percent annually based on inflation. The FY 2004-05 other expenditure projections are reduced by \$60,000 due to the one-time insurance purchase. The other expenditures are then projected to increase six percent annually based on past history, inflation and the estimates prepared by ODE. The net transfers were adjusted to

eliminate the transfers-in, and encumbrances are assumed to equal \$165,000 annually during the forecast period, based on past history and the ODE forecast.

Table 2-10: Net Effect of Revised Purchased Services, Other Expenditures & Net Transfers (in 000's)

	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09
Struthers CSD Projections:					
Purchased Services	\$1,981	\$2,007	\$2,007	\$2,007	\$2,007
Other Expenditures	193	204	204	204	204
Net Transfers	(23)	(18)	(18)	(18)	(18)
Total	\$2,151	\$2,193	\$2,193	\$2,193	\$2,193
AOS Revised Projections:					
Purchased Services	\$1,981	\$2,041	\$2,102	\$2,165	\$2,230
Other Expenditures	133	141	149	158	168
Net Transfers	5	5	5	5	5
Encumbrances	165	165	165	165	165
Total	\$2,284	\$2,352	\$2,421	\$2,493	\$2,568
Net Impact on Forecast	(\$133)	(\$159)	(\$228)	(\$300)	(\$375)

Source: SCSD forecast and AOS adjustments

R2.7 Although the District is only required to file a five-year forecast with ODE twice a year, the Treasurer should consider updating the forecast more frequently. More specifically, the treasurer should consider updating the forecast on a quarterly basis and as critical issues affecting the original projections change. This would provide the Board, the Superintendent and other readers with a better and timelier understanding of the long-term impact that changing financial issues have on the District.

The District prepared and filed the financial forecast shown in **Table 2-1** with ODE on October 21, 2004. Despite the many changes that have taken place in Struthers CSD since that time, as of April 27, 2005, the District had not submitted an updated forecast to ODE that reflects the impact of those changes. Examples of changes that occurred during FY 2004-05 that should have been reflected in an updated forecast include the following:

- On December 21, 2004 the District adopted a recovery plan and submitted it to ODE that identified approximately \$762,000 in savings in FY 2005-06. When this plan was rejected by ODE, the District adopted and submitted a second recovery plan identifying approximately \$1.2 million in savings in FY 2005-06. (see **pg. 2-1**)
- In December, the District received approximately \$32,000, or eight percent, more in personal tangible tax collections than was projected. (see **R2.2**)

- In February, the District learned that three General Fund teachers were going to retire at the conclusion of the FY 2004-05 school year. According to the Superintendent, the positions will not be replaced. (see **R2.3**)
- In November, the District issued additional debt to cover short-term cash flow needs. This debt issue will result in additional expenditures in FY 2004-05. (see **R2.5**)

Given the financial situation of the District, it is imperative that management have reliable and timely forecast information in order to make sound decisions.

R2.8 Struthers CSD's five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments. In addition, the Treasurer should ensure that the assumptions stated in the notes adequately reflect the figures presented in the forecast.

In projecting employee fringe benefits, the notes to the forecast state that the health and prescription premiums are projected to increase 10 percent annually. However, this is somewhat misleading. While the Treasurer applied a 10 percent increase for the FY 2004-05 premiums, he projected the remaining years to increase by the forecasted change in absolute dollars from FY 2004-05 to FY 2005-06. **Table 2-11** illustrates how the annual changes in health insurance benefits were calculated from FY 2004-05 through FY 2008-09.

Table 2-11: Projected Annual Change in Health Insurance Benefits (in 000's)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Health Insurance Base Cost from Prior Year	\$2,486	\$2,731	\$2,977	\$3,222	\$3,467
Yearly Increase in Health Insurance Estimates	\$245	\$245	\$245	\$245	\$245
% Change in Health Care Estimates	N/A	9.9%	9.0%	8.2%	7.6%

Source: SCSD forecast

Table 2-11 shows that in each year, the treasurer added a fixed amount of \$245,000 to the prior year's total health insurance projection in order to compile the current year's estimate. As a result, the actual percentage increases amount to only 7.6 percent in FY 2008-09 rather than the 10 percent stated in the forecast notes. However, despite the Treasurer's somewhat misleading assumption, the projections for employee fringe benefits look reasonable based on discussions with the District's third-party claims administrator and the changes the District recently made to its health benefit plans. (see **human resources** section)

Although there were no other significant inconsistencies between the stated assumptions and the forecast projections, 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 any kind of disclosure concerning the following:

- Inflation rates – historic and projected;
- Internal financial objectives and comparable external averages;
- Enrollment and Average Daily Membership (ADM) – historic and projected;
- Information regarding facility utilization;
- Staffing by position – historic and projected;
- Expenditures for main components of purchased services, materials, supplies and textbooks, other expenditures, and specific mounts fulfilling state minimum requirements;
- Projected capital outlay expenditures with details identifying amounts related to routine maintenance, specific projects, and fulfilling state minimum requirements;
- Debt service obligations with detailed descriptions; and
- Transfers-in and out of the general fund.

By providing more detail in the forecast and its supporting notes, the District would enable the Board and public to better understand its financial condition.

Revenue & Expenditure Analysis

R2.9 The District should take steps to eliminate its financial problems by effectively budgeting its resources and periodically monitoring its financial performance. The District should begin to address this issue by not adopting the budget unless it contains realistic revenue and expenditure estimates, and the proposed appropriations for all funds fall within the current year's available revenues.

After the budget has been adopted, the Treasurer should provide detailed reviews of the District's actual performance against the budget to the Superintendent and Board on a monthly basis. If, during the year, it becomes apparent that the actual revenues will not meet the original estimates, the Treasurer should obtain a reduced certificate of estimated resources from the County and then work with the Superintendent and Board to identify the necessary appropriation reductions. Lastly, if a proposed expenditure is going to exceed the available appropriation, the purchase should be postponed until the Superintendent and Board identify reductions in other areas of the budget that can be used to cover the proposed expenditure. By operating within the framework and parameters established in the annual budget, and proactively monitoring its finances during the year, the District will be better able to regain financial stability.

Table 2-12 compares Struthers CSD's general fund revenues by source and expenditures by object to the peer districts for FY 2003-04. The data is presented on a per student basis to account for differences in student population.

Table 2-12: Revenues and Expenditures per Student

	Struthers CSD	Bucyrus CSD	Girard CSD	Washington Court House CSD	Peer Average
Property Taxes	\$1,804	\$2,950	\$1,719	\$2,013	\$2,227
Intergov. Revenues	4,884	4,369	4,596	4,514	4,493
Other Revenues	343	479	217	118	271
Total Revenue	\$7,031	\$7,797	\$6,533	\$6,645	\$6,992
Wages	\$4,364	\$4,575	\$3,588	\$3,975	\$4,046
Fringe benefits	1,810	1,441	1,755	1,236	1,477
Purchased Services	1,123	1,150	971	575	899
Supplies & Textbooks	283	213	106	259	193
Capital Outlay	225	6	32	83	40
Miscellaneous	100	156	73	171	133
Other Financing Uses	2	154	46	35	78
Total Expenditures	\$7,906	\$7,695	\$6,572	\$6,335	\$6,867

Source: SCSD and peers

Based on **Table 2-12**, it appears that the District's financial difficulties are due to overspending rather than a lack of funding. In FY 2003-04, Struthers CSD received approximately \$39 more per student in total general fund revenue than the peer average. However, during the same time period, the District spent \$7,906 per student, or approximately \$1,039 more than the peer average. In addition, while all the peers were successful in keeping their expenditures at a level similar to their available revenues, Struthers CSD overspent their available revenues by approximately \$875 per student.

The areas where the District's expenditures are higher than the peers include the following:

- *Wages* – The District spent approximately \$318 more per student than the peer average on employee wages. The higher wage expenditures are due to overstaffing and higher compensation packages in certain areas of the District (see the **human resources** and **facilities** sections for more details).

- *Fringe Benefits* – The District spent approximately \$333 more per student on fringe benefits when compared to the peer average. The higher fringe benefit costs are due to a combination of the higher staffing levels and offering an expensive health care plan. Prior to FY 2004-05, the District offered traditional health care coverage with no co-pays or deductibles. The District began to address this issue in FY 2004-05 when it switched to a PPO plan for administrative and classified staff that incorporates a series of co-pays and deductibles (see **human resources section** for more details).
- *Purchased Services* – The District spent approximately \$224 more per student on purchased services when compared to the peer average. The higher purchased service costs are due in part to using \$340,000 to help pay for the construction of a new wellness center building (see **facilities section** for more details).
- *Supplies and Materials* – The District spent approximately \$90 more per student on supplies and materials when compared to the peer average. The higher supplies and material costs are due in part to the District using the general fund to furnish the newly constructed wellness center (see **facilities section** for more details).
- *Capital Outlay* – The District spent approximately \$185 more per student on capital outlay when compared to the peer average. The higher capital outlay costs are due to the District using the general fund to upgrade technology throughout the District.

In addition to the analysis above, the District overspent its available revenues in FY 2002-03 by approximately \$405 per student. More specifically, in FY 2002-03, the District received total revenues per student of \$6,675 while expenditures totaled \$7,080.

The FY 2002-03 financial audit noted that the District overspent the appropriations in the General Fund and nine other funds. The financial audit also noted that the District overestimated the revenues for budgetary purposes in 18 funds. While neither of these citations were material to the overall financial statements, they both represent practices that will need to be corrected if the District is going to reverse the recent trends and regain financial stability. Furthermore, according to *Recommended Budget Practices: A Framework For Improved State and Local Government Budgeting* (1998) published by the Government Finance Officers Association, a government should evaluate its financial performance relative to the adopted budget. Regularly monitoring of budgetary performance will identify early signs of potential problems, give decision makers time to develop actions to resolve problems, and demonstrate accountability.

R2.10 Struthers CSD should closely examine the spending patterns shown in Table 2-13 and the cost reductions recommended in the human resources, facilities and transportation sections of this report. The District should consider reallocating the

monies it is currently receiving toward those programs and priorities which have the greatest impact in improving the students' education and proficiency test results. Furthermore, the District should analyze the spending patterns and recommendations to aid in efforts to regain financial stability.

Table 2-13 shows the amount and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Struthers CSD and the peer districts. Function codes report expenditures by their nature or purpose. The following table shows operational expenditures for all funds that are classified as governmental fund types.

Table 2-13: FY 2003-04 Pupil Operational Expenditures by Function

USAS Function Classification	Struthers CSD		Bucyrus CSD		Girard CSD		Washington Court House CSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	\$5,915	63.9%	\$4,956	58.4%	\$4,952	65.3%	\$4,365	61.6%	\$4,722	61.7%
Regular Instruction	4,202	45.4%	3,337	39.3%	3,749	49.4%	3,273	46.2%	3,439	44.9%
Special Instruction	823	8.9%	1,034	12.2%	710	9.4%	894	12.6%	879	11.5%
Vocational Instruction Adult/Continuing Instruction	450	4.9%	137	1.6%	160	2.1%	33	0.5%	103	1.3%
Other Instruction	11	0.1%	0	0.0%	0	0%	2	0.0%	1	0.1%
	429	4.6%	448	5.3%	333	4.4%	163	2.3%	300	3.9%
Support Services Expenditures	\$3,027	32.7%	\$3,134	36.9%	\$2,242	29.6%	\$2,447	34.6%	\$2,589	33.8%
Pupil Support	346	3.7%	364	4.3%	443	5.8%	303	4.3%	364	4.8%
Instructional Support	277	3.0%	488	5.7%	103	1.4%	388	5.5%	330	4.3%
Board of Education	62	0.7%	56	0.7%	27	0.4%	8	0.1%	28	0.4%
Administration	702	7.6%	881	10.4%	564	7.4%	597	8.4%	672	8.8%
Fiscal Services	235	2.5%	209	2.5%	162	2.1%	194	2.7%	189	2.5%
Business Services	32	0.3%	82	1.0%	1	0.0%	0	0.0%	25	0.3%
Plant Operation/Maintenance	1,130	12.2%	675	7.9%	663	8.7%	646	9.1%	660	8.6%
Pupil Transportation	198	2.1%	261	3.1%	272	3.6%	239	3.4%	256	3.3%
Central Support Services	45	0.6%	118	1.3%	7	0.2%	72	1.1%	65	0.8%
Non-Instructional Services Expenditures	81	0.9%	89	1.0%	110	1.4%	1	0.0%	61	0.8%
Extracurricular Activities Expenditures	239	2.5%	313	3.7%	279	3.7%	268	3.8%	285	3.7%
Total Governmental Fund Operational Expenditures	\$9,262	100%	\$8,492	100%	\$7,583	100%	\$7,081	100%	\$7,657	100%

Source: Exhibit II - FY 2002-03 4502 reports

Table 2-13 indicates that Struthers CSD's overall spending per pupil in FY 2003-04 is \$9,262, which is approximately \$1,605 higher than the peer average. The detailed line items in which the District significantly exceeded the peer average in per pupil spending include the following:

- *Regular Instruction, Plant Operation & Maintenance, Fiscal Services and Administration* The District spent approximately \$763 more per student than the peer average on regular instruction, \$470 more per student on plant operation and maintenance, \$46 more per student on fiscal services, and \$30 more per student on administration. An analysis in the **human resources** and **facilities** sections of this report shows that the District maintains either higher staffing levels and/or higher average salaries than the peers in these areas.

In addition, in FY 2003-04, Struthers CSD spent approximately \$191,000, or \$100 per regular education student to upgrade technology throughout the District. The treasurer also indicated that the plant operation and maintenance expenditures were higher in FY 2003-04 due to the utility costs associated with opening the new middle school and the final OSFC building construction costs from the capital projects funds, totaling approximately \$566,000.

- *Vocational Instruction* - The District spent approximately \$347 more per student than the peer average on vocational instruction. According to the treasurer, the only vocational classes offered by the District consist of a vocational radio program, OWE and home economics. All students wanting to attend vocational trade programs are sent to the joint vocational school. During FY 2003-04, the District spent approximately \$232,000, or \$120 per vocational student to upgrade technology. See the **human resources section** for more information concerning vocational education.
- *Other Instruction and Board of Education* – The District spent approximately \$129 more per student than the peer average on other instruction and \$34 more per student on board of education. The District's other instruction line-item consists primarily of items outside the District's direct control. For example, open enrollment deductions (\$142,000), community school deductions (\$177,000) and County Educational Service Center deductions (\$278,000) account for nearly 73 percent of the other instruction classification. The board of education line item is significantly higher than the peers due to the expenditure of approximately \$65,000, or \$34 per student, in legal fees in FY 2003-04. The District contracted with a legal firm in FY 2003-04 to assist in contract negotiations with certified staff.
- *Business Services* – The District spent approximately \$32 per student in the business services category. In contrast, Girard CSD spent only \$1 per student and Washington Court House CSD did not charge any expenditure to this line-item. According to the

Treasurer, the District has a centralized print resource center where an employee is responsible for completing all the large copying, printing and binding functions.

Table 2-14 and **Table 2-15** compare Struthers CSD's academic performance indicators to those of its peers as a way to link performance standards to the District's spending patterns.

Table 2-14: ODE Performance Standards Comparison

	Struthers CSD	Bucyrus CSD	Girard CSD	Washington Court House CSD	Peer Average
Number of 22 Performance Standards Met					
FY 2001-02	13	14	17	14	15
FY 2002-03	13	8	16	9	11
Number of 18 Performance Standards Met					
FY 2003-04	10	11	12	10	11

Source: District report cards

Table 2-15: Comparison of Performance Index Scores

	Struthers CSD	Bucyrus CSD	Girard CSD	Washington Court House CSD	Peer Average
FY 2001-02	80.7	80.6	85.5	83.3	83.1
FY 2002-03	82.2	76.2	89.9	84.0	83.4
FY 2003-04	85.0	90.0	90.8	91.0	90.6

Source: District report cards

While Struthers CSD spent more per student than each of the peers in FY 2003-04, it met fewer educational performance standards and achieved a lower performance index score when compared to the peer average during the same time frame. Each school district is required to receive a performance accountability rating based on 18 performance standards, which are minimum performance goals for public education in Ohio. ODE also compiles proficiency testing information into a performance index score that is based on the average scores of all students in five subject areas on the proficiency tests. This information captures the students' level of achievement as opposed to simply tracking whether a standard was met. Given that the peers were able to meet more ODE performance standards while spending less per student, there appears to be an opportunity for Struthers CSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

R2.11 Due to its financial condition, the Struthers CSD should diligently monitor those spending areas over which it can exercise more discretion. Various areas are noted in Table 2-16 where Struthers CSD spent more per student than its peer districts.

District management should closely review these costs to identify possible opportunities for reductions and savings.

Table 2-16 shows discretionary expenditures from the general fund at Struthers CSD and the peers. The discretionary expenditures are shown on a per student basis to account for differences in student population.

Table 2-16: FY 2003-04 Discretionary Expenditures per Student¹

	Struthers CSD FY 2002-03	Struthers CSD FY 2003-04	Bucyrus CSD	Girard CSD	Washington Court House CSD	Peer Average
Prof. and Technical Services	\$50	\$54	\$293	\$122	\$67	\$161
Property Services	131	301	176	301	112	196
Mileage/Meeting Expense	8	0	8	3	8	6
Communications	39	29	28	16	40	28
Contract, Craft, Trade Services	0	0	10	0	3	4
Pupil Transportation Services	32	31	0	3	0	1
Other Purchased Services	0	1	2	1	30	11
General Supplies	110	170	94	21	125	80
Textbooks/Reference Materials	61	57	10	37	49	32
Supplies/Materials for Resale	0	0	25	0	0	8
Plant Maintenance and Repair	30	39	44	27	48	40
Fleet Maintenance and Repair	11	16	40	21	36	32
Land & Bldg. Improvements	0	0	0	0	22	7
Equipments	286	225	31	32	30	31
Buses/Vehicles	51	0	0	0	31	10
Dues and Fees	56	47	155	51	168	125
Insurance	7	50	0	21	0	7
Miscellaneous	3	1	1	0	3	1
Total	\$875	\$1,021	\$917	\$656	\$772	\$782

Source: Annual Financial Reports (4502's) Statement P

¹ Amounts are rounded and may differ slightly from summation totals.

As shown in **Table 2-16**, the District's total discretionary spending the last two years has been significantly higher than the peer average. Explanations for some of the areas where Struthers CSD was significantly higher than the peer average include the following:

- *Property Services, General Supplies, Textbooks & Insurance* – The higher expenditures in the property services line item are due to the District using \$340,000 to help fund the construction of a new wellness center. During the construction of the wellness center, the District also had to purchase additional liability insurance coverage costing \$60,000. Once completed, the District paid for equipment and furnishings for the wellness center from the general supplies budget.

The expenditures for general supplies, and textbooks and reference materials in FY 2002-03 and FY 2003-04 were also higher than the peer average due in part to the District spending more on instructional supplies and materials than required by ORC § 3315.17 (see **R2.4** for more details).

- *Equipment* – The District spent approximately \$662,000 in FY 2002-03 and approximately \$434,000 in FY 2003-04 on repairing and replacing buses and upgrading the technology for regular and vocational instruction. The District used its bus purchase subsidies and parity aid money to make these purchases. Prior to FY 2003-04, the State placed restrictions on how parity aid money could be used. More specifically, this money could only be used on items and programs designed to enhance the instructional opportunities for students. In FY 2003-04, the legislature made parity aid money available for any purpose.
- *Pupil Transportation* – This line item accounts for payments made to parents and subcontractors to transport students to schools outside the District (see **transportation section** for more information).

Table 2-17 shows the District's general fund expenditures for purchased services and supplies and materials during the last two years.

Table 2-17: District Purchases FY 2002-03 and FY 2003-04

	FY 2002-03	FY 2003-04
Professional and Technical Services	\$99,672	\$102,420
Property Services	259,342	578,605
Mileage/Meeting Expense	15,375	0
Communications	76,735	55,679
Utilities	362,421	549,599
Tuition	840,009	816,079
Pupil Transportation Services	62,661	60,115
Other Purchased Services	53	1,800
Total Purchased Services	\$1,716,268	\$2,164,297
General Supplies	\$218,317	\$328,613
Textbooks	111,379	91,188
Library Books	3,989	11,948
Periodicals and Films	5,957	6,945
Maintenance and Repairs to Fleet	59,314	74,829
Other Supplies & Materials	21,320	31,302
Total Materials and Supplies	\$420,276	\$544,825

Source: Annual Financial Reports (4502's)

Although the District's unencumbered general fund balance had decreased from approximately \$1.2 million in FY 2001-02 to less than \$300,000 in FY 2002-03, the District increased its expenditures related to purchased services and supplies and materials by a total of \$573,000 in FY 2003-04. The line items within purchased services that contributed to this increase include property services (\$340,000 for wellness center) and the increased utility costs associated with the opening of the new middle school. Supplies and materials also increased significantly from FY 2002-03, with general supplies (furnishing wellness center), library books and repairs to buildings and vehicles accounting for the majority of the increase.

Tables 2-16 and **2-17** show that the District has not effectively controlled its discretionary expenditures during the last two years. Furthermore, the large increases in discretionary spending (**Table 2-16**), and purchased services and supplies and materials (**Table 2-17**) played a significant role in the District ending FY 2003-04 with an unencumbered cash deficit of approximately \$1.1 million.

Financial Implication: If the pupil transportation costs, general supplies and text books and reference materials were removed from consideration as discretionary expenditures, the District's total discretionary spending would have been \$763 per pupil in FY 2003-04 and the peer average would have been \$669. These items are excluded to avoid potentially double counting the financial impact as they will be assessed in other sections of the performance audit (see **R2.4** and the **transportation** section). If Struthers CSD reduced its total discretionary spending to an amount equal to the peer average, it could save approximately \$181,000 annually based on the FY 2003-04 expenditures.

R2.12 Struthers CSD should analyze and use the proposed financial forecast outlined in Table 2-18 to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation.

Table 2-18 demonstrates the impact of the revised assumptions and recommendations discussed in this report. The revised forecast contains the same financial projections presented in **Table 2-1**, with additional lines to incorporate various adjustments. The adjustments that were made in **Table 2-18** include the following:

- **FY 2004-05 Ending Fund Balance** – During the course of this audit, actual revenue and expenditure information became available for FY 2004-05. The actual figures for FY 2004-05 compared favorably with the treasurer's projected figures. For example, the actual total revenues were within one percent of the projected amounts while the actual total expenditures were within two percent of the projected figures. Because the actual figures are similar to the projected amounts, the individual line-items within **Table 2-18** have not been updated to include actual information.

However, a net adjustment is included in **Table 2-18** in the line item titled "FY 2005 Adjustment to show Actual Ending Fund Balance." This adjustment, for approximately \$164,000, represents the difference between the District's actual ending fund balance (a deficit of approximately \$1.74 million) and the projected amount (a deficit of approximately \$1.9 million). With this adjustment, the ending fund balance shown for FY 2004-05 represents the actual ending fund balance. In addition, since **Table 2-18** has been updated to include the actual ending fund balance for FY 2004-05, another year of projected information (FY 2009-10) has been incorporated into the forecast. The projections for FY 2009-10 are based on the assumptions listed for each line-item within this report.

- **Impact of AOS Recommendations** – The financial savings and implementation costs associated with the performance audit recommendations have been included

within a line-item titled “Cumulative Impact of AOS Recommendations.” **Table 2-19** summarizes the financial implications associated with the recommendations contained within this report. Some of the recommendations can be implemented immediately, while others will require further management action to realize the proposed savings.

- **State Funding Adjustments** – At the time the forecast was prepared by the District, it was uncertain how the State legislature would fund school districts during the next biennium. Because of this uncertainty, the District projected State funding to remain fixed at the FY 2004-05 levels in all years of the forecast. In an effort to show the impact on the District if the State legislature did increase the future funding levels, an AOS adjustment was included within the recovery plan to show the incremental impact of a 2.2 percent increase in state funding levels. This adjustment is shown in a line-item titled “Cumulative Impact of State Funding Adjustments” and the amounts are based on the analysis and figures shown in **Table 2-2**.
- **Adjustments for Impact of FY 2005-06 State Budget** - During the course of this audit, the State legislature adopted the budget for the next biennium beginning with FY 2005-06. The new budget includes major tax reforms, including accelerating the phase-out period on the tangible personal property taxes. Based on initial projections from ODE, the new tax reforms will result in lower state funding levels for Struthers CSD than those originally projected in **Table 2-2**. As a result, **Table 2-18** includes a negative adjustment within a line-item titled “FY 2006 Legislative Impact on State Funding.” The negative adjustments, \$98,000 in FY 2005-06 and \$150,000 for all remaining years, are based on the actual ODE projections for FY 2005-06 and conservative estimates thereafter.

Table 2-18 shows that even with extremely conservative assumptions of no increase in state funding, the District can achieve financial recovery by implementing the recommendations contained in this performance audit. **Table 2-18** also shows that if the District’s State funding levels do increase at the projected levels, it may not be necessary for the District to reduce its regular education and ESP staffing levels to State minimums.

For Struthers CSD to achieve and maintain financial stability, it will be necessary to make difficult management decisions. The ideas and recommendations included in this report should be considered for implementation by the District. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan.

Table 2-18: Proposed Financial Recovery Plan (in 000's)

	Actual 2001-02	Actual 2002-03	Actual 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10
Real Estate Property Tax	\$3,508	\$3,500	\$3,503	\$3,579	\$3,617	\$3,744	\$3,781	\$3,819	\$3,858
Tangible Property Tax	511	449	517	411	383	371	345	321	298
Unrestricted Grants-in-Aid	8,323	8,994	9,268	9,320	9,320	9,320	9,320	9,320	9,320
Restricted Grants-in-Aid	0	35	144	799	798	798	798	798	798
Property Tax Allocation	558	560	562	558	561	580	586	592	598
Other Revenues	478	515	439	435	433	433	433	433	433
Total Operating Revenues	\$13,378	\$14,053	\$14,433	\$15,102	\$15,112	\$15,246	\$15,264	\$15,283	\$15,305
Salaries & Wages	\$7,780	\$8,241	\$8,844	\$9,096	\$9,279	\$9,589	\$9,941	\$10,300	\$10,666
Fringe Benefits	3,155	3,440	3,650	3,793	4,013	4,300	4,594	4,889	5,184
Purchased Services	1,548	1,716	2,164	1,981	2,041	2,102	2,165	2,230	2,297
Supplies & Materials	358	420	545	471	341	350	350	350	477
Capital Outlay	151	665	434	117	5	5	5	5	5
Debt Service	382	293	797	299	284	37	37	37	37
Other Expenditures	114	123	182	134	141	149	158	167	178
Total Operating Expenditures	\$13,488	\$14,898	\$16,616	\$15,891	\$16,104	\$16,532	\$17,250	\$17,978	\$18,844
Other Financing Sources	3	(1)	497	(5)	(5)	(5)	(5)	(5)	(5)
Net Financing Result of Operations (Net)	\$3	(\$1)	\$497	(\$5)	(\$5)	(\$5)	(\$5)	(\$5)	(\$5)
Beginning Cash Balance	\$1,691	\$1,584	\$738	(\$948)	(\$1,742)	(\$2,739)	(\$4,030)	(\$6,021)	(\$8,721)
Ending Cash Balance	\$1,584	\$738	(\$948)	(\$1,742)	(\$2,739)	(\$4,030)	(\$6,021)	(\$8,721)	(\$12,265)
Encumbrances & Reservations	475	438	165	165	268	268	165	165	165
Ending Unencumbered Balance	\$1,109	\$300	(\$1,113)	(\$1,907)	(\$3,007)	(\$4,298)	(\$6,186)	(\$8,886)	(\$12,430)
FY 05 Adjustment to show Actual Ending Balance	0	0	0	164	164	164	164	164	164
Cumulative Impact of AOS Recommendations	0	0	0	0	484	3,863	7,386	11,064	14,904
Revised Ending Unencumbered Fund Balance	\$1,109	\$300	(\$1,113)	(\$1,743)	(\$2,359)	(\$271)	\$1,364	\$2,342	\$2,638
Cumulative Impact of State Funding Adjustment	0	0	0	0	298	725	1,385	2,282	3,423
FY 2006 Legislative Impact on State Funding	0	0	0	0	(98)	(248)	(398)	(548)	(698)
Revised Ending Unencumbered Fund Balance	\$1,109	\$300	(\$1,113)	(\$1,743)	(\$2,159)	\$206	\$2,351	\$4,076	\$5,363

Table 2-19 details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-18**. The recommendations are separated by those that require contract renegotiations and those that do not require negotiation.

Table 2-19: Summary of Performance Audit Recommendations

Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Increases/ (Decreases) Resulting from AOS Revised Assumptions:						
R2.1 Real Estate and Property Tax Allocation	\$0	\$0	\$50,000	(\$6,000)	(\$62,000)	\$0
R2.2 Tangible Personal Property	\$32,000	\$30,000	\$18,000	(\$8,000)	(\$32,000)	\$0
R2.3 Salaries and Benefits	\$0	\$202,000	\$31,000	(\$187,000)	(\$415,000)	\$0
R2.4 Supplies and Materials	\$0	\$127,000	\$127,000	\$127,000	\$127,000	\$0
R2.5 Debt Service	(\$14,915)	\$0	\$1,967	\$3,214	\$4,526	\$0
R2.6 Purchased Services, Other Expenditures, Net Transfers, Encumbrances	(\$133,000)	(\$159,000)	(\$228,000)	(\$300,000)	(\$375,000)	\$0
AOS Revised Forecast Assumptions Impact	(\$115,915)	\$200,000	(\$33)	(\$370,786)	(\$752,474)	\$0
Recommendations Not Subject to Negotiation						
R2.11 Monitor and reduce discretionary spending	181,000	186,430	192,023	197,784	203,717	209,829
R3.1 Reduce up to 22 regular education teachers	1,090,942	1,125,450	1,161,410	1,198,895	1,237,986	1,278,765
R3.2 Reduce vocational education expenditures from the General Fund	261,000	268,830	276,895	285,202	293,758	302,571
R3.3 Reduce up to 6.5 ESP positions	484,000	499,309	515,262	531,893	549,236	567,327
R3.5 Reduce premium costs	514,000	555,120	599,530	647,492	699,291	755,235
R4.2 Implement an energy management program	100,000	103,000	106,090	109,273	112,551	115,927
R5.2 Reduce one bus	36,000	37,080	38,192	39,338	40,518	41,734
R5.4 Consider joining the DAS fuel purchasing program.	1,100	1,133	1,167	1,202	1,238	1,275
R5.5 Solicit bids for bus insurance	2,500	2,575	2,652	2,732	2,814	2,898
Total Recommendations Not Subject to Negotiation	\$2,670,542	\$2,778,927	\$2,893,221	\$3,013,810	\$3,141,109	\$3,275,561

Recommendations Subject to Negotiation						
Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
R3.5 Implement 10% contribution towards health insurance for all employees	181,000	195,480	211,118	228,008	246,249	265,948
R3.5 Implement 10% contribution towards dental insurance for all employees	10,000	10,800	11,664	12,597	13,605	14,693
R3.6 Reduce certified employee's sick leave incentive amount	11,700	11,700	11,700	11,700	11,700	11,700
R3.6 Reduce certified employee's association leave	715	715	715	715	715	715
R3.7 Reduce classified sick leave incentive	12,300	12,300	12,300	12,300	12,300	12,300
R3.8 Reduce sick leave by 3.5 days per employee	31,300	31,300	31,300	31,300	31,300	31,300
R4.1 Reduce 3 custodian FTEs & 3 janitorial tech positions	194,199	200,342	206,743	213,416	220,375	227,634
Total Recommendations Subject to Negotiation	\$441,214	\$462,637	\$485,541	\$510,036	\$536,243	\$564,290
Total Recommendations Included in Forecast	\$0	\$483,869¹	\$3,378,762	\$3,523,846	\$3,677,352	\$3,839,851

Source: AOS Financial Implications for Performance Audit Recommendations

Note: Recommendations are appreciated according to the corresponding assumption made by the District in its five-year forecast or as revised by AOS, which may differ from section savings.

¹ Savings for FY 2005-06 include recommendations not subject to negotiations and not solely related to staffing: **R3.2, R3.6, R4.2, R5.2, R5.4, and R5.5**. As FY 2005-06 began during the course of this audit, the forecast/recovery plan includes only half of the savings related to these recommendations. The actual savings will depend on the timing of implementing the recommendations.

Human Resources

Background

This section of the report focuses on human resource functions in the Struthers City School District (SCSD or the District). Data from the State Employee Relations Board (SERB) and peer school districts was used for comparisons throughout the human resource section.

SCSD does not have a separate department dedicated to performing human resources functions. The primary responsibilities are completed by the superintendent, school principals, department heads, a coordinator, and the treasurer. The superintendent coordinates activities and programs used to recruit and select employees, and monitors compliance with minimum employment standards. The principals and department heads conduct interviews, complete evaluations, and address performance issues for staff in their buildings and departments. A coordinator completes the Educational Management Information System (EMIS) staffing report, and the Treasurer's Office processes payroll and manages employee benefits

Staffing

Table 3-1 illustrates the actual staffing levels at SCSD and the peer districts during FY 2004-05, as reported in EMIS. Adjustments were made to the respective EMIS reports based upon interviews with the appropriate district personnel to ensure comparability among the peers.

Table 3-1: FTE Staffing Levels for FY 2004-05

Category	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Administrators: Subtotal	12.0	13.4	8.0	14.8	12.1
Superintendent	1.0	1.0	1.0	1.0	1.0
Treasurer	1.0	1.0	1.0	1.0	1.0
Assistant Principals	N/A	2.0	N/A	2.0	2.0
Principals	4.5	6.0	4.0	5.0	5.0
Coordinators	1.5	3.4	1.0	1.0	1.8
Supervising/Managing/Directing	1.0	N/A	N/A	3.8	3.8
Director	2.0	N/A	1.0	1.0	1.0
Other Official/Administrative ¹	1.0	N/A	N/A	N/A	N/A
Professional Education: Subtotal	138.7	122.1	100.0	147.3	123.1
Counseling	4.0	1.0	3.0	6.6	3.5
Librarian / Media	1.0	2.0	1.0	2.2	1.7
Remedial Specialist	1.0	6.0	N/A	4.0	5.0
Regular Teaching	94.1	78.1	80.7	104.8	87.9
Special Education Teaching	16.0	15.0	10.0	18.2	14.4
Vocational Education Teaching	4.6	4.0	N/A	1.0	2.5
Tutor / Small Group Instructor	1.0	N/A	1.0	1.0	1.0
Educational Service Personnel Teacher	9.0	8.0	4.3	9.5	7.3
Supplemental Service Teacher	N/A	8.0	N/A	N/A	8.0
Other Professional	8.0 ²	N/A	N/A	N/A	N/A
Professional – Other Subtotal:	4.9	3.0	2.6	2.3	2.6
Psychologist	1.0	1.0	N/A	1.0	1.0
Registered Nursing	2.6	N/A	1.0	N/A	1.0
Physical Therapist	0.2	N/A	N/A	N/A	N/A
Speech and Language Therapist	1.1	2.0	1.6	1.3	1.6
Technical: Subtotal³	N/A	1.9	2.7	3.1	2.6
Office / Clerical: Subtotal	29.7	33.9	7.9	34.4	25.4
Bookkeeping	N/A	2.0	N/A	2.0	2.0
Clerical	14.4	13.4	7.9	12.4	11.2
Record Management	1.0	N/A	N/A	1.0	1.0
Teaching Aide	14.3	18.5	N/A	19.0	18.7
Crafts / Trades Subtotal:	N/A	3.0	1.0	4.0	2.7
Operative Subtotal:	5.3	2.8	5.7	7.0	5.2
Vehicle Operating (Other than Bus)	0.3	1.0	N/A	0.4	0.7
Vehicle Operating – Buses	4.0	1.8	4.7	6.6	4.4
Other Operative ⁴	1.0	N/A	1.0	N/A	1.0
Service Work/ Laborer Subtotal	31.0	18.5	17.6	28.0	21.3
Attendance Officer	0.5	N/A	N/A	0.5	0.5
Custodian	19.4	11.0	9.3	13.0	11.1
Food Service	12.5	6.6	8.3	11.8	8.9
Monitoring / Attendant	1.8	0.9	N/A	2.6	1.8
Total FTEs	224.6	198.6	145.5	240.9	195.0

Source: ODE FY 2003-04 EMIS Staff Demographic Reports

¹ Includes Struthers' director of buildings and grounds

² Includes Title I and Title IV-B grant-funded teachers for Struthers CSD

³ Includes library aides and purchasing agent positions

⁴ Includes administrative personnel

The staffing levels within a school district typically vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 students in the average daily membership (ADM) at SCSD and the peer districts for FY 2004-05.

Table 3-2: FTE Staffing Levels per 1,000 ADM for FY 2004-05

Category	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Administrators: Subtotal	5.8	7.4	4.4	6.4	6.1
Superintendent	0.5	0.6	0.6	0.4	0.5
Treasurer	0.5	0.6	0.6	0.4	0.5
Assistant Principals	N/A	1.1	N/A	0.9	1.0
Principals	2.2	3.3	2.2	2.2	2.5
Coordinators	0.7	1.9	0.6	0.4	0.9
Supervising/Managing/Directing	0.5	N/A	N/A	1.6	1.6
Director	1.0	N/A	0.6	0.4	0.5
Other Official/Administrative	0.5	N/A	N/A	N/A	N/A
Professional Education: Subtotal	67.1	67.5	55.3	64.3	62.5
Counseling	1.9	0.6	1.7	2.9	1.8
Librarian / Media	0.5	1.1	0.6	0.9	0.9
Remedial Specialist	0.5	3.3	N/A	1.7	2.4
Regular Teaching	45.6	43.2	44.6	45.8	44.6
Special Education Teaching	7.7	8.3	5.5	8.0	7.3
Vocational Education Teaching	2.2	2.2	N/A	0.4	1.2
Tutor / Small Group Instructor	0.5	N/A	0.6	0.4	0.5
Educational Service Personnel Teacher	4.4	4.4	2.4	4.2	3.7
Supplemental Service Teacher	N/A	4.4	N/A	N/A	4.4
Other Professional	3.9	N/A	N/A	N/A	N/A
Professional – Other Subtotal:	2.4	1.7	1.4	1.0	1.3
Psychologist	0.5	0.6	N/A	0.4	0.5
Registered Nursing	1.3	N/A	0.6	N/A	0.6
Physical Therapist	0.1	N/A	N/A	N/A	N/A
Speech and Language Therapist	0.5	1.0	0.9	0.6	0.8
Technical: Subtotal	N/A	1.1	1.5	1.4	1.3
Office / Clerical: Subtotal	14.4	18.7	4.4	15.0	12.9
Bookkeeping	N/A	1.1	N/A	0.9	1.0
Clerical	7.0	7.4	4.4	5.4	5.7
Record Management	0.5	N/A	N/A	0.4	0.4
Teaching Aide	6.9	10.2	N/A	8.3	9.1
Crafts / Trades Subtotal:	N/A	1.7	0.6	1.7	1.4
Operative Subtotal:	2.5	1.5	3.2	3.1	2.6
Vehicle Operating (Other than Bus)	0.1	0.6	N/A	0.2	0.4
Vehicle Operating – Buses	1.9	1.0	2.6	2.9	2.2
Other Operative	0.5	N/A	0.6	N/A	0.6
Service Work/ Laborer Subtotal	15.0	10.2	9.7	12.2	10.8
Attendance Officer	0.2	N/A	N/A	0.2	0.2
Custodian	9.4	6.1	5.1	5.7	5.6
Food Service	6.1	3.6	4.6	5.2	4.5
Monitoring / Attendant	0.8	0.5	N/A	1.1	0.9
Total FTEs	108.8	109.9	80.9	105.2	99.0

Source: ODE FY 2003-04 EMIS Staff Demographic Reports

As illustrated in **Table 3-2**, SCSD had higher FTEs per 1,000 ADM when compared to the peers in several classifications. However, Girard CSD's staffing levels are significantly lower than the other three school districts since they were placed in fiscal caution in FY 2002-03 by the Ohio Department of Education (ODE).

While in fiscal caution, Girard had a performance audit conducted by AOS and made reductions in its staffing levels. These reductions and the subsequent cost savings, along with other operational changes, resulted in Girard CSD being removed from fiscal caution in January 2005. Staffing differences between Girard CSD and Struthers CSD and the remaining peers may also be a result of the design of Girard CSD's facilities. Girard CSD's facilities are designed around a campus structure, which is not the case for Struthers CSD and the remaining peers. Nevertheless, Struthers CSD had higher FTEs per 1,000 ADM in the following classifications:

- **Regular Education:** Struthers CSD has 1.0 more regular education FTEs per 1,000 students than the peer average. See **R3.1**.
- **Vocational Education:** SCSD has 1.0 more vocational education FTEs per 1,000 students when compared to the peer average. See **R3.2**.
- **Educational Service Personnel (ESP):** SCSD has 0.7 more FTEs per 1,000 students when compared to the peer average. See **R3.3**.
- **Other Professional:** No other district has staff designated as other professional. However, these SCSD teachers are not funded by the General Fund, and instead are grant funded through the Federal Title I Program. See *Assessments Not Yielding Recommendations*.
- **Registered Nursing:** SCSD employs 0.7 more FTEs per 1,000 students when compared to Girard CSD, while the other two peers do not have staff designated in registered nursing. As a result, SCSD has 1.1 more professional FTEs than the peer average. See **R3.3**
- **Clerical:** SCSD employs 1.3 more FTEs per 1,000 students when compared to the peer average. See *Assessments Not Yielding Recommendations*.
- **Custodians:** SCSD employs 3.8 more custodian FTEs per 1,000 students than the peer average. See the **facilities** section.
- **Food Service:** SCSD employs 1.6 more food service FTEs per 1,000 students than the peer average. See *Issues Needing Further Study*.

Collective Bargaining Agreements

Certificated personnel are governed by a negotiated agreement between the Struthers Board of Education and the Struthers Education Association. Classified employees are organized under a separate labor agreement between the Board and the Ohio Association of Public School Employees, Ohio Local 4/ AFSCME/AFL-CIO. The certificated employees' contract expires during the summer of 2006. The classified contract expires in the summer of 2005. Negotiations began in March 2005 and the Board ratified the new contract with the Association on August 9, 2005. Since contractual and employment issues directly affect the operating budget, many of the issues have been assessed and compared to the peer districts to show their financial implications for SCSD. The implementation of the associated recommendations would require negotiation.

Table 3-3 and **Table 3-4** illustrate key contractual issues in the certificated and classified employee's negotiated agreements. Washington Courthouse CSD does not have a bargaining agreement with its classified employees.

Table 3-3: Certificated Contract Comparisons

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD
Reduction In Force	Decreased enrollment, return to duty of regular teachers from leave, suspension of schools or territorial changes, financial reasons	Reasons discussed in ORC 3319.17 or financial reasons	Decreased enrollment, return to duty of regular teachers from leave, suspension of school or territorial changes, loss of program funds	Decreased enrollment, suspension of schools, territorial changes, return to duty of regular teachers from leave, lack of funding
Length of Work Day	7 hours, 20 minutes (440 minutes)	7 hours, 30 minutes (450 minutes)	7 hours and 5 minutes (425 minutes)	7 hours 20 minutes (440 minutes)
Composition of Non-Instructional Time ¹	Middle School Planning: 42 min. Lunch: 30 min. High School Planning: 42 min. Lunch: 30 min.	Middle School Planning: 83 min. Lunch: 30 min. High School Planning: 83 min. Lunch: 30 min.	Middle School Planning: 45 min. Lunch: 45 min. High School Planning: 43 min. Lunch: 30 min.	Middle School Planning: 42 min. Lunch: 30 min. High School Planning: 42 min. Lunch: 30 min.
Maximum Class Size	K-4: Max of 25 students per class 5-8: Max of 30 students per class 9-12: Max of 125 in English and 25 per class in any academic subject area	K-3: Max of 27 students per class 4-5: Max of 29 students per class 6-12: Max of 30 students per class	Regular classes should not have any more than 25 pupils per class	Not Specified
Number of Contract Days	183	184	182	185
Instructional Days	180	178	178	180
In-Service	3 days	6 days	4 days	5 days

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD
Maximum Number of Sick Days Paid Upon Retirement for 10 or More Years of Service	25% of 240 days or a maximum of 60 days	65 days	Must have ten years of service or more, will receive ¼ of the of any unused sick leave. Maximum payout is 53 days. Employees with 30 years of service or more will receive a max payout of 65 days	2002-2003= 49 max days 2003-04 and after=50 days maximum
Professional Leave	2 days per year	Not specified	Not specified	Not specified
Attendance Incentive	\$300 for each semester in which no sick days are used (\$600 max annually)	If no personal leave used during the year, employee will be reimbursed \$100 per day (\$300 max annually)	\$75 for each unused personal day (\$300 max annually)	Not specified
Personal Days Received	3 days per year	3 days per year	4 days	3 days
Required Notice	3 days	3 days	At least one day	At least three days in advance
Number of Leave Days for Association Business	20 pooled days of its choice for Association use.	5 days of leave will be granted annually to permit attendance of association members at conventions.	9 days ²	Collective total of 5 days of leave for Association duties
Sabbatical Leave	1 year or more	Not for more than 2 years	One semester or two semesters, not greater than 1 school year	One year
District Pick-up on employee retirement contribution	No	Yes	No	No
Annual Cost of Living Increases	FY 2004-05: 0.0% But a one time, non-step salary increase for all non-steppers ³ FY 2005-06: 2.0%	FY 02-03: 4% FY03-04: 3% FY 04-05: 3%	FY 01-02: 2% FY 02-03: 3% FY 03-04: 3%	FY 03-04: 3.2% FY 04-05: 3.2%

Source: SCSD and peer collective bargaining agreements

¹ Duty period time could not be determined because duty time of teachers is not consistent.

² Although not specified in the contract, Girard CSD indicated that association leave is 9 days per year.

³ A non-stepper is an employee who is not eligible for a salary step increase because the maximum salary step has been reached. These employees received a one time lump sum bonus of \$1,200.

Table 3-4: Classified Contract Comparisons

	Struthers CSD	Bucyrus CSD	Girard CSD
Minimum call in hours paid for emergencies	Minimum of 2 call in hours for overtime	Custodians receive 2 hour minimum	Custodians receive 1 hr minimum
Paid vacation accumulation schedule	1-5 years: 10 days 6-10 years: 15 days 11-20 years: 20 days 21+ years: 25 days	1-4 years: 10 days 5-9 years: 15 days 10-14 years: 20 days 15-19 years: 23 days 20+:25 days	1-3 years: 5 days 4-8 years: 11 days 9-13 years: 15 days 14-18 years: 18 days 19-23 years 21 days 24+: 25 days
Sick and personal leave use incentive	\$600 per year (\$300 per each half year if no sick days are used)	Sick Leave: No incentive Personal leave: No personal leave used, employee reimbursed for two days at 60 percent of employee's daily rate	Up to \$1,000 for perfect attendance during the school year
Maximum number of sick leave days paid upon retirement	65 days max	Ten or more years of service: Unused sick leave paid at 30% of unused sick balance	10-29 Years of service: 53 days 30 or more years of service: 65 days
Personal days received	3 days	3 days	4 days
Required notice	At least 5 days prior	At least 3 days notice	24 hours notice
Number of holidays for 12 month employees	12 days	10 days	12 days
Number of holidays for 10 month employees	11 days	9 days	10 days
Number of holidays for less than 10 month employees	11 days	9 days	10 days
Number of leave days for association business	1 day per year ¹	5 days total of paid leave will be granted annually to permit attendance of organizational members at conventions	Leave granted to 2 people who are union officers
District pick-up of employee SERS contributions	No	Yes	No
Annual cost of living increases	2002-03: 6.5% ² 2003-04: 3.0% 2004-05: 3.0%	Not specified	2002-03: 2% 2003-04: 3% 2004-05: 3%

Source: Struthers and Peer Classified Contracts

Note: Washington Court House CSD does not have a classified contract.

¹ The only classified member who can use this time is the president of the union

² The 2002-2003 annual cost of living increase occurred as a result of an agreement between SCSD and the union. SCSD and the union agreed that the district would no longer offer the pick-up of the employee SERS retirement contribution. The 6.5 percent increase reflects a buy-out of SCSD's retirement pickup.

Assessments Not Yielding Recommendations

The following assessments were conducted but did not warrant changes or yield recommendations:

- **Administrative Staffing:** Struthers CSD is below the peer average for administrative positions. This also includes its director of building and grounds in this classification, but this position primarily performs maintenance-related tasks (see **facilities** section). When excluding this position, the District's administrative FTEs per 1,000 students decreases to 5.3, which is lower than WCH CSD and Bucyrus CSD.
- **Special Education Staffing:** Struthers CSD is slightly below ODE's minimum staffing requirements for special education. According to the District, the slightly lower staffing levels are due to the District's commitment to the inclusion model. The inclusion model is a result of OAC 3301-51-09 (A), which requires that districts establish the least restrictive environment for children with special needs. Therefore, special needs children should be included within regular classes to the extent that their disability allows or as guided by the child's IEP. However, if the District continues to operate with special education teacher staffing levels below the requirements, it should obtain the necessary ODE waiver.
- **Small Group Instructors/Tutors and Remedial Specialists:** SCSD remedial specialists and tutor/small group FTEs per 1,000 ADM are lower than two peers. This excludes SCSD's 8.0 FTE small group instructors that are Title I and Title IV-B teachers because they are not funded through the General Fund.
- **Clerical Staffing:** Struthers CSD employs slightly more clerical personnel per 1,000 ADM than the peer average. However, the District has taken steps to reduce clerical staffing levels across the board for the FY 2005-06 school year. All secretaries will be reduced to 10 months with the exception of the secretary to the superintendent, who will remain at 12 months for the next school year. This equates to reducing approximately 2.3 FTEs. By reducing approximately 2.3 FTEs, the District will employ 6.3 clerical FTEs per 1,000 ADM, which is lower than Bucyrus CSD and WCH CSD. Furthermore, by reducing 14 clerical staff time by two months, the District is eliminating a total of 28 months of salary. Based on the average clerical salary of \$31,523, SCSD will save approximately \$76,000.
- **Administrative Retirement Pickup:** SCSD assumes responsibility for the entire portion of the superintendent's and treasurer's retirement contribution. In addition, the nine remaining administrators are only required to contribute 7.0 percent to their retirement, and SCSD is responsible for contributing the remaining 3.0 percent. Struthers CSD administrators received an average salary of \$58,696, while the peer administrators were

paid an average salary of \$63,932. When the amount of the retirement pickup is factored into the administrators' salary, SCSD administrators still receive a lower salary than each peer. This assumes that the peers' administrators do not receive the retirement pickup benefit. Therefore, if the peers do receive this benefit, the difference between the District's overall compensation for administrators and the peers would be further exacerbated.

- **Extracurricular Costs:** Struthers CSD has the lowest extracurricular cost per pupil and the lowest total extracurricular costs. SCSD extracurricular costs per pupil are 16 percent lower than the peer average, and its total extracurricular cost is 11 percent less than the peer average. In addition, the average extracurricular cost per supplemental contract in FY 2003-04 was lower than the peer average.
- **Vision and Life Insurance:** Struthers CSD's monthly vision insurance premiums for both single and family coverage are higher than Girard CSD, but lower than the 2004 SERB Report average. Bucyrus CSD and WCH CSD do not provide vision insurance benefits to their employees. The District's life insurance premiums are similar to its peers, based on the cost per \$1,000 of coverage.

Issues Needing Further Study

- **Food Service Staffing:** While the District employs more food service personnel per building (4.2) than the peer average (1.8), it does not substantially subsidize (only \$300 in FY 2003-04) its operations through the general fund. Therefore, no recommendation will be made at this time. However, Struthers CSD should determine if centralizing kitchen operations could further reduce costs in the future, considering that each of the peers operate centralized kitchens and have lower staffing levels per building than Struthers CSD.

Recommendations

Staffing

- R3.1** Given the District's financial situation, Struthers CSD should consider reducing 23.0 regular teaching FTEs. While this would increase the student-to-teacher ratio to 23 to 1, it would be below Ohio Administrative Code (OAC) standards and the collective bargaining agreement (assuming the desired class sizes pertain to the regular education population). However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.

Although the certificated agreement appears to allow for these reductions, the Superintendent should meet and discuss proposed staffing reductions with the District’s legal counsel, the Struthers Education Association and the Fiscal Planning and Supervision Commission. This would fully ensure compliance with the certificated agreement and inform relevant stakeholders of the need for such reductions. During the course of the audit, Struthers CSD has proposed reducing 2.0 teaching positions.

As shown in **Table 2-2**, SCSD employs 1.0 more regular education FTE per 1,000 ADM when compared to the peer average. In recent years, the District has implemented remediation programs and added teachers in an effort to meet ODE and No Child Left Behind (NCLB) standards, and to improve test scores.

Struthers CSD’s staffing levels are impacted by minimum staffing requirements established in the collective bargaining agreement and OAC. According to the certificated employee bargaining agreement, the Board and Association agree that the class sizes set forth below are desirable standards:

- Elementary (Kindergarten to 4th grade) – not to exceed 25 students;
- Middle (5th grade through 8th grade) – not to exceed 30 students; and
- High School (9th grade through 12th grade) – not exceed 125 total students for English instructors and not to exceed 25 per class in any academic area.

The certificated agreement further states that “the certified/licensed staff member and/or the Association shall have the privilege of meeting with the Superintendent upon request to discuss exceptions to the foregoing standards.” Although the collective bargaining agreement does not indicate if staffing ratios are based on regular education students or all students, the Superintendent indicated that the language is intended for regular education students.

OAC 3301-35-05 mandates a district-wide average of 25 students in the regular student population per full-time equivalent classroom teacher. Struthers CSD’s regular student-to-teacher ratio is lower than this standard, and the peer and State average ratios. **Table 3-5** compares Struthers CSD’s regular education student-to-teacher ratios to the peers and the State average.

Table 3-5: FY 2004-5 Regular Education Staffing Comparison

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average	State Average
Total Regular Education Teachers	94.1	78.1	80.7	104.8	87.9	N/A
Total Regular Student Population	1,627.3	1,300.5	1,464.6	1,896.0	1,553.7	N/A
Student to teacher ratio	17.3	16.7	18.1	18.1	17.7	18.5

Source: EMIS, ODE

Struthers CSD's regular student-to-teacher ratio is higher than Bucyrus CSD, but lower than Girard CSD, WCH CSD, the State average, and the ratios identified in the OAC and collective bargaining agreement. Although Struthers CSD has a relatively low student-to-teacher ratio, the peers' performance index scores in FY 2003-04 ranged from 90 to 91 percent, higher than Struthers CSD's index score of 85 percent. Additionally, Struthers CSD met 10 performance standards, which is the same as WCH CSD, but lower than Bucyrus CSD (11) and Girard CSD (12) in FY 2003-04.

If the District maintained a student-to-teacher ratio similar to Girard CSD and WCH CSD, it could reduce 4.0 FTEs. However, if the regular education student-to-teacher was reduced to 23 to 1, Struthers CSD could reduce 23 FTEs. This reduction is below that standards set in the OAC and the collective bargaining agreement (assuming the desired class sizes pertain to the regular education population), and can create cost savings for the District.

Financial Implication: Based on the average salary of \$35,169 for regular education teachers at the lower end of the salary schedule and benefits equal to 41.0 percent of salaries, the District can save approximately \$1.14 million by reducing 23.0 FTEs. As one teacher reduction has been reflected in the AOS recovery plan due to retirement (see **financial systems**), this financial implication will include the cost savings of approximately \$1.091 million by reducing an additional 22.0 FTEs.

R3.2 Based on the District's fiscal emergency status, it should evaluate methods to increase the cost-effectiveness of its vocational education programs. Specifically, Struthers CSD should identify strategies to further reduce costs, increase the enrollment in its vocational education programs and find ways to generate additional revenues, or stop offering vocational education programs which require significant funding from the General Fund. Additionally, the District should consider not hiring additional staff and continually evaluate ways to operate with fewer staff (e.g., further consolidate teaching assignments). However, as Struthers CSD reduces staff, it should ensure that enrollment in programs would not be negatively impacted. While reducing staff would save costs, it could also reduce revenues if students cease attending the related programs.

Struthers CSD's current vocational staffing levels are higher than the peers. SCSD offers a few vocational education classes in house, which include radio/communications (the District operates its own radio station), home economics and occupational work experience (OWE). The remaining vocational education classes are offered to students through the Mahoning Career and Technical Center. In an effort to improve its financial situation, the District reduced 2.0 FTE teachers who teach radio/communications and home economics for the FY 2005-06 school year. This will leave one teacher each (total of three positions) for the OWE, home economics, and radio programs. For FY 2004-05, a total of 97 students participated in the District's vocational programs: 12 students in OWE, 49 students in home economics, and 36 students in the radio program, which represents 4.7 percent of the District's total ADM. According to the Superintendent, the proposed cuts will not impact programs as the District will combine classes where needed.

Table 3-6 compares Struthers CSD's current staffing levels and expenditures to those of the peers, and also compares the District's proposed staffing levels and corresponding potential impact on expenditures to the peers.

Table 3-6: FY 2004-05 Vocational Education Teachers per 1,000 ADM

	Struthers CSD	Struthers CSD Proposed Staffing	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Total Vocational Personnel	4.6	2.6	4.0	0.0 ¹	1.0	2.5
Total ADM	2,065.7	2,065.7	1,808.7	1,809.9	2,288.4	1,969.01
Total Vocational Personnel per 1,000 ADM	2.2	1.3	2.2	0.0	0.4	1.2
Expenditures per ADM	\$450	\$251 ²	\$137	\$160	\$33	\$103

Source: Struthers and Peer EMIS Reports.

Note: Peer average excludes Girard CSD.

¹ Girard CSD uses a regular education teacher for vocational education classes.

² Estimated by reducing FY 2003-04 expenditures based on savings related to reducing 2.0 FTEs and excluding the expenditures related to upgrading technology in FY 2003-04.

As seen in **Table 3-6**, Struthers CSD's proposed cuts bring the vocational personnel per 1,000 ADM ratios from 2.2 to 1.3, which is lower than Bucyrus CSD. However, staffing remains higher than Girard CSD and WCH CSD. Additionally, the District's actual FY 2003-04 expenditures per ADM, and estimated expenditures after accounting for the 2.0 FTE reductions and one-time costs in FY 2003-04, are considerably higher than each peer. Furthermore, Struthers CSD is supplementing a high percentage of vocational education costs through the General Fund. **Table 3-7** compares the FY 2003-04 expenditures and revenues of Struthers CSD's vocational program to the peers' programs.

Table 3-7: Struthers CSD and Peer Vocational Expenditures and Revenues

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Total Revenue	\$461,708	\$267,329	\$238,740	\$43,164	\$183,078
Total Expenditures	\$867,402	\$228,330	\$276,644	\$73,428	\$192,801
Total General Fund Expenditures	\$405,694	N/A	\$37,904	\$30,264	\$9,723
% Subsidized by the General Fund	46.77%	N/A	13.70%	41.22%	5.04%

Source: SCSD and Peer SF3 and 4502's

As illustrated in **Table 3-7**, Struthers CSD's total expenditures significantly exceed its revenues for vocational education and are over four times higher than the peer average. In addition, Struthers CSD's General Fund subsidizes the highest percentage of vocational education costs when compared to the peers. The District operates its own radio station, which contributes to the higher vocational education expenditures. SCSD's radio station was staffed with 2.0 FTE teachers until FY 2004-05, but the District plans to reduce by 1.0 FTE and replace the position with a part-time employee in FY 2005-06. The District does not generate revenue for the radio station through fund raisers or grants, which increases the burden on the General Fund to support this program.

Financial Implication: If the District was able to reduce its total vocational expenditures to \$160 per ADM, similar to Girard CSD which spent the next highest amount per ADM, it would save approximately \$261,000 in General Fund expenditures. This is also based on the percentage of total expenditures subsidized by the General Fund in FY 2003-04. Additionally, this encompasses the savings related to reducing 2.0 FTEs. Based on the average salary of the three lowest salaried employees (\$53,804) and benefits equal to 41 percent of salaries, the cost savings created by reducing 2.0 FTEs will be \$151,700. Additional savings in General Fund expenditures could be attained through a combination of cost reductions and increases in revenues.

R3.3 Struthers CSD should review its staffing levels in the educational service personnel (ESP) classification for a reduction of up to 8.0 FTEs. Classifications which should be reviewed for possible reductions include art teachers, music teachers, physical education teachers, counselors, and registered nurses. However, before the District makes any reductions, it should determine the impact on attainment of its mission and goals and the impact on student contact time.

SCSD's ESP staffing levels are higher than the peer districts. **Table 3-8** compares the FY 2004-05 staffing levels of all ESP personnel at Struthers CSD with the peer districts. Staffing levels are illustrated in actual FTEs and FTEs per 1,000 students in the regular student population.

Table 3-8: FY 2004-05 Comparison of ESP Staffing Levels

Classification	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
ESP Teacher ¹	9.0	8.0	4.3	9.5	7.3
Counselor	4.0	1.0	3.0	6.6	3.5
Librarian / Media Specialist	1.0	2.0	1.0	2.2	1.7
Registered Nurse	2.6	N/A	1.0	N/A	1.0
Totals	16.6	11.0	9.3	18.3	12.9
Total Regular Student Population	1,627.3	1,300.5	1,464.6	1,896.0	1,553.7
ESP per 1,000 Regular Students	10.2	8.5	6.4	9.7	8.3

Source: District FY 2001-02 EMIS Staff Summary Reports and Staff Demographics Reports

¹ Includes those individuals who teach art, music or physical education at all levels.

As illustrated in **Table 3-8**, Struthers CSD has 10.2 FTEs per 1,000 regular education students in the ESP classification, which is higher than each peer and the minimum standard of 5.0 FTEs per 1,000 students identified in OAC 3301-35-05 (A)(4). In addition, OAC standards require ESP staff to be assigned to at least five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, elementary art, music and physical education. Approximately 54 percent of SCSD's ESP staff members are art, music and physical education teachers who have direct instructional contact with students throughout the day.

The minimum number of ESP positions needed to be compliant with OAC standards is 8.2 FTEs. Therefore, the District has 8.4 ESP FTEs above the OAC minimum requirements. Additionally, the District employs 1.9 more ESP FTEs per 1,000 students than the peer average. By reducing ESP positions, especially in non-instructional areas like counselors and registered nurses, the District would improve its financial condition.

Financial Implication: SCSD could generate an estimated cost savings of approximately \$619,000 by reducing 8.0 FTEs. This is based on the average of the lowest salaries in the classification of ESP teacher, counselor and registered nurse, and benefits equal to 41 percent of annual salaries.

However, the AOS recovery plan includes the net savings related to two ESP teachers (one physical education teacher and one registered nurse) that will retire after FY 2004-05 and the District's intent to hire a part-time nurse, which results in a net reduction of approximately 1.5 ESP FTEs. When accounting for these actions, the savings would be \$484,000 by reducing an additional 6.5 FTEs to be similar to the ODE minimum requirement.

Salaries

R3.4 Struthers CSD should periodically review salaries to determine the appropriateness of the current salary schedules and make any necessary adjustments. During future salary negotiations, SCSD should attempt to negotiate a new salary schedule for certificated employees who begin their employment after the current fiscal year. In addition, SCSD should review and consider restructuring its step schedule for classified positions in future negotiations, especially starting salaries in the office/clerical and food service classifications.

The District has higher starting and ending salaries and more generous step schedules for its certificated employees when compared to the peers. Salaries for SCSD certificated employees are defined by the collective bargaining agreement which is effective until June 30, 2006. The current contract was approved in September 2004, and included wage freezes and a reduction in supplemental contracts. **Table 3-9** presents the FY 2004-05 average certificated salary levels for SCSD and the peer districts.

Table 3-9: FY 2004-05 Certificated Average Salaries

	Struthers CSD	Bucyrus CSD ¹	Girard CSD	WCH CSD	Peer Average
Professional Education	\$49,053	\$43,136	\$50,834	\$43,823	\$45,500
Professional Other	\$49,696	\$48,183	\$51,503	\$48,790	\$49,453

Source: ODE EMIS Reports

¹The salaries for Bucyrus CSD do not include the district's payment of the employee's retirement contribution.

As illustrated in **Table 3-9**, SCSD's average salaries are higher than the peer average in the categories of professional education and professional other. In the professional education category, SCSD's average salary is 7.8 percent higher than the peer average. However, in the professional other category, the District's average salaries are only 0.4 percent higher than the peer average. For FY 2004-05, the District employed 137.7 professional education FTEs and 4.9 professional other FTEs (see **Table 3-1**).

Since teacher experience levels often impact average salaries, **Table 3-10** shows the teacher experience levels as reported to ODE in FY 2003-2004.

Table 3-10: FY 2003-04 Teacher Experience

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average	State Average
Teachers at the Low Level (0-4 years)	19.0%	12.3%	13.1%	20.9%	15.4%	24.2%
Teachers at the Medium Level (5-9 years)	21.6%	22.8%	14.1%	22.2%	19.7%	19.2%
Teachers at the High Level (10+ years)	59.4%	64.9%	72%	56.9%	64.6%	56.6%
Total of Medium and High Years of Service	81.0%	87.7%	86.1%	79.1%	84.3%	75.8%

Source: ODE: Office of Data Services

Table 3-10 shows that teacher's experience level for SCSD is lower than Bucyrus CSD and Girard CSD. As a result, SCSD's higher teacher salaries are primarily attributable to the certificated employees' salary schedule, rather than experience levels. **Table 3-11** illustrates the Districts certificated employee's salary schedule as compared to the peer districts.

Table 3-11: FY 2004-2005 Certificated Salary Schedules

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Bachelor					
Step 0	\$N/A ¹	\$26,149	\$26,065	\$27,050	\$26,421
Step 1	\$27,639	\$27,326	\$27,420	\$28,159	\$27,635
Max. Step	\$54,172	\$45,787	\$50,983	\$41,468	\$46,079
Percent Difference between Starting Salary and Maximum Step	96.0%	75.1%	95.6%	47.3%	74.4%
Average Step Increase	4.3%	3.1%	3.8%	3.3%	3.4%
Master					
Step 0	\$0 ¹	\$28,502	\$28,672	\$29,620	\$28,931
Step 1	\$30,403	\$29,888	\$30,235	\$31,026	\$30,383
Max. Step	\$60,253	\$51,906	\$56,822	\$52,125	\$53,618
Percent Difference between Starting Salary and Maximum Step	98.2%	73.7%	98.2%	76.0%	85.3%
Average Step Increase	3.9%	3.4%	3.9%	2.2%	3.4%

Source: Struthers CSD and Peer Districts

¹ Struthers CSD does not have a Step 0. Employees begin on Step 1.

The District's starting and ending salaries for both bachelors and masters degree holders are higher than each peer. Further, Struthers CSD's average step increase is higher than each peer for both schedules. Struthers CSD's average step increases for the bachelors'

and masters' categories are 26.5 and 14.7 percent higher than the peer average, respectively.

In addition to relatively high average teacher salaries, SCSD has relatively high average salaries for office/clerical and food service personnel. The current classified contract expires June 30, 2005 and contains a provision which provides a 3.0 percent COLA for FY 2005-06. The treasurer has forecasted no COLA's for classified employees in FY 2006-07 and subsequent years. **Table 3-12** presents the FY 2004-05 average salary levels for SCSD and the peer districts' classified positions.

Table 3-12: FY 2004-05 Classified Average Salaries

	Struthers CSD	Bucyrus CSD ¹	Girard CSD	WCH CSD	Peer Average
Technical	N/A	\$16,796	\$20,827	\$17,144	\$18,342
Office / Clerical	\$22,256	\$20,634	\$24,304	\$18,916	\$20,239
Crafts / Trades	N/A	\$39,628	\$41,613	\$37,347	\$38,736
Transportation	\$20,034	\$28,930	\$31,175	\$18,582	\$25,057
Custodians	\$26,534	\$28,297	\$32,927	\$25,048	\$29,005
Service Work	\$25,033	\$24,120	\$27,021	\$20,352	\$23,269
- Food Service	\$23,348	\$17,903	\$17,601	\$16,471	\$17,175

Source: ODE EMIS Reports

¹ Bucyrus CSD salaries do not include the district's payment of the employee's retirement contributions.

As shown in **Table 3-12**, SCSD has higher classified salaries in the areas of office/clerical, food service, and service work when compared to the respective peer averages. The District's higher average service work salary is attributable to its higher food service salaries. SCSD office/clerical average salary is 10 percent higher than the peer average, and the average food service salary is 35.9 percent higher than the peer average.

Struthers CSD has the lowest average step increase for secretaries and food service personnel and a similar number of steps when compared to the peers, with the exception of WCH CSD that has significantly more steps for secretaries. Additionally, SCSD's maximum salary for secretaries is lower than Girard CSD and WCH CSD, while its maximum salary for food service staff is equal to Bucyrus CSD, lower than Girard CSD, and higher than WCH CSD.

However, the District has significantly higher starting salaries for these personnel when compared to the peers, which appears to contribute to the higher average salaries in **Table 3-12**. The starting secretarial salary of \$12.99 per hour is 31.3 percent higher than the peer average, and the starting food service salary is 18.6 percent higher when compared to the peer average. As a result, the peer secretarial and food service employees would not attain Struthers CSD's starting secretarial and food service salaries of \$12.99 and \$10.84 per hour until Steps 8 and 5 of their respective salary schedules.

The higher teacher, office/clerical, and food service salaries contribute to higher overall personnel costs for SCSD. However, the District has taken some actions to address salaries. More specifically, certificated employees did not receive a cost-of-living adjustment (COLA) in FY 2004-05 and will only receive a 2.0 percent COLA in FY 2005-06, which is lower than the COLAs in peer contracts. The treasurer anticipates that classified staff will agree to a zero percent COLA in FY 2005-06, because the certificated staff agreed to zero percent COLA in FY 2004-05. Additionally, the AOS forecast includes only a 2.0 percent COLA in future years for all employees. Furthermore, a revised pay schedule would likely only impact new employees, resulting in salary expenditure levels not immediately decreasing. The District's cost avoidance would depend on the number of employees who choose to leave their positions, as well as the number of new employees hired.

Health Care Costs

R3.5 SCSD should negotiate to require all full-time employees, and all employees receiving full benefits, to pay 10 percent of their health care and dental premiums. Furthermore, it should continue to negotiate to move the classified employees to the Preferred Provider Organization (PPO) plan. The District should also work with Mahoning County School Employees Consortium (MCSEC) to determine if combining the medical and prescription plans would reduce overall premium costs. In addition, the District should explore other consortia or third-party health insurance providers that include prescription coverage within the overall benefit package to attempt to reduce premium expenditures. Further savings can also be achieved by altering plan benefit levels.

Although the District has taken steps to decrease health care costs, Struthers CSD pays significantly more in health and prescription premiums than the peers and other government agencies in its region. The District belongs to the Mahoning County School Employees Consortium (MCSEC) for health care, prescription, dental and vision insurance. MCSEC is a third-party provider and is responsible for setting the monthly premiums for each member based on an actuarial analysis and other district specific factors such as level of coverage offered.

According to Struthers' certificated contract, "hospitalization, major medical, dental, prescriptive drug, optical and life insurance will be at District expense. Hospitalization and major medical shall cover the employee and dependent spouse and children". Also, "prescriptive drug coverage shall be provided for the employee and dependent spouse and children."

Prior to FY 2003-04, Struthers provided 100 percent paid traditional coverage to all its employees. As a result, the District was not eligible to receive any discounts on

premiums. In FY 2004-05, the District began switching to a two-tiered PPO plan where the employee is encouraged to use doctors within a designated network. Currently, administrative and certificated employees participate in the PPO plan. In addition, the District made its prescription plan much more restrictive by adding mail-order options for administrative staff and co-pays for administrative and certificated staff. As a result, the FY 2004-05 premiums only increased 5.0 percent, much lower than the SERB weighted average increase from 2003 to 2004 of 14.7 percent for both single and family coverage. However, the District still needs to negotiate these changes with its classified staff whose contract negotiations began in March 2005, and were still underway during the course of this audit. At the end of this audit, the Board ratified the new contract with the Association on August 9, 2005. Moreover, the District's FY 2004-05 premium costs are relatively high.

Table 3-13 compares the FY 2004-05 health insurance monthly premiums for Struthers CSD to the peer districts and the State Employment Relations Board (2004 SERB Report) averages for comparable school districts.

Table 3-13: Healthcare Insurance Premium Comparison for FY 2004-05

School District	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Struthers CSD					
Certificated (PPO)	Mahoning County	\$505.35	\$0	\$1,216.51	\$0
Classified (Traditional)	School Employees	\$587.28	\$0	\$1,417.41	\$0
Admin & Non-Exempt (PPO)	Consortium	\$492.15	\$0	\$1,186.38	\$0
Bucyrus CSD (PPO)					
Certificated	Anthem Blue	\$298.70	\$15.72	\$724.72	\$38.14
Classified	Cross Blue Shield	\$298.70	\$15.72	\$724.72	\$38.14
Administrators & Central Office Staff ¹	of Ohio	\$314.42	\$0	\$762.86	\$0
Girard CSD					
Traditional	Trumbull County	\$406.72	\$0	\$1,057.44	\$0
PPO	Schools Insurance	\$396.97	\$0	\$1,032.11	\$0
HMO	Consortium	\$401.11	\$0	\$1,042.98	\$0
Washington Court House CSD (PPO)					
Certificated	United Healthcare	\$323.32	\$33.72	\$785.48	\$196.36
Classified		\$323.32	\$33.72	\$785.48	\$196.36
Administrators		\$323.32	\$33.72	\$795.30	\$186.54
Peer Average		\$378.88	\$24.72 ²	\$856.79	\$114.80 ²
2004 SERB School District Average (1,000-2,449 students)		\$372.13	\$33.11	\$922.53	\$99.61
SERB(Warren/Youngstown Regional Average)		\$401.50	\$18.20	\$970.18	\$36.37

Source: School districts and negotiated agreements

Note: While Struthers CSD's certificated and administrators/non-exempt employees participate in the same PPO, the difference in premiums is due to the administrators/non-exempt participating in an alternative prescription plan.

¹ Classified & certificated employees' share of monthly premium is 5%. The Board pays 100% of Admin & Central Office employees' medical insurance monthly premium

² Peer average includes only those districts that have an employee share.

As shown in **Table 3-13**, Struthers CSD employees do not contribute toward their healthcare insurance monthly premiums, in contrast to Bucyrus CSD, Washington Court House CSD, and SERB data. Additionally, SERB's 2004 Report on Healthcare Costs found that Ohio public employees' portion of the premium cost for medical coverage averages \$41.30 for single and \$112.43 for family contributions. These contributions amount to 11.8 percent of the monthly premium cost for single coverage and 12.3 percent of the monthly premium cost for family coverage.

Table 3-13 also shows that the District's healthcare premiums are significantly higher than each peer district and SERB averages. In addition to differences in plan benefits (see **Table 3-14**), the lack of an inclusive premium for medical and prescription programs could contribute to the District's overall higher premium costs. While Struthers CSD's medical and prescription programs are both administered by MCESC, the District receives separate premiums for each program. None of the peer school districts has a

separate prescription insurance premium because prescription insurance coverage is included in the medical insurance plan. While certificated and administrative staff both participate in the PPO plan, the District's classified employees are currently receiving traditional coverage since they are still negotiating a new contract.

Health insurance premiums are also impacted by the type of coverage received. **Table 3-14** illustrates the health care plan benefits provided to Struthers CSD and the peers' employees.

Table 3-14: Key Medical Plan Benefits

	Struthers CSD	Bucyrus CSD	Girard CSD				WCH CSD
Health Plan	MCSEC Certificated & Admin: PPO Classified: Traditional	Anthem BCBS	Traditional	PPO In- Network	PPO Out-of- Network	HMO	United Healthcare
Office Visits	Certificated & Admin: \$10 co-pay (network & non-network). Classified: \$10 co-pay	\$15 co-pay - network / Deductible & 20% coinsurance – non network	90%	100% after \$10 co-pay	80%	100% after \$10 co-pay	\$10 per visit- network 20% non network
Prescription Plan	Yes – but separate from healthcare plan	Yes	Yes				Yes
Cost	Certificated & Admin: \$5 co-pay Generic, \$10 Brand Name co-pay Classified: \$2 deductible per item. Waived for generic substitute	Network: \$12 Generic, \$24 Brand name 50% Non- Formulary (min \$40, max \$80). Non-network: 50%, min \$40	Generic: \$5 co-pay Brand name: \$10 co-pay				\$5 Generic, \$10 Brand-name on Preferred Drug List. \$25 Drugs not on Preferred Drug List
Mail Order	Yes	Yes	Yes				Yes
Employee Annual Deductible	Certificated & Admin: \$150S/\$300F (network), \$500S/\$1,000F (non network) Classified: \$150S/ \$300F	None – (S&F) network / \$300(S)/\$600(F) non network	\$200 (S) \$400 (F)	N/A(S) N/A(F)	\$200 (S) \$400 (F)	N/A(S) N/A(F)	N/A – In Network \$100/\$200 (S/F) – non-network
Employee Out of Pocket Maximum	Certificated & Admin: \$400S/\$800F (network), \$1,250S / \$2,500F (non network) Classified: First \$2,500 of covered expenses paid at 90%; Excess of \$2,500 covered at 100% after deductible	\$500(S)/\$1,000(F) network / \$1,000(S)/\$2,000(F) non-network	\$500 (S) \$1,000 (F)	N/A(S) N/A(F)	\$1,000 (S) \$2,000 (F)	N/A(S) N/A(F)	\$500/\$1,000 (S/F) network
Maternity	Admin: 100% Certificated: 100% Classified: 100%	Network: 100% Non-Network: Deductible & 20% coinsurance	100%	100% after \$10 co-pay	50%	100% after \$10 co-pay	Not Specified
Well Child Care	Admin: 100% Certificated: 100% Classified: 100%	Network: 100% after \$15 co- pay. Non-network: Deductible & 20% coinsurance	90% to \$500 per child, per year, to age 9	100% after \$10 co-pay per visit, to age 9	Major medical at 50%	100% after \$10 co-pay per visit, up to age 9	\$10 co-pay/visit network 20% (limited to \$500/child to age 1)
Inpatient Hospital Care	Certificated & Admin: 90% network/ 70% non-network (First \$2500, Excess is covered at 100%) Classified: 90% for first \$2500, excess is covered at 100%	Network: 100% Non-network: Deductible & 20% coinsurance	100%	100%	80%	100% after \$100(S)/ \$200(F) annual co-pay	Not Specified
Maximum Lifetime Benefit Amount	Admin: \$2,000,000 Certificated: \$2,000,000 Classified: \$1,000,000	\$5,000,000 (Network & Non-Network combined)	\$2,000,000	N/A	\$2,000,000	N/A	None – In- network, \$1,000,000 non-network

Source: Healthcare booklets and collective bargaining agreements for Struthers CSD and peers.

Note: The In-Network and Out-of-Network deductibles, co-payments and out-of-pocket limits are separate and do not accumulate toward each other.

As indicated in **Table 3-13**, the levels of some benefits offered at Struthers CSD are comparable to the peer districts. However, the following highlights differences in Struthers CSD benefits compared to the peer districts that could contribute to the District's higher premium costs:

- **Office Visits** – While Struthers CSD's \$10 co-payment for office visits is similar to Girard CSD's in-network PPO and HMO plans, and WCH CSD's plan, it is \$5 less than Bucyrus CSD. In contrast to the peers, Struthers CSD requires the same co-pay for non-network providers.
- **Prescription Plan** – Struthers CSD's classified employees pay a \$2 deductible which is waived for generic substitutes. This is much lower than Struthers CSD's certificated and administrative employees, and the peers. Additionally, Bucyrus CSD requires staff to pay \$12 for generic and \$24 for brand name, which is more than Struthers CSD and the two other peers.
- **Employee Annual Deductible** – Struthers CSD's classified employees' traditional plan has an annual deductible of \$150 for single and \$300 for family coverage, which is lower than Girard CSD's traditional plan's annual deductibles of \$200 and \$400 for single and family coverage, respectively.
- **Employee Out of Pocket Maximum** – The employee out of pocket maximums for both of Struthers CSD's plans (network for PPO) are lower than Bucyrus CSD's plan, Washington Court House CSD's plan, and Girard CSD's traditional plan.

Struthers CSD also currently pays 100 percent of the monthly premium for dental insurance coverage for all its eligible employees. Monthly premiums are priced at \$45.20 for both single and family coverage, which is similar to the peer average and less than the SERB average when averaging single and family premiums. In contrast to Struthers CSD, classified and certificated employees at Bucyrus CSD contribute 5.3 and 8.8 percent towards the cost of dental insurance premiums, respectively. Washington Court House CSD employees contribute 17.7 percent of the cost for the dental family premium.

Financial Implication: If the District were to negotiate a 10 percent employee contribution toward monthly health care premiums, the potential annual cost savings would be approximately \$181,000. This assumes that the District is able to reduce its premium costs to the SERB regional average. If the District is unable to reduce premium costs, the District would save approximately \$232,000 by requiring a 10 percent employee contribution based on its current premium costs for medical and prescription plans. Based on the number of employees enrolled for dental coverage, the District's

potential annual cost savings would be approximately \$10,000 by also requiring a 10 percent contribution.

By either combining the medical and prescription plans with MCESC or attempting to secure another insurance provider for health and prescription coverage to achieve premiums comparable to the SERB regional average, Struthers CSD could anticipate reducing its insurance costs by approximately \$514,000 per year. A portion of these cost savings would result from altered plan benefits and the elimination of the traditional health plan.

Collective Bargaining Issues

R3.6 During future contract negotiations, Struthers CSD should consider reducing the number of association days and the attendance incentive which it offers to certificated employees. By reducing the number of days reserved for association business from 20 days to nine days, the District will allow the same number of association days as the highest peer. Reducing its sick leave incentive for certificated employees to \$300 yearly would be similar to the maximum incentive offered by Bucyrus CSD and Girard CSD. Moreover, Struthers CSD should consider eliminating the number of professional leave days from the agreement, thereby enabling it to manage and limit the number of professional leave days when the District is experiencing financial difficulties. To avoid incurring increasing long-term liability costs, the District should consider eliminating the provision that provides each retiree with paid life insurance.

As shown in **Table 3-3**, SCSD certificated employees are permitted to attend association business and can use a pool of 20 days to use for any absences. Although the financial impact to the District is immaterial, this benefit is generous compared to the peers since they average 6.3 days for members to attend association business. Additionally, Struthers CSD's attendance incentive is twice the maximum amount offered by Bucyrus CSD and Girard CSD. WCH CSD does not provide such an incentive.

SCSD's agreement also allows certificated staff to take two days of professional leave per year, whereas the peers' agreements do not specify the number of professional leave days. While placing a maximum number of professional leave days in the collective bargaining agreement limits the number of days that can be taken and may encourage professional development, it inevitably results in a financial liability for the District. For example, assuming that regular education, special education, and ESP teachers each take two days of professional leave annually, the District would incur approximately \$15,000 in substitute costs, as well as additional costs related to travel, conference fees, meals and lodging.

Furthermore, in contrast to the peers, the certificated contract requires the Board to purchase a \$5,000 paid-up life insurance policy for each retiree, and the employees have the option to purchase additional amounts at the same rate. Providing paid life insurance for each retiree significantly increases the District's long-term costs.

Financial Implication: According to the District's treasurer, 39 certificated employees received the \$300 bonus for the first semester of 2004-2005; resulting in an expenditure of \$11,700 for Struthers CSD. Therefore, if Struthers CSD reduced its sick leave incentive to a \$300 yearly payment for its certificated employees, the District could expect to save \$11,700 annually. In addition, if Struthers CSD reduced its association leave by 11 days per year, the District could expect to save \$715 per year in substitute costs.

R3.7 During future contract negotiations, Struthers CSD should seek to reduce the number of paid holidays for its classified employees working 10 months or less to 10 days, more similar to the peers. Reducing the number of paid holidays will help Struthers CSD improve productivity and potentially reduce substitute costs. Struthers CSD should also seek to reduce its sick leave incentive for classified employees to \$300 yearly and consider eliminating the provision that provides each retiree with paid life insurance, in line with the recommendations for certificated staff (see R3.6).

Currently, Struthers CSD is in the process of negotiating a new contract for its classified employees. Negotiations began during March 2005, and were still underway during the course of the audit. At the end of this audit, the Board ratified the new contract with the Association on August 9, 2005. **Table 3-4** shows that Struthers CSD provides more holidays for employees working 10 months or less than Bucyrus CSD and Girard CSD. In addition, Ohio Revised Code § 3319.08.07 requires that 11 and 12 month regular non-teaching school employees be paid a minimum of seven holidays, and 9 and 10 month non-teaching school employees be paid a minimum of six holidays.

Although Struthers CSD's sick leave incentive is lower than Girard CSD, it appears higher than Bucyrus CSD. Struthers CSD offers the same sick leave incentive for its certificated and classified employees. As discussed in **R3.6**, the sick leave incentive for certificated staff is significantly higher than each peer. Furthermore, in contrast to the peers, the classified contract requires the Board to purchase a \$2,000 paid-up life insurance policy for each retiree. The employee has the option to purchase additional insurance at the same rate.

Financial Implication: According to SCSD's treasurer, 41 classified employees received the \$300 bonus for the first semester of 2004-2005; resulting in an expenditure of \$12,300 for Struthers CSD. Therefore, if Struthers CSD reduced its sick leave incentive

to a \$300 yearly payment for its classified employees, the district could expect to save \$12,300 annually.

- R3.8 Struthers CSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee policy to ensure proper use of sick leave. The District should establish guidelines and policies that include prohibitions against “patterns of abuse” and determine if such guidelines and policies should be negotiated into the collective bargaining agreements. These prohibitions can help in identifying excessive sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” he or she may be subject to discipline.**

Struthers CSD should also consult with its legal counsel to ensure that all required notices and opportunities to dispute abuse claims are addressed as required by all applicable laws and/or collective bargaining agreements. In addition, the District should monitor sick leave use on a periodic and consistent basis, and negotiate a provision in the certificated contract that, at a minimum, requires physician’s statements for extended absences. To further strengthen its sick leave policy, however, the District should consider negotiating the use of an absence form to justify sick leave use regardless of the length of the absence, similar to Girard CSD. Struthers CSD should also consider following the American Society of Public Administrator’s (ASPA) suggestions to effectively manage sick leave abuse. Lastly, the District should require employees experiencing a long-term illness to use disability leave before solely using hours accumulated in its sick leave bank.

If the District successfully reduced sick leave usage, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the delivery of the curriculum, and reduce overall substitute costs. Reducing sick leave taken by 3.5 days per FTE would bring the District in line with the State average of 6.7 days per year as reported by the Ohio Department of Administrative Services (ODAS).

Even though the District offers a relatively generous sick leave incentive and the attendance rate for teachers was comparable to the State average reported by ODE, Struthers CSD’s FY 2003-04 average sick leave use per FTE was higher than the Ohio Department of Administrative Services (ODAS) union averages. Currently, Struthers CSD contracts do not have guidelines and policies that include prohibitions against “patterns of abuse.” Certificated and classified employees used an average of 81.5 sick leave hours per FTE, which is 52 percent higher than the ODAS reported average of 53.7 hours per FTE.

Struthers CSD’s certificated employees are permitted to use sick leave bank days for personal injury or long-term illness, provided that the employees have contributed time to

the sick leave bank. While certificated employees must be absent for at least 30 days or more and must use all other accumulated sick leave time, there is no requirement to first use disability leave before solely using hours from the sick leave bank. According to SCSD's Treasurer, one certified staff employee used 30 sick leave bank days in FY 2002-2003, four certified staff employees used 98.5 days in FY 2003-2004, and two certified staff employees used 98 days in FY 2004-2005. In FY 2003-04, the sick leave bank days used by certificated staff comprised 6.1 percent of the total sick leave used by the District's certificated employees. As a result, this does not appear to contribute significantly to the overall high amount of sick leave used per FTE. However, requiring staff to first use disability leave could help reduce the number of hours taken from the sick leave bank.

Girard CSD requires its certificated employees to complete an absence form to justify the use of sick leave. If medical attention is required, a form signed by a physician that states the nature of the illness may be required. Falsification of this form can lead to disciplinary action. Struthers CSD classified employees are required to submit a doctor's notes indicating that the employee can return to work if five or more consecutive sick days are used. However, no absence form exists in SCSD's certificated contract.

The American Society for Public Administration (ASPA) states that sick leave policies should include guidelines stipulating common "patterns of abuse." A "pattern of abuse" typically refers to employees who, over a period of time, have violated the organization's attendance policy on numerous occasions. Unscheduled absenteeism can cost up to an average of \$602 per employee, per year, not including indirect costs such as overtime pay for other employees, hiring temporary staff, missed deadlines, sinking morale and lower productivity. Indirect costs can add up to 25 percent to direct costs, according to *Employee Benefit News* and *HR News*.

According to ASPA, methods for monitoring sick leave abuse can vary from one organization to the next, but there are common guidelines all employers can follow. Some tips for managing leave abuse cases include:

- Recognizing the problem and intervening early before it escalates. Managers need to enforce leave policies and take appropriate action;
- Finding out why the employee is abusing leave. If a manager finds that it stems from a personal problem, options include recommending counseling or referral to an employee assistance program;
- Learning to say "no". Employers should not let employees get away with abusing leave policies;
- Using procedures, regulations, practices, and knowledge so that all employees are aware of leave policies and how to use them; and
- Documenting everything to learn from past mistakes.

By establishing guidelines and policies that include prohibitions against “patterns of abuse,” monitoring sick leave usage on a periodic and consistent basis, and negotiating the use of an absence form to justify sick leave use regardless of the length of the absence, Struthers CSD could reduce and better control sick leave usage. This, in turn, would increase productivity and reduce costs.

Financial Implication: Struthers CSD would realize a cost savings of approximately \$9,000 if each certificated staff member used, on average, one less leave day per year. Reducing sick leave by an average of 3.5 days per employee would enable Struthers CSD to match the State average and save the District approximately \$31,300 in substitute costs. A reduction in classified sick leave usage could not be quantified because substitutes are not consistently used to cover absences.

Financial Implications Summary

The following tables summarize the estimated annual cost savings for this section. The financial implications are divided into two groups: those that are, and those that are not, subject to negotiations. Implementation of those recommendations subject to negotiations would require agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.1 Reduce up to 22 regular education teachers	\$1,091,000
R3.2 Reduce vocational education expenditures from the General Fund	\$261,000
R3.3 Reduce up to 8 ESP positions	\$484,000
R3.5 Combine health and prescription coverage to reduce premiums	\$514,000
Total	\$2,350,000

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.5 Implement 10% contribution towards health insurance for all employees	\$181,000
R3.5 Implement 10% contribution towards dental insurance for all employees	\$10,000
R3.6 Reduce certificated employee's sick leave incentive amount	\$11,700
R3.6 Reduce certificated employee's association leave	\$715
R3.7 Reduce classified sick leave incentive amount	\$12,300
R3.8 Reduce sick leave by 3.5 days per employee	\$31,300
Total	\$247,015

Facilities

Background

The facilities section focuses on custodial and maintenance operations in the Struthers City School District (Struthers CSD, SCSD, or the District). This section evaluates the District's operations using best practice and operational standards from American School & University (AS&U) and peer school districts.

Organization Structure and Function

Struthers CSD consists of three schools: one elementary school (grades kindergarten – 4), one middle school (grades 5 – 8), and one high school (grades 9 – 12). The District underwent a major rebuilding and reconstruction of its school buildings from 2001 to 2004 as a part of the \$34 million Ohio Schools Facilities Commission (OSFC) new construction project. The District went from four elementary schools to one newly constructed building, a renovated middle school, and a new high school building and wellness center. One elementary school, Manor Avenue, is still used for its gym, but the District is in the process of leasing the building to an area social service agency.

The building and grounds department is responsible for the operation and upkeep of the facilities and grounds. District custodians complete the routine maintenance and grounds keeping. They are responsible for cleaning floors and buildings during the day. During the summer months, they also are responsible for building maintenance projects. During the school year, they complete maintenance and minor repairs. About 30 percent of the head and regular custodians' time is spent on maintenance projects, and the remaining 70 percent is spent cleaning. SCSD also employs janitorial technicians that conduct routine cleaning after school hours. The number of custodians assigned to individual school buildings ranges from 3.0 to 4.0 FTEs, and there are approximately 3.0 FTE janitorial technicians per school. While the supervisor of buildings and grounds assigns and oversees the work of the custodians and janitorial technicians, this position functions primarily as a working maintenance employee.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintenance and custodial operations for Struthers CSD's facilities.

Table 4-1: Number of Positions and Full-Time Equivalentents for FY 2003-04

Classification	Total Number of Positions	Number of FTEs
Supervisor Building and Grounds	1.0	1.0
Total Administration	1.0	1.0
Head Custodian	3.0	2.1
Custodian	7.0	4.9
Janitorial Tech	13.0	9.8
Total Custodian	23.0	16.8
Total Maintenance	N/A	3.0
Total	24.0	20.8

Source: Struthers CSD

Key Statistics

Key statistics related to the maintenance and operation (M&O) of Struthers CSD are presented in **Table 4-2**. In addition, results from the 33rd Annual American School & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2004, are included in **Table 4-2** and throughout the facilities section of the report. AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. This year's report provides the median number for each category on a national level and by district enrollment.

According to the 33rd Annual AS&U study, school districts are continuing to hover around historic lows on the percentage of spending for maintenance and operations. "While indoor environmental quality and cleanliness of schools have received more attention, adequate funding to provide effective M&O services remains elusive." The low allocation of resources to M&O is a "stark reminder of how difficult it continues to be to upkeep and operate America's aging education infrastructure on a shoestring budget."

Table 4-2: Key Statistics and Indicators

Number of School Buildings	3
- Elementary School ¹	1
- Middle School	1
- High School	1
Total Square Feet Maintained	318,883 ²
- Elementary Schools	109,550
- Middle School	87,602
- High School	121,721
Square Feet Per FTE Custodial Staff Member (19.8) ³	19,038
- Elementary School (5.4)	20,477
- Middle School (5.0)	17,608
- High School (6.3)	19,322
AS&U 33rd Annual Cost Survey (1,000 - 3,499) Students Median	23,215
AS&U 33rd Annual Cost Survey National Median	23,787
Peer District Average	26,956
Square Feet Per FTE Maintenance Staff Member (4.00) ⁴	79,721
AS&U 33rd Annual Cost Survey (1,000 - 3,499) Students Median	100,000
AS&U 33rd Annual Cost Survey National Median	90,757
Peer District Average ⁴	155,000
FY 2003-04 Maintenance and Operations Expenditures Per Square Foot	\$6.83
- Custodial and Maintenance	\$5.11
- Utilities	\$1.72
AS&U 33rd Annual Cost Survey (1,000 - 3,499) Students Median	\$3.82
AS&U 33rd Annual Cost Survey National Median	\$3.89
Peer District Average	\$3.95

Source: Struthers CSD and peer districts; AS&U 33rd Annual Maintenance and Operations Study

¹ Does not include the Manor Avenue Building that is only used on occasion for its gym

² Includes the Manor Avenue Building as it is currently cleaned and maintained by the District

³ Includes custodian and janitorial technician positions

⁴ Includes supervisor positions where supervisors are working maintenance employees with supervisory duties

As illustrated in **Table 4-2**, SCSD's square footage per custodial and maintenance FTEs are both considerably lower than the peer average and AS&U benchmarks. Additionally, the District spent over 70 percent more per square foot than the peer average and AS&U benchmarks.

Financial Data

Table 4-3 illustrates the total expenditures to maintain and operate Struthers CSD's facilities for FY 2001-02, FY 2003-03, and FY 2003-04.

Table 4-3: Maintenance and Operations Expenditures

Functions	FY 2001-02 Total	FY 2002-03 Total	FY 2001-02 to FY 2002-03 Percent Change	FY 2003-04 Total	FY 2002-03 to FY 2003-04 Percent Change
Salaries	\$ 558,581	\$ 601,489	7.7%	\$ 610,863	1.6%
Benefits	\$ 204,214	\$ 240,861	17.9%	\$ 257,774	7.0%
Utilities	\$ 265,602	\$ 368,410	38.7%	\$ 547,114	48.5%
Purchased Services	\$ 130,730	\$ 141,363	8.1%	\$ 682,906	383.1%
Supplies/Materials	\$ 19,217	\$ 61,476	219.9%	\$ 74,880	21.8%
Capital Outlay	\$ 4,774	\$ 40,886	756.5%	\$ 4,271	(89.6)%
Other	\$ 1,284	\$ 1,476	15.0%	\$ 1,672	13.2%
Total	\$ 1,184,401	\$ 1,455,963	22.9%	\$ 2,179,480	49.7%

Source: Struthers CSD Expense Budget Work Sheets

The \$34 million school facility construction and renovation project had a significant impact on the District's facilities expenditures. Explanations for the significant variances in **Table 4-3** are as follows:

- *A 7.7 percent increase in salaries from FY 2001-02 to FY 2002-03, and a 1.6 percent increase from FY 2002-03 to FY 2003-04:* There was a classified salary increase of 6 percent due to COLAs (3 percent) and an SERS pickup buy back (3 percent) when SCSD negotiated to buy back the retirement pick up for employees, thus ending District payment of the employee share of retirement benefits. The 7.7 percent increase is also due to the overtime related to moving into the new school buildings and the costs for substitutes to cover for two custodians that were on extended sick leave. The slight increase in FY 2003-04 was due to one custodian leaving the District and his position not being filled.
- *A 17.9 percent increase in benefits from FY 2001-02 to FY 2002-03, and a 7.0 percent increase from FY 2002-03 to FY 2003-04:* There were increases throughout the District, due mainly to health insurance costs. The lower rate of increase in FY 2003-04 was due to not filling a custodian position. See **financial systems** and **human resources** sections for more information on benefits.
- *A 38.7 percent increase in utilities from FY 2001-02 to FY 2002-03, and a 48.5 percent increase from FY 2002-03 to FY 2003-04:* The new school buildings went online, which consumed significantly more electricity than the previous buildings due to the systems installed.
- *A 383.1 percent increase in purchased services from FY 2002-03 to FY 2003-04:* This represents construction costs for the Wellness Center.

- A 219.9 percent increase in supplies and materials from FY 2001-02 to FY 2002-03, and a 21.8 percent increase from FY 2002-03 to FY 2003-04: This represents the outfitting and furnishing of the new buildings and the Wellness Center.
- A 756.5 percent increase in capital outlay from FY 2001-02 to FY 2002-03: This consists primarily of one-time purchases of cleaning equipment for new buildings.

Based on actual expenditures as of January 5, 2005, the District is projected to spend approximately \$1.66 million in maintenance and facility-operations for FY 2004-05 (see **R2.12** and **Table 2-18** in the **financial systems** section for the District's total FY 2004-05 actual expenditures). This is considerably lower than FY 2003-04, and is primarily due to the construction costs for the Wellness Center in FY 2003-04.

Revenue from the General Fund and other funds are used to support the maintenance and operations of Struthers CSD facilities. As shown in **Table 4-3**, FY 2003-04 expenditures for building operations and expenses, including staff salaries and benefits, supplies and materials, purchased services, utilities, supplies and materials, and capital outlay totaled approximately \$2.2 million. **Table 4-4** compares Struthers FY 2003-04 General Fund maintenance and operations expenditures per square foot to the peers and AS&U.

Table 4-4: FY 2003-04 General Fund Expenditures per Square Foot

Expenditures	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average	AS&U National Median	AS&U Median for 1,000-3,499 students
Salaries and Benefits	\$2.72	\$1.62	\$2.19	\$2.40	\$2.07	\$1.84	\$1.90
Purchased Services	\$0.34	\$0.51	\$0.42	\$0.46	\$0.46	\$0.18	\$0.13
Utilities	\$1.72	\$0.89	\$1.24	\$1.18	\$1.10	\$1.21	\$1.22
Supplies/Materials	\$0.23	\$0.21	\$0.17	\$0.39	\$0.26	\$0.32	\$0.31
Capital Outlay	\$0.00	\$0.02	\$0.00	\$0.15	\$0.05	N/A	N/A
Other	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$0.26
Total	\$5.02	\$3.25	\$4.03	\$4.58	\$3.95	\$3.89	\$3.82

Source: Struthers CSD and peer district Treasurers' Offices

As shown in **Table 4-4**, Struthers CSD's General Fund expenditures per square foot is higher than the peer average in salaries and benefits, and utilities, and higher than all of the AS&U medians with the exception of supplies and materials and other expenditures. Struthers CSD and Bucyrus CSD also use non-general fund sources for facility-related purposes such as permanent improvement levies. Furthermore, SCSD is the only district that has undergone new construction through the OSFC program within the last four years, thereby incurring additional non-general fund expenditures. **Table 4-5** compares Struthers CSD's FY 2003-04 all funds maintenance and operations expenditures per square foot to the peers and AS&U.

Table 4-5: FY 2003-04 All Funds Expenditures per Square Foot

Expenditures	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average	AS&U National Median	AS&U Median for 1,000-3,499 students
Salaries and Benefits	\$2.72	\$1.62	\$2.19	\$2.40	\$2.07	\$1.84	\$1.90
Purchased Services	\$2.14	\$0.51	\$0.42	\$0.46	\$0.46	\$0.18	\$0.13
Utilities	\$1.72	\$0.89	\$1.24	\$1.18	\$1.10	\$1.21	\$1.22
Supplies/Materials	\$0.23	\$0.21	\$0.17	\$0.39	\$0.26	\$0.32	\$0.31
Capital Outlay	\$0.01	\$0.02	\$0.00	\$0.15	\$0.05	N/A	N/A
Other	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$0.26
Total	\$6.83	\$3.25	\$4.03	\$4.58	\$3.95	\$3.89	\$3.82

Source: Struthers CSD and peer district Treasurers' Offices

As illustrated in **Table 4-5**, Struthers CSD's all fund expenditures per square foot are higher than the peer and AS&U averages in salaries and benefits, purchased services, and utilities. The completion of the OSFC new construction project and the Wellness Center significantly impacted the District's purchased services category. SCSD's higher salary and benefit expenditures are attributable to higher staffing levels (see **R4.1**). While the OSFC project also contributed to the increasing utility costs, developing a formal energy management program could help to reduce and control future utility expenditures (see **R4.2**).

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on several areas within the facilities section which do not warrant changes and did not yield any recommendations. These areas include the following:

- *Permanent Improvement Levy:* SCSD had a 1.8 mill (0.5 effective) permanent improvement levy that originally passed in 1976. However, when the 0.5 mill classroom maintenance levy associated with the OSFC program was passed, the District allowed the permanent improvement levy to expire. The 23-year 0.5 mill classroom maintenance levy generates approximately \$80,000 a year, and these funds are used for maintenance contracts such as boilers, elevators, and fire alarms.
- *Preventative Maintenance and Work Orders:* On December 12, 2003, the District purchased the ProVIEW preventive maintenance system for approximately \$2,800 as part of the OSFC construction project, and began using it during the FY 2004-05 school year after the facilities and equipment information was entered. The system allows for an automated work order process, which is directly linked to SCSD's preventive maintenance program.

- *Overtime Use:* Struthers CSD is effectively controlling overtime use. Overtime expenditures comprised only 3.0 and 3.5 percent of salaries in FY 2001-02 and FY 2003-04, respectively. They comprised 6.2 percent of salaries in FY 2002-03, due mainly to the construction and renovation that took place within the District. The classified collective bargaining agreement has very specific language defining a work day, when overtime is to be used, and the approval process for the use of overtime. The superintendent and supervisor of building and grounds indicated that overtime is always approved prior to use per the collective bargaining agreement.
- *Purchased Services Expenditures:* Although SCSD's FY 2003-04 purchased services expenditures per square foot for all funds is higher than the peer and AS&U averages as shown in **Table 4-5**, this is due to the finalization of the OSFC project and the construction of the Wellness Center. When the purchased service expenditures from the OSFC fund are subtracted from the all fund purchased services total, the District spent \$0.46 per square foot, which is equal to Washington Court House CSD and lower than Girard CSD.
- *Supplies and Materials Expenditures:* The District's supply and material costs per square foot are similar to Bucyrus CSD, and much lower than Washington Court House CSD and the AS&U benchmarks. As the historical increases have been primarily due to furnishing the new buildings and Wellness Center, and should stabilize in future years.

Recommendations

Custodial Staffing and Operations

R4.1 Struthers CSD should reduce 3.0 FTE custodial/maintenance positions and three (2.625 FTE) janitorial tech positions. In order to implement these staffing reductions, the District should attempt to remove the minimum staffing level requirements from the classified collective bargaining agreement during future contract negotiations. If Struthers CSD reaches an agreement to lease the Manor Street property that does not require the District to maintain the facility, it should consider the reduction of additional janitorial tech positions.

SCSD is significantly overstaffed when compared to the peers and AS&U benchmarks in square footage cleaned and maintained per FTE. **Table 4-6** illustrates the average square footage maintained by each FTE facilities employee for SCSD, the peer districts, as well as the AS&U national median and the median for similar-sized districts.

Table 4-6: FY 2004-05 Square Footage per FTE

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average	AS&U National Median	AS&U 1,000-3,499 Students Median
Elementary	16,551	24,481	38,187	17,717	24,519	N/A	N/A
Middle/Junior High	17,608	31,985	N/A ¹	28,900	30,222	N/A	N/A
High School	19,322	42,649	27,483	29,977	32,090	N/A	N/A
Other	21,000 ²	N/A	3,070 ³	N/A	3,070	N/A	N/A
Square Feet per Custodian FTE	19,038	31,483	25,891	23,987	26,957	23,787	23,215
Square Feet per Maintenance FTE	79,721	173,154	271,860	103,944	155,000	90,757	100,000

Source: Struthers CSD and peer districts; AS&U 33rd Annual Maintenance and Operations Study

¹ Prospect Elementary and the Junior High are two joined buildings on one campus, and custodians are shared between the two buildings. The total square footage is captured under elementary.

² Manor Street building

³ Stadium

Based on **Table 4-6**, SCSD's custodial and janitorial tech positions clean the least square footage per FTE in each building when compared to the peers and the AS&U averages (excluding Other buildings). SCSD's square footage per maintenance FTE is also lower than each peer and AS&U benchmarks.

The supervisor of buildings and grounds assigns work using a custodial maintenance guide that gives the time to complete various tasks, and he also decides assignments based on square footage. However, Struthers CSD's classified collective bargaining agreement contains language detailing minimum staffing requirements for custodians and janitorial techs, which for the FY 2004-05 school year was 10 custodian positions and approximately 8.9 FTE janitorial tech positions. According to the contract, janitorial techs work seven hour shifts, but are considered full-time employees and collect full benefits. **Table 4-7** compares the current facilities-related staffing levels to the contract language.

Table 4-7: SCSD Classified Contract Language versus Actual FTEs

	Contract Specified FTEs		FY 2004-05 FTEs		Difference	
	Custodians	Janitorial Tech	Custodians	Janitorial Tech	Custodians	Janitorial Tech
Elementary	3.0	3.429	3.0	3.250	0.0	(0.179)
Middle	3.0	2.475	3.0	2.875	0.0	0.400
High school	4.0	2.975	4.0	3.500	0.0	0.525
Total	10.0	8.879	10.0	9.625	0.0	0.746

Source: SCSD

Excluding the slightly lower janitorial tech staffing at the elementary schools, the District is staffed according to the contract for custodian positions and is 0.75 FTEs higher than the contract specifies for total janitorial techs. However, this does not include the 0.125 FTE Janitorial Tech assigned to the Manor Street building, which is not specified in the contract.

Although the supervisor of buildings and grounds tries to use a sound methodology in assigning tasks, the minimum staffing language within the current collective bargaining agreement limits the District's flexibility in assigning custodial and janitorial tech workload. The contract language has contributed to SCSD having more facility-related employees than the peers, who clean and maintain fewer square feet than the peer and AS&U averages.

Based on the number of staff assigned to each building including Manor Street, SCSD could reduce 3.0 FTE custodian/maintenance positions and 2.625 FTE janitorial tech positions. With these reductions, the District's square footage per custodian FTE increases to 26,518, which is similar to Girard CSD but much lower than Bucyrus CSD. Additionally, the District's square footage per maintenance FTE increases to approximately 102,865, which is similar to Washington Court House but still considerably lower than the two other peers.

Financial Implication: The reduction of three custodian FTEs would save approximately \$124,000 in salary and benefits, and the reduction of three janitorial technician positions would save an additional \$71,000 in salaries and benefits, for a total annual cost savings of \$195,000.

Utilities

R4.2 SCSD should continue to participate in the State of Ohio's Cooperative Purchasing Program for natural gas and electricity. Furthermore, SCSD should develop an energy management program that includes detailed energy policies, energy efficient practices, and guidelines that District staff should follow to help minimize energy costs. For instance, maintaining cooling temperatures at 78 degrees and heating temperatures at 68 degrees could be included as an energy efficient practice. The energy management program should also define broad cost and performance objectives. The energy management program should be visible to the District's administration, the Board of Education and all District staff and students, and program objectives and progress should be reported periodically. Lastly, SCSD should communicate and train its staff about the energy management program, and consider providing training via a qualified consultant.

Struthers CSD's utility expenditures have increased significantly since the completion of the OSFC project. For example, the average annual increase from FY 2001-02 to FY 2003-04 was approximately 44 percent. However, based on actual expenditures as of January 5, 2005, utility costs are projected to decrease by 5 percent for FY 2004-05 (see **R2.12** and **Table 2-18** in the **financial systems** section for the District's total FY 2004-05 actual expenditures). This appears to be due to all of the new buildings being online and in use, and phasing out the older buildings, enabling the District to fully use the central control and monitoring system.

As part of the OSFC program, the District implemented a Johnson Controls System with central control of all buildings and remote monitoring functions that can regulate heat, air, and lights. All functions are monitored centrally by the supervisor of buildings and grounds, and cannot be manually changed within each room. Heat is kept between 68 and 72 degrees. If air conditioning is used, which the supervisor of buildings and grounds states rarely happens, it is set at 76 degrees.

The District has elected to join the State of Ohio's Cooperative Purchasing Program for natural gas and electricity. The State Purchasing Program saves its members money by bidding for the best price, streamlining the payment process, and eliminating late fees. According to the treasurer, the District started the electric program in January 2005 and the natural gas program started in March 2005. The natural gas program states that participants can save 5 – 30 percent on gas bills compared to the best utility rates.

During FY 2003-04, the District's utility expenditures per total square foot were 36 percent higher than the peer average, and 30 percent higher than the AS&U medians (see **Table 4-4**). The only other peer district that has already gone through the OSFC construction program was Girard CSD, and Struthers CSD's utility expenditures per square foot were 28 percent higher than Girard CSD for FY 2003-04. Therefore, although the OSFC project contributed to higher utility costs in FY 2003-04, additional measures could be implemented to help control and potentially reduce utility expenditures.

According to the U.S. Department of Energy in its publication, *Myths About Energy in Schools* (2002), new schools are not often energy-efficient. Unless a school directs its architect to design energy-efficient buildings, new schools may be as inefficient as old ones. The U.S. Department of Energy's Energy Smart Schools website: <http://www.energysmartschools.gov/> offers numerous publications on energy conservation practices including the August 2004 document: *School Operations and Maintenance: Best Practices for Controlling Energy Costs - A Guidebook for K-12 School System Business Officers and Facilities Managers*, prepared by Princeton Energy Resources International, HPowell Energy Associates, and the Alliance to Save Energy. This 130 page guidebook provides detailed and practical guidance on how K-12 school districts can plan and implement enhancements to their current operations and maintenance (O&M) programs that can successfully maintain their facilities while also reducing energy costs by up to 20 percent.

Most of the energy management strategies detailed in the Guidebook entail limited capital costs and in most cases, produce rapid paybacks of less than two years. Energy-efficient O&M program options include: energy tracking and accounting, voluntary energy awareness, performance contracting, and quick and low-cost strategies such as:

- Repairing window and door glass and using weatherstripping;
- Reducing excessive light levels by careful delamping;
- Cleaning and repairing chilled water plants or package units;
- Conducting combustion testing and boiler tune-ups;
- Repairing leaking steam traps;
- Repairing pipe and vessel insulation for steam and hot water distribution lines;
- Instituting night and weekend temperature setbacks;
- Eliminating 24/7 operation of exhaust fans and vending machines;
- Replacing all incandescent light bulbs with equivalent compact fluorescent bulbs;
- Establishing district-wide vacation shut down procedures; and
- Repairing malfunctioning dampers on unit ventilators.

The *School District Energy Manual*, published by the Association of School Business Officials in 1998, recommends that temperature settings be centrally controlled, and allow a variance of only one to two degrees for manual adjustments. Additionally, the *School District Energy Manual* recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 65 to 68 degrees for heating (70 to 72 degrees for heating kindergarten and special education rooms) as a conservation guideline.
- 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 cooler 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.

There are also numerous private companies that provide energy conservation consultation. For instance, Elyria CSD contracted with Energy Education, Inc. in July 2004 to provide training to school district employees about energy conservation. The training does not require additional funds since the fees are paid from guaranteed savings. If the savings are not sufficient to cover the fees, the company will reimburse the district for the difference. The estimated savings for Elyria CSD are \$2.3 million in the next seven years, and the estimated net savings for the first year should be \$141,000.

Although Struthers CSD has fewer school buildings after its OSFC construction project, the three new or renovated buildings use more energy, primarily electricity, than the older buildings. For example, the old high school's monthly electricity bill used to be around \$4,000. Currently, the new high school's monthly electricity bill is approximately \$14,000.

The District is aware of its substantially increased utility costs, and has taken steps to control costs through its enrollment in the State of Ohio's Cooperative Purchasing Program for natural gas and electricity. The District also has system controls that allow for predetermined temperature settings and remote monitoring. However, the absence of a district-wide energy conservation program and corresponding policies, limits Struthers CSD ability to further contain utility costs. According to the *School Operations and Maintenance: Best Practices for Controlling Energy Costs* handbook, a district should be

cognizant of the following factors when implementing a successful energy conservation program:

- The program and program managers must be visible to the Superintendent, School Boards, and other staff, and program objectives and progress should be reported periodically.
- Energy savings are not immediate, but develop over time.
- Distribution of school-specific information to building staff is essential.
- Problems must be recognized and "tweaks" made to ensure success of the program.
- External support is vital.
- A detailed energy policy should provide guidelines for the program and define broad cost and performance objectives.

Financial Implication: The District's estimated utility costs for FY 2004-05 are approximately \$500,000. If it implemented an energy management program and correspondingly decreased energy costs by 20 percent, Struthers CSD could expect nearly \$100,000 in annual cost savings. This would decrease utility expenses per square foot to \$1.25, similar to Girard CSD, but still higher than Bucyrus CSD and Washington Court House CSD.

Facilities Planning

R4.3 SCSD should establish an ongoing comprehensive facilities master plan that includes key elements such as the capacity analysis completed through the OSFC project. The District should update its enrollment projections on an annual basis to monitor any changes in population characteristics or community growth patterns. The plan should also include information from the District's preventive maintenance system, which should also be used to develop a capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available.

As part of the OSFC project, SCSD underwent an enrollment study, and a facilities master plan was developed for the project. The District was required to obtain a preventive maintenance program. It purchased the ProVIEW Maintenance system, and began using it during the FY 2004-05 school year after the facilities and equipment information was entered. Prior to the implementation of ProVIEW, paper-based work orders were submitted, and assignments were determined by the building and operations supervisor. ProVIEW will develop worksheet schedules and head custodians will have access to the system. The system will help to identify replacement and maintenance needs and will help the District to develop a capital improvement plan. The preventive maintenance system will provide the District with information regarding the maintenance

and planned replacement of building infrastructures and systems. However, the District does not continue to project enrollment to monitor changes within the community's demographics, has not adopted a formal ongoing capital improvement plan, and does it maintain a facilities master plan.

The following elements, as described by the *Planning Guide for Maintaining Schools Facilities* developed by the Schools Facilities Maintenance Task Force in February 2003, would aid the District in effectively planning for facility and capital needs in general, and developing a comprehensive facilities master plan:

- Involving stakeholders in the planning process;
- Identifying needs (e.g., improving cleanliness and safety, correcting deficiencies, addressing deferred projects, increasing efficiency, decreasing utility bills);
- Establishing priorities and targets;
- Collecting and using supporting data to inform decision-making;
- Sharing the plan to garner support from management and key stakeholders;
- Allocating funds to pay for planned activities;
- Training staff to implement planned activities;
- Implementing the plan;
- Being patient while awaiting cost savings or other results;
- Evaluating the plan systematically;
- Refining efforts based on evaluation findings; and
- Reviewing and revising the plan periodically (e.g., every three years).

According to the Government Finance Officer's Association (GFOA), the cost of desired capital projects will usually substantially exceed available funds in most governments. The development of a capital improvement plan provides a framework for prioritizing projects and identifying funding needs and sources. Facilities maintenance and effective planning produces savings by:

- Decreasing equipment replacement costs over time;
- Decreasing renovation costs because fewer large-scale repair jobs are needed; and
- Decreasing overhead costs (such as utility bills) because of increased system efficiency

Therefore, the District should use its preventative maintenance system as the cornerstone of comprehensive facilities master plan.

Financial Implications Summary

The following table represents a summary of the estimated annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications for Facilities

Recommendations	Estimated Annual Cost Savings
R4.1 Reduce 3 custodian FTEs and 3 janitorial technician positions	\$195,000
R4.2 Implement an energy management program	\$100,000
Total	\$295,000

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Transportation

Background

The Struthers City School District (SCSD or the District) reported the provision of transportation to 971 students in FY 2004-05, including public, non-public and special needs students. **Table 5-1** compares SCSD's total riders in FY 2003-04 with those of the peers: Bucyrus City School District (Bucyrus CSD), Girard City School District (Girard CSD), and Washington Court House City School District (WCH CSD). Due to an increase in reported riders, **Table 5-1** also includes SCSD's total riders in FY 2004-05.

Table 5-1: FY 2003-04 Total Regular and Special Needs Riders

	Struthers CSD FY 2003-04	Struthers CSD FY 2004-05	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Regular Needs Riders						
• Public	682 ¹	859	887	1,139	1,237	1,088
• Non-Public ²	58	72	0	163	0	163
• Total	740	931	887	1,302	1,237	1,142
Special Needs Riders	25	40	19	N/A ³	26	23
Total Riders	765	971	906	1,302	1,263	1,157
Payment-in-Lieu Riders	11	14	0	28	0	28
Total Enrollment	2,047	2,064	1,780	1,836	2,325	1,930
Total Riders as a Percent of Enrollment	37.4%	47.0%	50.9%	70.9%	54.3%	58.4%

Source: ODE T-forms

¹ Twelve students reported as public school riders were excluded because they are special needs riders and are included in that category.

² Non-Public includes students of both private/parochial and community or charter schools.

³ Special education students are transported by the Educational Service Center at Girard CSD.

In FY 2003-04, the District transported a lower percentage of its enrollment than the peers. This may be due to the peers transporting students who live less than 1 mile from their school, whereas SCSD only transports students who live more than 1 mile. **Table 5-1** also shows that SCSD transported nearly 200 more students between FY 2003-04 and FY 2004-05, which may be due, in part, to SCSD misreporting information on its T-forms. While the District reported the mileage traveled and runs made by bus number 12 in the FY 2003-04 T-forms, it did not indicate the number of students riding bus number 12 for FY 2004-05. Additionally, the runs reported for bus 12 in FY 2003-04 appear similar to the runs reported for FY 2004-05. As a result, the District may have understated the overall number of students transported in FY 2003-04. On the other hand, additional

rider counts conducted by the District and AOS in April 2005 indicate that the number of riders reported for FY 2004-05 appears overstated (see **R5.1**).

Organizational Structure and Staffing

SCSD employed 11 personnel, or 5.3 full time equivalents (FTEs), who perform transportation-related duties in FY 2004-05. The Transportation Department is overseen by the superintendent and treasurer. **Table 5-2** compares Struthers CSD's FY 2004-05 transportation staffing levels with the peers.

Table 5-2: FY 2004-05 District and Peers Staffing Levels

Positions	Struthers CSD		Bucyrus CSD ¹		Girard CSD		WCH CSD		Peer Average		Peer Average Excluding Bucyrus	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Assistant / Coordinator / Dispatch	0.5	0.5	1.0	0.4	0.5	0.4	1.0	0.8	0.8	0.5	0.8	0.6
Bus Driver	7.5	4.0	4.0	2.3	7.5	4.3	13.0	7.3	8.2	4.6	10.3	5.8
Mechanic	1.0	0.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Aide	2.0 ²	0.5	N/A	N/A	N/A	N/A	1.0	0.5	1.0	0.5	1.0	0.5
Total Staffing	11.0	5.3	6.0	3.7	9.0	5.7	16.0	9.6	10.3	6.3	12.5	7.7
Number of Students Transported	971		93		1,153		1,164		803		1,159	
Students Transported per Bus Driver FTE	243		40		275		159		158		217	
Students Transported per Total FTE	183		25		202		121		116		162	
District Square Miles	4		5		5		4		5		5	
District Square Miles per Bus Driver FTE	1.0		2.2		1.2		0.5		1.1		0.8	

Source: District Transportation Departments

¹ Bucyrus went to State minimum for transportation in FY 2004-05

² Funded through Federal Title VIB instead of the General Fund.

Table 5-2 shows that for FY 2004-05, SCSD's students transported per bus driver FTE and total FTE are higher than both peer averages. In addition, SCSD drives more routine miles per bus driver than the peer average. While the total number of students transported in FY 2004-05 appears overstated (see **R5.1**), SCSD could work to achieve Girard CSD's staffing efficiency by increasing the number of students transported per bus (see **R5.2**). SCSD reported transporting more students in FY 2004-05 than it did in FY 2003-04 without adding any buses or drivers.

Operating Statistics

SCSD maintained a fleet of nine active buses to transport public and non-public regular and special needs students in FY 2003-04. Specifically, eight buses were used to transport regular needs students, while the remaining bus was used to transport special needs students. **Table 5-3** summarizes basic operating statistics and ratios for SCSD and the peers for FY 2003-04.

Table 5-3: FY 2003-04 Basic Operating Statistics

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Students Transported					
Regular Needs	740 ¹	887	1,302	1,237	1,142
Special Needs	25	19	0	26	23
Total	765	906	1,302	1,263	1,157
Miles Traveled					
District Square Miles	4	5	5	4	5
Regular Needs²	51,300	62,640	76,500	79,200	72,780
Non-Routine	17,828	23,426	16,944	20,898	20,423
Cost					
Regular Needs	\$288,154	\$329,173	\$380,826	\$447,376	\$385,792
Special Needs	\$67,191	\$105,707	N/A ³	\$34,314	\$70,011
Total	\$355,345	\$434,880	\$380,826	\$481,690	\$432,465
State Reimbursements⁴					
Regular Needs	\$250,181	\$203,566	\$270,505	\$253,626	\$242,565
Special Needs	\$45,784	\$19,679	N/A ³	\$20,688	\$20,184
Total	\$295,965	\$223,245	\$270,505	\$274,314	\$256,022
Percentage Reimbursement	83%	51%	71%	57%	59%
Ratios					
<i>Regular Needs</i>					
Cost per Mile	\$5.62	\$5.25	\$4.98	\$5.65	\$5.30
Cost per Active Bus	\$36,019	\$54,862	\$38,083	\$40,671	\$42,866
Cost per Student	\$389	\$371	\$292	\$362	\$338
Students per Active Bus	93	148	130	112	127
Miles per Regular Needs bus	6,413	10,440	7,650	7,200	8,087
<i>Special Needs</i>					
Cost per Student	\$2,688	\$5,564	N/A ³	\$1,320	\$3,044
Net Cost per Student	\$856	\$4,528	N/A ³	\$524	\$2,256
Sites and Bus Types					
Public Sites	4	10	4	9	8
Non-public Sites	4	N/A	2	N/A	2
Active Buses	8	6	10	11	9
Active Buses (Special Needs)	1	2	N/A	1	2
Spare Buses	6 ⁵	7	4	5	5
Total Buses	15	15	14	17	16
Spares as a % of Total Fleet	40.0%	46.7%	28.6%	29.4%	31.3%

Source: Struthers and peer T Forms and Foundation Settlement reports

Note: Does not include payment-in-lieu of transportation costs for Struthers CSD and Girard CSD. Bucyrus CSD and Washington Court House CSD did not have payment-in-lieu of transportation riders.

¹ Twelve students reported as public school riders were excluded because they are special needs riders and are included in that category

² Calculated by multiplying total daily miles by 180 student days.

³ Special education students are transported by the Educational Service Center at Girard CSD.

⁴ Reflects FY 2004-05 reimbursements that are based on FY 2003-04 expenditures.

⁵ Three buses were out of service. Two were sold during FY 2003-04, and one was sold in FY 2004-05.

Table 5-3 shows that SCSD transports fewer regular students per bus and travels fewer miles per bus when compared to the peer districts, causing the cost per student to be 12 percent higher and the cost per mile to be 6 percent higher than the peer averages, respectively (see **R5.2**). **Table 5-3** also shows that SCSD has the highest percentage of its transportation costs reimbursed by the State. While SCSD's special needs total and net costs per student are higher than WCH CSD, they are much lower than Bucyrus CSD. SCSD's special needs transportation resulted in a net cost of only \$21,407, as 68 percent of the special needs costs were reimbursed by the State.

In FY 2003-04, SCSD had the second highest percentage of spares. However, three of the six spares were out of service, two were sold during that year and the District sold the other in FY 2004-05. Therefore, this reduces the District's spare fleet to three buses and the percentage of the total fleet to 25 percent, which is lower than each peer.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, the following assessments were conducted that did not warrant changes or yield recommendations:

- **Routing Software:** It appears that routing software would be cost prohibitive since the District has only eight buses. Considering that none of the peers have routing software, reviewing routes and bell schedules could help the District improve efficiency without purchasing software (see **R5.2**).
- **Maintenance, Repair and Supply Expenditures:** SCSD's maintenance and repair expenditures per bus are less than the peer average when including the District's part-time and the peers' full-time mechanic personnel costs. Therefore, the District has a cost-effective transportation maintenance and repair process by using a part-time mechanic and contracting out all other maintenance and repair work. Furthermore, the District's transportation supply costs are lower than the peer average, and SCSD has established purchasing policies and appears to follow them.
- **Payment-in-lieu:** The District uses payment-in-lieu for difficult to transport students. As shown in **Table 5-1**, only one other peer, Girard CSD offers payment-in-lieu. SCSD's payment-in-lieu total appears appropriate in relation to non-public riders.
- **Spare Buses:** As of FY 2004-05, the District has an appropriate number of spare buses as recommended by ODE and as compared to the peer average.

Recommendations

Data Tracking and Reporting

- R5.1 SCSD should establish a formal policy and accompanying procedures for completing all T-forms. The District should require submission of information from drivers on a standard form devised by the treasurer and head bus driver to enable consistent and accurate reporting of data. In addition, those staff members who are required to fill out and submit these forms to the Ohio Department of Education (ODE) should contact ODE if they have any questions. Furthermore, the treasurer should review the information for possible errors. This will help to ensure that reports are accurate and complete, reconcile with 4502 forms, and are submitted in a timely manner. Moreover, this will help to ensure that the District obtains the appropriate reimbursements from ODE and allow it to make sound and informed decisions regarding transportation services, particularly those decisions to improve operational efficiency (see R5.2). Lastly, the District should maintain documentation to support the number of riders reported on the T-forms.**

Struthers CSD does not have formal policies or accompanying procedures for submitting T-forms to ODE. Rather, the student counts are submitted to the head bus driver by the other drivers on loose pieces of paper. He then compiles the counts for the treasurer. The treasurer fills in factual data (e.g., number of students transported, miles traveled and costs) and submits the forms to the superintendent for review. The District does not maintain documentation (e.g., original student counts, and riders transported per bus and per run) to support the number of riders reported on the T-forms.

The District reported transporting 971 riders in FY 2004-05, which was an increase of 206 students, or 27 percent, from FY 2003-04 (see **Table 5-1**). This increase may be partially due to not reporting the students transported by bus 12 on FY 2003-04 T-forms. However, as the District reported 94 riders on bus 12 in FY 2004-05, this does not account for the majority of the increase in riders reported for FY 2004-05. There is no other reasonable explanation for the considerable increase because the District did not change its transportation policy; open, close, or reconfigure buildings; or redistrict students. Furthermore, enrollment increased by only 17 students in the same time period.

Based on the above factors, the AOS and the District performed additional rider counts in April. On April 6, 2005, the District reported a total of 689 riders in the afternoon runs, significantly lower than the number reported on the FY 2004-05 T-forms. While bus 99 (contractor-owned bus) did not complete counts on April 6, 2005, it reported transporting only seven special needs riders on the FY 2004-05 T-forms. Additionally, AOS conducted a sample count of afternoon bus runs on April 13, 2005. Although the number of riders varied

by bus, the total number of riders transported on the buses sampled by AOS was similar to the number reported by the District on April 6.

According to the superintendent, the good weather and after-school programs could contribute to the lower count in April. She also said that possibly 100 students would be affected by the after-school programs. Including an additional 100 students would increase the April 6 count to 801 total riders, still significantly less than the 971 riders reported in October 2004. Furthermore, after school programs could affect the number of students riding a bus when the District compiles its rider counts for the T-forms.

In addition to potentially not reporting the number of students transported on bus 12, the following were other errors noted in the District's FY 2003-04 T-forms submitted to the ODE:

- The District reported 12 riders as both regular and special needs riders. These 12 riders were actually special education students riding a contractor-owned bus to attend public schools.
- Drug testing and physicals (\$320) were not included in transportation funds or the T-2 forms, and instead, were reported in health services.
- Radio communication lease payments of \$2,304 were assigned to driver's certification instead of "Other."

As the number of riders reported for FY 2004-05 does not seem reliable, the performance audit will not solely rely on this data when drawing conclusions. In addition, misreporting ridership can affect the District's reimbursement for transportation. For example, based on the ODE transportation simulator, the District was over-reimbursed by approximately \$1,500 by counting the 12 students as both regular and special needs riders. However, the District lost reimbursements by potentially not reporting riders transported on bus 12 in FY 2003-04. If, for example, the District actually transported 94 public riders on bus 12 in FY 2003-04, as reported on the FY 2004-05 T-form, it lost approximately a total \$10,600 in reimbursements. This is based on the ODE simulator and accounts for the misreporting of the 12 special needs students as regular riders.

Transportation Operational Efficiency

R5.2 The District should review its routing and bell schedules to increase the number of students transported per bus. For instance, changing the bell schedule to allow for the release of kindergarten students with the rest of the elementary school students in the afternoon would reduce the number of runs made by its fleet. Coupled with reviewing

and altering its overall routing in the morning and afternoon, the District could then increase the number of students transported per run and bus, resulting in a more efficient use of buses. Furthermore, the District should consider actively promoting the formation of parent/guardian contracts, which may reduce the overall cost of transporting special needs students.

In FY 2003-04, SCSD's cost per student and per mile were 12 percent and 6 percent higher than the respective peer averages, as shown in **Table 5-3**. This was due to transporting the lowest number of students per bus when compared to the peers, which could, in turn, be attributable to routing practices and the number of runs made to transport students.

Table 5-4 compares the District's square miles, students per bus and average miles traveled per bus to the peers for FY 2003-04.

Table 5-4: Regular Needs Transportation

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
District Square Miles	4	5	5	4	5
Students per Active Bus	93	148	130	112	127
Miles per Regular Needs Bus	6,413	10,440	7,650	7,200	8,087

Source: Struthers and peer T Forms and Foundation Settlement reports

Note: Bucyrus went to State minimum for transportation in FY 2004-05.

Table 5-4 indicates that SCSD transported 27 percent fewer students per bus and accumulated 21 percent fewer miles per bus than the peer averages, respectively; even though it is similar in size to the peers. In addition, with the exception of a separate release time for kindergarten students in the afternoon, SCSD has a three-tiered bell schedule, which is similar to Girard CSD and WCH CSD. Even by including 94 additional riders for FY 2003-04, based on the number of riders reported for bus 12 in FY 2004-05, the District's adjusted students per bus of 104 is lower than each peer.

By reviewing its routing and altering its bell schedules, the District could increase the number of students transported per bus. For example, while the kindergarteners ride with elementary students in the morning, the current bell schedule accommodates separate transportation for kindergarteners in the afternoon because they are released 10 minutes before the elementary school students. The District uses four buses to make four distinct afternoon runs for kindergarteners. SCSD could change the bell schedule to have kindergarten students released with elementary students and reduce the number of runs. By also reviewing its overall routing and run assignments, this could help the District reduce one active bus. Assuming an additional 94 riders were transported in FY 2003-04 and based on the miles traveled in FY 2003-04, reducing one bus would increase the number of students per bus to 119 and the average miles per bus to 7,329. These ratios are slightly higher than WCH CSD, but still less than Bucyrus CSD and Girard CSD.

Lastly, SCSD's special needs total and net costs per student are much lower than Bucyrus CSD; however, they are higher than WCH CSD (see **Table 5-3**). According to the special education coordinator, parent/guardian contracts are discussed at IEP meetings, but not subsequently since the school is obligated to transport the special needs children. Although none of the peers have parent/guardian contracts, more actively promoting parent/guardian contracts could assist the District in reducing special needs transportation costs – assuming that the District establishes the contracts at a lower cost than to directly transport the special needs students. School districts can negotiate parent/guardian contracts for special needs students by following the guidelines set forth in OAC § 3301-83-21.

Financial Implication: By reducing one bus, the District would save approximately \$36,000 annually. This is based on the FY 2003-04 cost per bus (see **Table 5-3**). Additionally, this could result in the District being reimbursed close to 100 percent of its transportation expenditures, assuming a level of reimbursement similar to that received in FY 2004-05.

Transportation Policy & Minimum Standards

R5.3 Because the District could potentially offset its transportation costs by reducing one bus, it should review its routes and alter its bell schedules to improve efficiency and allow for a one bus reduction (see R5.2). However, since the District is in fiscal emergency and if efficiency improvements are not implemented, it should explore possible reductions to its current transportation program. For example, it could end the transportation of all high school students and determine if their route to school is truly hazardous. However, the cost savings derived by a reduction in buses and drivers must be balanced against the loss in State transportation reimbursement due to fewer students transported and fewer less miles driven.

Prior to deciding to reduce transportation to State minimum standards, the District should review its routes to determine the number of active buses needed to operate efficiently at State minimum standards and work with ODE to determine potential losses in State reimbursements. SCSD should also determine if other levels of transportation service would be more effective and efficient within the constraints of its financial condition. Nevertheless, the District should determine its level of transportation service based on its financial condition, and clearly define these parameters within its Board-approved policies.

SCSD does not transport any students who live less than one mile from their school, but does transport students within two miles and some high school students that live in areas that have hazardous conditions en route. The Board-approved transportation policy for SCSD states that the District will “provide transportation for those students whose distance from their school makes this service necessary within the limitations established by State law.” It also

states that, “children living beyond walking limits shall be entitled to bus transportation.” However, the policy does not define specific parameters or quantify “walking distance” or “limitations of State law.” In addition, the District has made transportation decisions like the transportation of high school students and elementary and middle school students living between one to two miles from their school, which do not reflect its policy.

Ohio Revised Code (ORC) § 3327.01 states that “where resident school pupils in grades kindergarten through eight live more than two miles from the school...the board of education shall provide transportation for such pupils...” ORC § 3327.01 also states that “the board shall provide transportation for all children who are so crippled that they are unable to walk to and from school...” and “the board shall provide transportation to and from school for special education classes for educable mentally retarded children...” However, ORC §3327.01 states that “ the board may provide transportation for resident school pupils in grades nine through twelve to and from the high school...” During the FY 2004-05 school year, the total number of public and non-public regular students reported on SCSD’s T-forms was 931, of which 136 live more than two miles from their respective schools and would therefore be eligible for transportation if the District went to State minimum standards. This includes 49 regular non-public students and 87 regular public students.

School districts are reimbursed for a percentage of transportation expenditures by ODE during the current fiscal year based on factors from the previous year such as ADM, ridership and number of daily miles traveled. According to ODE’s Pupil Transportation Reimbursement Estimator, if SCSD only transported the minimum number of regular needs students required by State law, and based on the daily miles per public and non-public rider in FY 2004-05, the District could expect approximately \$151,000 in transportation reimbursements for regular needs. This is nearly 48 percent less than the regular needs amount the District received in FY 2004-05 based on FY 2003-04 transportation numbers.

However, it is difficult to forecast the actual financial impact of reducing transportation services to State minimum standards using the ODE estimator spreadsheet since estimated data (i.e., daily miles) is entered into an Excel program that uses the current fiscal year’s factors and funding calculations. Additionally, the number of riders reported by the District in FY 2004-05 does not appear reliable (see **R5.1**). Furthermore, if the District made reductions in its transportation program for the FY 2005-06 school year, it would not receive the reduced reimbursements until FY 2006-07.

If SCSD reduced its transportation program to State minimums, it would have to balance the cost savings with the loss in ODE reimbursements. While reducing transportation to State minimum standards would reduce costs, it could also result in some loss in efficiency as only the more distant students would be transported. For example, although Bucyrus CSD reduced its active regular fleet size from six to three buses when it went to State minimum

transportation standards in FY 2004-05, its ratio of regular students per active bus decreased from 148 in FY 2003-04 to 17 in FY 2004-05. Rather than reducing transportation to State minimum standards, improving current routing efficiency could enable SCSD to reduce one bus and save approximately \$36,000 annually. This could result in the District being reimbursed close to 100 percent of its transportation expenditures.

Fuel and Bus Insurance Costs

R5.4 SCSD should consider joining the Ohio Department of Administrative Services (DAS) General Services Administration (GSA)'s fuel pricing program.

The District purchases fuel at a quantity discount with the city of Struthers and stores it in an above ground tank on the school district premises. However, SCSD has not sought other economical fuel purchasing programs like those offered by DAS. DAS' General Services Administration fuel pricing program offers prices lower than those paid by the District. In comparing the cost of fuel purchased by the District and the prices from GSA from September 2004 to March 2005, SCSD paid on average of \$0.09 more per gallon than the average DAS price.

Financial Implication: Since SCSD paid 6 percent more in fuel per gallon than the DAS seven month average, the District could experience approximately \$1,100 in cost savings by using the DAS program.

R5.5 As planned, the treasurer should solicit a bid from the Ohio Schools Council Consortium (OSC) for bus insurance. In addition, the District should periodically solicit bids to ensure it pays an appropriate amount for bus insurance.

SCSD purchases insurance through a private agency without requesting bids or quotes. **Table 5-6** presents the insurance costs for SCSD and the peers in FY 2003-04.

Table 5-6: Comparison of Bus Insurance Cost

	Struthers CSD	Bucyrus CSD	Girard CSD	WCH CSD	Peer Average
Total Buses	14 ¹	15	14	17	16
Insurance	\$19,839	\$29,181	\$14,151	\$19,823	\$21,052
Cost per Bus	\$1,417	\$1,945	\$1,010	\$1,166	\$1,316
Cost per Mile	\$0.32	\$0.34	\$0.30	\$0.22	\$0.29
Cost per Student	\$25.93	\$32.21	\$10.87	\$15.70	\$19.59

Source: T-1 and T-2 SCSD and Peers

¹ Excludes the contractor-owned bus.

Table 5-6 shows that SCSD pays more for bus insurance per bus, mile and student when compared to Girard CSD and WCH CSD. This could be due to the District not actively soliciting bids for bus insurance. However, Struthers CSD plans to obtain a quote to purchase bus insurance through the Ohio Schools Council Consortium during 2005. By obtaining and reviewing multiple bids for bus insurance, the District could reduce its bus insurance costs.

Financial Implication: If the District was able to reduce its insurance costs per bus to be similar to WCH CSD by participating in the consortium and actively soliciting bids, it would save approximately \$2,500 annually. As the District sold three spares after FY 2003-04 and assuming that SCSD could reduce one regular active bus (see **R5.2**), this cost saving is based on 10 total buses.

Bus Replacement Planning

R5.6 SCSD should draft, approve, and update a bus replacement plan that describes its strategy for bus procurement in future years. All bus and equipment replacement should be based upon economic modeling that allows for replacement at the most financially advantageous point in the equipment's life cycle. Maintenance records should be reviewed periodically to determine the cost benefit for each bus. This plan should include the number of buses to be replaced each fiscal year, along with the age, mileage, and estimated cost at the time of replacement. By reviewing and updating the plan annually, SCSD will be able to plan for future costs while maintaining its fleet.

SCSD does not have a formal bus replacement plan or guidelines for bus replacement. Purchasing decisions are largely based upon funding availability from State sources. Additionally, spare buses are rotated annually with active buses to keep mileage low. A long-range bus replacement plan includes an analysis of bus fleet mileage in order to project when buses will need to be replaced. Currently, SCSD is not conducting this type of analysis.

The standard suggested by the National Association of State Directors of Pupil Transportation Services Information Report on School Bus Replacement Considerations is to replace buses after 250,000 miles and 15 years. However, the climatic conditions in northeast Ohio may require earlier replacement if rust makes a bus unusable. **Table 5-7** illustrates the District's current bus fleet and expected mileage.

Table 5-7: Struthers CSD Bus Mileage Forecast

Bus #	Seating Capacity	Model Year	Mileage	Status	Miles per Year	2005	2006	2007	2008	2009
14	71	2004	-	Active	12,240	12,240	24,480	36,720	48,960	61,200
4	72	2003	14,770	Active	24,120	38,890	63,010	87,130	111,250	135,370
2	66	2002	17,975	Active	7,920	25,895	33,815	41,735	49,655	57,575
5	72	2003	19,203	Active	3,600	22,803	26,403	30,003	33,603	37,203
1	72	2002	22,706	Active	8,640	31,346	39,986	48,626	57,266	65,906
12	56	2000	32,180	Active	8,460	40,640	49,100	57,560	66,020	74,480
9	71	1991	107,833	Active	7,200	115,033	122,233	129,433	136,633	143,833
13	71	1991	111,925	Active	5,040	116,955	122,005	127,045	132,085	137,125
11	71	1991	104,574	Spare	4,704	109,278	113,982	118,686	123,390	128,094
8	71	1991	104,739	Spare	1,877	106,616	108,493	110,370	112,247	114,124
10	71	1992	107,872	Spare	5,740	113,612	119,352	125,092	130,832	136,572
7		1984	To be sold	-	-	-	-	-	-	-

Source: SCSD interviews and T-1 Form for FY 2004

According to **Table 5-7**, no buses will have over 250,000 miles within the next five years, although five will be more than 15 years old within the period. One bus was purchased in FY 2003-04 and another was purchased in FY 2004-05. The District is not forecasting bus purchases after FY 2004-05. All buses currently have less than 120,000 miles and when projected for five years, will have less than 150,000 miles. Nevertheless, the District does not adequately track operating expenses for each individual school bus to allow an appropriate analysis of future equipment replacement needs.

Collective Bargaining Agreement

R5.7 During future negotiations, the District should consider removing the language pertaining to contracting out services. Doing so would provide additional options for the District to evaluate to help improve its financial condition.

The minimum hour guarantees and other contract premiums and incentives related to transportation employees within the classified collective bargaining agreement appear similar to the peers. However, the agreement indicates that the Board will not enter into agreements with private contractors to provide services that will replace or reduce the regular hours of any bargaining employee. While the District can implement other strategies to improve operational efficiency of internal transportation services (see **R5.1** to **R5.6**), maintaining such language in future collective bargaining agreements limits its ability to explore all strategies to improve its financial condition.

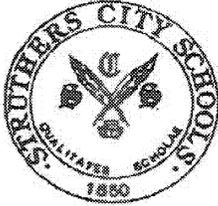
Financial Implications Summary

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

Summary of Financial Implications for Transportation

Recommendation	Estimated Annual Cost Savings
R5.2 Reduce one bus.	\$36,000
R5.4 Consider joining the DAS fuel purchasing program.	\$1,100
R5.5 Solicit bids for bus insurance.	\$2,500
Total	\$39,600

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BOARD OF EDUCATION OFFICE
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 330-750-1061 FAX - 330-750-5516
 DR. SANDRA J. DIBACCO, SUPERINTENDENT
 DR. MICHAEL R. EVANSON, TREASURER

September 20, 2005

Auditor of State Betty Montgomery
 88 East Broad Street
 PO Box 1140
 Columbus, Ohio 43216-1140

Dear Auditor Montgomery,

The Struthers City School District and the Financial Planning and Solvency Commission received the final draft of the performance audit during a post-audit meeting on September 9, 2005 that was conducted by your office as a result of the Struthers City School District being declared in fiscal emergency on May 11, 2005.

The recommendations have been reviewed. Action had been taken on many of the items in the performance audit. The actions include the following:

ADMINISTRATIVE REDUCTIONS	CERTIFIED REDUCTIONS 8.5 FTEs
2.5 FTEs administrators	
Administrative give back of 2% increase for 2005-2006	RIFed 2 regular education teachers 1 vocational teacher .5 music teacher
Effective January 1, 2006 – secretarial staff reduced from 5 – 12 month employees to 2 – 12 month employees and 1 – 10 month	Retirements/resignations (not replaced) 1 Title I teacher 1 vocational teacher 1 elementary teacher 1 elementary physical education teacher 1 nurse
Administrators move to Prescription PPO	
Board of Education donated salaries to the district	
CLASSIFIED REDUCTIONS	
3 Custodians	
2 Janitorial techs	
2.65 Cafeteria Techs	
3.8 Instructional Aides (resignations)	
2.5 Bus drivers (retirements not replaced)	

STRUTHERS ELEMENTARY SCHOOL
 520 NINTH STREET
 330-750-1065
 Fax 330-750-1489

STRUTHERS MIDDLE SCHOOL
 800 FIFTH STREET
 330-750-1064
 Fax 330-755-4749

STRUTHERS HIGH SCHOOL
 111 EUCLID AVENUE
 330-750-1062
 Fax 330-755-4525

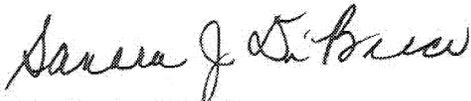
SPECIAL SERVICES DEPT.
 111 EUCLID AVENUE
 330-750-3354
 Fax 330-755-5421

With the reductions and some additional cost-savings measures, the district has projected approximately \$1.3 million in savings. The district has moved from closed to open enrollment for the 2005-2006 school year which will generate just under \$500,000.

The audit team led by, Jennifer Pae is to be commended for their professional approach and attention to detail during the performance audit. The support and assistance of your office has been very important to the development of a recovery plan and will serve as a useful fiscal management tool for the district.

If you have any questions or concerns, please do not hesitate to contact me at my office (330) 750-1061, ext.3207. Again, thank you for all the assistance.

Sincerely,



Dr. Sandra J. DiBacco
Superintendent of Schools

c: Struthers Board of Education
Joe Funai, Chairman Financial Planning and Supervision Committee