



**Auditor of State
Betty Montgomery**

CUYAHOGA FALLS CITY SCHOOL DISTRICT PERFORMANCE AUDIT

APRIL 4, 2006



**Auditor of State
Betty Montgomery**

To the Residents and Board of Education of the Cuyahoga Falls City School District:

On February 17, 2005, Cuyahoga Falls City School District (Cuyahoga Falls CSD) was placed in fiscal caution due to the possibility of ending the 2005 fiscal year in a deficit, as well as the potential for deficits in future years. My office subsequently examined the District's financial forecast for the General Fund as required under ORC § 3316.03. This examination resulted in the District being placed in fiscal watch on April 8, 2005, based on an anticipated deficit of \$4,714,000 for fiscal year ending June 30, 2005. Pursuant to ORC § 3316.031 and ORC § 3316.042, a performance audit was initiated in Cuyahoga Falls CSD. The five functional areas assessed in the performance audit were financial systems, human resources, facilities, transportation and District-wide processes. 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 fiscal caution and watch declarations.

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

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution and watch designations; an overview of the District; 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 Cuyahoga Falls CSD, and its contents discussed with the appropriate officials and District administrators. 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 4, 2006

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 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.

On February 17, 2005, the Ohio Department of Education (ODE) placed Cuyahoga Falls City School District (Cuyahoga Falls CSD, CFCSO or the District) in fiscal caution due to the possibility of ending FY 2004-05 with a deficit as well as the potential for deficits in future years. Subsequently, the AOS examined the District's financial forecast for the General Fund. This examination resulted in AOS placing the District in fiscal watch on April 8, 2005, based on an anticipated deficit of \$4,714,000 for the fiscal year ending June 30, 2005.

Pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit of CFCSO. Based on a review of the CFCSO's information and discussions with the District, the following five functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities;
- Transportation; and
- District-Wide Processes.

District Overview

The Cuyahoga Falls City School District (CFCSO) is located in Summit County and is approximately 5 miles north of Akron and 35 miles south of Cleveland. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. The District currently operates 9 school buildings:

one high school (grades 9-12), two middle schools (grades 6-8) and six elementary schools (K-5). For the 2004-05 school year, CFCSD had an average daily student enrollment of 5,162 and was rated as “Effective” by meeting 15 of the 23 State indicators, which was an improvement from the 2003-04 school year when it only met 9 of 18 State indicators and was rated as in “Continuous Improvement.” CFCSD receives the majority of its revenues from real estate property taxes, which comprise approximately half of its total operating revenue, excluding revenues related to notes, transfers, and advances.

According to the United States Census Bureau’s 2000 Census, the District’s population of 49,374 residents includes 21,655 family households with an average family size of 2.9 persons. The percentage of the District’s population that was school aged was 17 percent (5-18 years old). In addition, 91 percent of the population had a high school diploma or higher, and 26 percent had a bachelor’s degree or higher.

In FY 2003-04, the District’s total General Fund expenditure per student of \$8,586 was approximately \$211 more per student than the peer average of \$8,375. In addition, the District spent \$1,046 per student on discretionary items in FY 2003-04, approximately 15 percent higher than the peer average of \$909. While the District decreased discretionary spending per pupil by 9.3 percent in FY 2004-05, it was still higher than the peer average for FY 2003-04. The high expenditure levels are mainly due to capital improvements and repairs, issuance of tax anticipation notes and other short-term notes, past accounting practices, and incurring the full cost of providing healthcare insurance for full-time employees. In addition, CFCSD received \$971 and spent \$853 more per student, respectively, in FY 2004-05; primarily due to transfers to cover set-asides. Furthermore, increases in tuition and property services contributed to the 39 percent increase in purchased services in FY 2004-05.

As a result of being placed in fiscal watch, the District adopted a financial recovery plan with projected cost reductions of approximately \$1.8 million in FY 2004-05, \$7.1 million in FY 2005-06, and \$1.7 million in FY 2006-07. In addition, voters in the Cuyahoga Falls CSD passed a 7.9 mill operating levy on May 5, 2005 that will generate approximately \$6.2 million annually.

Table 2-16 presents the AOS financial recovery plan for the District and incorporates the proceeds from the new operating levy, the impact of AOS revised assumptions, and reductions already implemented by the District. **Table 2-16** also includes the cost reduction strategies in CFCSD’s Phase III recovery plan (FY 2006-07) that do not overlap with the performance audit recommendations, as well as the savings identified in recommendations in this performance audit. **Table 2-16** shows that the combination of the additional revenues and expenditure reductions will allow the District to eliminate the projected deficits and achieve financial recovery. However, it will be necessary for the District to make difficult management decisions. For example, the recovery plan assumes that the District will reduce 8 ESP FTEs to operate at State minimum standards in this area, reduce 18 regular teacher FTEs, and negotiate to require

employee health care contributions for full-time employees. If the District does not implement some of these recommendations or is unsuccessful during negotiations, it will likely have to implement additional staffing and cost reductions in order to achieve financial recovery.

In addition, the District is on pace to significantly reduce its purchased service expenditures for FY 2005-06 and come under its revised projection of \$5.0 million in the October forecast. Assuming that the District spends to its revised projection of \$5.0 million in FY 2005-06, it would reduce expenditures by approximately \$1.0 million when compared to **Table 2-16**, thereby further improving its financial condition. Consequently, the District will need to carefully weigh the benefits and costs of numerous strategies to reduce expenditures, such as reducing staffing levels versus reducing maintenance and repairs scheduled in the five-year capital improvement plan.

Objectives and Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was primarily conducted between May and November 2005. The goal of the performance audit process is to assist CFCSD management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declarations of fiscal caution and watch. The ensuing recommendations comprise options that CFCSD can consider in its continuing efforts to improve and stabilize its financial condition. This performance audit assessed the key operations of CFCSD in the areas of financial systems, human resources, facilities, transportation, and District-wide processes. Major assessments included the following:

- The District's May 2005 five-year financial forecast, its underlying financial data, and accompanying notes and assumptions were assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations 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.
- District-wide processes were reviewed and included strategic planning, bylaws and general policies, budgeting, financial reporting and monitoring, and purchasing.

To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with CFCSD personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made

to three school districts. These districts include Boardman Local School District (Boardman LSD) in Mahoning County; Lakewood City School District (Lakewood CSD) in Cuyahoga County; and Stow-Munroe Falls City School District (Stow-Munroe Falls CSD) in Summit County. Plain Local School District (Plain LSD) in Stark County was used in place of Lakewood CSD in the **transportation** section. These districts were selected as peers based on their identification as comparable districts by the Ohio Department of Education, reviews of various demographic information, and input from CFCSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. Additionally, Barberton City School District (Barberton CSD), Coventry Local School District (Coventry LSD) and Mogadore Local School District (Mogadore LSD) in Summit County were selected as additional peers for the **transportation** section on the basis of their location, square mileage and the size of their bus fleets. Best practice information from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries was also used as a basis for comparison.

The performance audit process involved significant information sharing with CFCSD, 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 to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from CFCSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was given 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 CFCSD and the peer school districts for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

Financial Systems

- The District took significant actions to address its financial condition. More specifically, the District reduced approximately 91 positions (6.5 administrator positions, 38.5 certificated positions, and 46 classified positions), closed two school buildings, and renegotiated several items in the collective bargaining agreements, including reductions in COLAs and changes to the health care plans. These actions likely contributed to the

voters of the District approving a new 7.9 mill operating levy on May 5, 2005, which will generate approximately \$6.2 million annually. The District's reductions and the new operating levy will significantly improve CFCSD's future financial condition.

Human Resources

- In an effort to reduce healthcare costs, the District eliminated the traditional plan, effective April 1, 2006; increased the PPO high option co-pay for an office visit to \$15; and increased the employee co-pay for prescriptions in the PPO high option to \$10.00 for generic drugs. In addition, the Board of Education (BOE) negotiated with the certificated and Local 111 bargaining units to waive the attendance bonus provision for the next two school years (2005-06 and 2006-07).
- Based on a review of teachers' schedules, the instructional time spent by Cuyahoga Falls CSD's high school and middle school teachers is higher than the peers.

Facilities

- CFCSD significantly improved its building utilization rate to 88 percent with the closing of Sill Middle School and Newbury Elementary School prior to the start of FY 2005-06.
- The District's supply and material expenditures per square foot and utility costs per square foot in FY 2003-04 were lower than each peer and the AS&U median.

Transportation

- The District took action to rectify its reporting problems in FY 2004-05. As a result, it has better data to help manage its transportation operations and identify potential efficiency improvements.
- CFCSD is transporting twice the number of Type-I riders per special needs bus when compared to the peer averages. As a result, CFCSD's total special needs transportation expenditures per student are approximately 45 percent lower than both peer averages. This indicates that the District is providing transportation services for special needs riders in an effective and efficient manner.
- CFCSD's payment-in-lieu of transportation expenditures fell below the Group A peer average, in total and per payment-in-lieu of rider. Additionally, CFCSD's payment-in-lieu of transportation riders as a percentage of non-public/community school riders is the second highest (10.3 percent) when compared to the Group A peers, and higher than the

Group A peer average (8.1 percent). When compared to the Group B peer average, CFCSD has more payment-in-lieu of transportation riders at nearly the same cost per rider. Therefore, the District is using payment-in-lieu of transportation as an efficient and effective alternative to providing transportation.

District-Wide Processes

- In an effort to better ensure fiscal accountability, CFCSD established a Financial Forecasting Advisory Committee. The goal of the committee is to increase fiscal accountability and community awareness on the District's financial forecasting processes.
- The District has increased communication and financial information provided to the BOE, thereby enabling the Board to understand the District's financial condition. This, in turn, will allow the BOE to effectively work with District officials to improve CFCSD's financial condition.
- The District is in the process of establishing a plan for excellence (PFE).

Key Recommendations

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

Financial Systems

- CFCSD should analyze and use the proposed financial forecast outlined in **Table 2-16** to evaluate the recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit and the strategies identified in its recovery plan to improve its current and future financial situation. In addition, the District should periodically update the recovery plan and five-year forecast as situations change.
- The District should diligently monitor those spending areas over which it can exercise more discretion, and identify possible opportunities for reductions and savings. In particular, the projections for line items the District can control, such as instructional materials and supplies, and capital improvements and repairs, should be evaluated to determine if it is critical that the District spend at proposed or historical levels. In addition, the District should carefully review its financial reports to ensure that the expenditures represent an accurate picture of the District's financial situation.

- The Treasurer should consider expanding the five-year forecast and the accompanying notes to present more detailed information and explanatory comments. 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. On October 25, 2005, the Treasurer issued an updated five-year forecast which generally provides much more information and explanations for the projections. Furthermore, the District's website contains additional detail and information regarding the District's October five-year forecast.

- In developing future forecasts, the Treasurer should carefully apply the methodology and supporting assumptions in developing the projections, and ensure that the stated assumptions match the forecast methodology. In addition, the Treasurer should review historical trends when developing a forecast methodology and assumptions, and account for prior coding issues that could skew historical trends. When deviating from historical trends, the Treasurer should provide the support and explanation in the notes to the forecast.

- The Treasurer should review the methodology used for projecting real estate property tax collections, and incorporate all known factors impacting this revenue source into the forecast. These factors should include the potential impact of reappraisals and updates, based on historical trends, as well as the effect of new levies passed during prior years and those impacting future years' revenues. When forecasting the effect of renewals, the Treasurer should exclude the portion of the expiring levies attributable to each respective property tax line item (real estate, tangible personal property and property tax allocation). The Treasurer also should project property tax allocations to parallel the projections for real estate and account for the portion of the new levy that is attributable to property tax allocations.

- When developing assumptions for purchased services, the Treasurer should review the major components comprising this category and apply the appropriate forecast methodology separately for each major component, and consider the District's degree of control over these categories. Cuyahoga Falls CSD should closely monitor the number of students leaving the District to attend other schools and continue to take actions to stabilize potential increases. CFCS D should also ensure that the revenues and expenditures for tuition, as well as the numbers of students leaving and entering the District, are being reported accurately. Furthermore, the District should update its five-year capital improvement plan, and prioritize maintenance and repairs based on its current and projected financial condition.

Human Resources

- Given the District's financial situation, Cuyahoga Falls CSD should consider reducing 18 regular teaching FTEs. If the District does not implement the performance audit recommendations and other strategies to reduce costs, and/or does not achieve the projections in the forecast (see **Table 2-16** in financial systems), it should consider reducing additional regular education staffing levels. Based on the current staffing levels, the District could reduce up to a total of 42 regular education teachers for a regular student to teacher ratio of 22:1. The Superintendent should meet and discuss proposed staffing reductions with the District's legal counsel and the Cuyahoga Falls Education Association (the Association or CFEA), particularly if the District reduces regular education staffing levels close to State minimum standards (25 regular education students per teacher). This would fully ensure compliance with the certificated agreement, ensure that the District can implement these reductions without hiring additional Individual Small Group Instructors (ISGI), and inform relevant stakeholders of the need for such reductions.

Although CFCSO's education service personnel staffing (ESP) levels are lower than the peers, the District should consider a reduction of up to 8.0 FTEs based on its financial condition. However, prior to making any regular education teacher or ESP 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.

- During future contract negotiations, the District should eliminate language within its collective bargaining agreement that forces it to increase tutor staffing when it exceeds class size limits. This will allow administrators to decide on the most effective use of available resources and how best to allocate teacher and tutor staffing levels within the District, in consideration of the current and projected financial condition.
- Cuyahoga Falls CSD should consider reducing staffing by 4.0 FTEs within its clerical classification, by pooling and consolidating duties. To aid in reducing clerical positions, Cuyahoga Falls CSD should initiate efforts to implement an automated substitute calling system that will meet the District's needs. An automated substitute system would provide an efficient method of contacting qualified substitutes, reduce the time spent by District personnel in obtaining substitutes, and provide the District with a convenient reporting system that will improve management's access to data. During the course of this performance audit, the Human Resources Director indicated that the District will be reviewing automated systems and will consider purchasing one that meets its needs.
- The District should seek to address higher administrative salary levels by reducing the number of employees receiving the retirement payment benefit and/or eliminating or

reducing the retirement payment benefit for all administrators. Doing so would still maintain equitable salary levels when compared to peer districts and the State average.

- Cuyahoga Falls CSD should negotiate to require all bargaining unit Status I employees, currently receiving full benefits, to pay 15 percent of the monthly health care and prescription premiums. Alternatively, CFCSO could negotiate a lower employee contribution for Status I employees (e.g., at least 10 percent) and increase the employee contribution rate for Status II employees to achieve cost savings that would help to eliminate its projected deficits (see **financial systems**). The District should also explore other healthcare providers or a consortium, as well as consider altering plan benefits in an attempt to reduce costs. Furthermore, the District should bargain to have employees pay a 15 percent contribution to dental insurance premiums and require employee annual deductibles.
- Cuyahoga Falls CSD should strive to reduce the amount of sick leave used by its employees by developing a policy and/or negotiating language in the collective bargaining agreements that addresses employee sick leave misuse and abuse 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. 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 a physician’s statement for extended absences, similar to the classified contract. However, CFCSO should consider reducing the number of consecutive days of absence that would require a physician’s statement. Lastly, CFCSO should consider following the American Society for Public Administration’s (ASPA) suggestions to effectively manage sick leave abuse.

Facilities

- Based on the National Center for Education Statistics’ (NCES) guidelines, and given the District’s financial condition, it should consider eliminating the vacant cleaner position (1.0 FTE). If the District decides to sell and not clean or maintain Sill Middle School, it should consider reducing a total of 3.0 FTE custodians (1.0 FTE vacant position and 2.0 FTE filled positions). Alternatively, if the District decides to clean and maintain Sill Middle School via lease agreements, it should ensure that the related staffing and operational costs are offset by charging the appropriate fees and maximizing the use of the facility.

Transportation

- CFCSD should establish formal standard operating procedures (SOPs) for filling out District T-forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner. Moreover, formal SOPs will help to ensure that the District receives the appropriate level of State reimbursement.
- CFCSD should eliminate 2 of its older, higher-mileage active buses by staggering its bell schedules and using its routing software to optimize routing efficiency. Accordingly, the District should reduce 2 regular bus driver positions.

District-Wide Processes

- CFCSD should follow through on developing its plan for excellence (PFE), and linking it to the continuous improvement plan (CIP). Doing so should help the District establish a comprehensive strategic plan, which should be updated annually. The strategic plan should serve as the foundation for the District's financial, capital, and educational plans, and annual budgets. In developing a strategic plan, the District should ensure that the needs of its students are adequately addressed and that the plan provides both sufficient direction and detail to effectively guide operations. A comprehensive strategic plan will help the District identify its educational and operational goals, and set a plan in motion to help achieve those goals.
- CFCSD should periodically offer Board members training on the District's bylaws and policies, particularly in regards to financial reporting and monitoring. This would provide BOE members with the necessary background to help understand key information provided by the administration, thereby ensuring accountability for the District's operational and financial condition. This training would also ensure that the BOE understands the types of financial information and reports it should be requesting to review, as well as enable the BOE to be more proactive in its monitoring role.
- CFCSD should establish a formal budget and related processes that mirror GFOA-recommended practices. The budget should include a set of recommended actions regarding programs and services to be funded, identify funding requirements and sources of funds, and be consistent with policies and goals set by the Board. In order to implement an effective budgeting process, the District should develop budget guidelines and instructions, a comprehensive budget calendar, and mechanisms to identify stakeholder concerns. An effective process should also include mechanisms to detect and correct deviations from the budget.

Additional Recommendations

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

Financial Systems

- The Treasurer should consider revising the methodology used in determining step increases by preparing a spreadsheet that tracks which employees are eligible for step increases in future years. This would provide the District with the actual impact step increases will have on its total salary expenditures.
- The Treasurer should update the forecast to allow for inflationary increases to other expenditures. In addition, the District should incorporate the county auditor fees into other expenditures for coding purposes.
- The Treasurer should update the forecast to reflect the actual debt schedules stated in contracts and leases agreements. In addition, the Treasurer should ensure that line items are only accounted for once throughout the forecast.
- In an effort to help regain financial stability, Cuyahoga Falls CSD should closely examine the spending patterns in **Tables 2-13** and **2-14**, and the cost reductions recommended in the **human resources**, **facilities** and **transportation** sections of this report. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education.

Human Resources

- During future negotiations, Cuyahoga Falls CSD should restructure its step schedule for transportation, custodian, and teacher aide positions. Cuyahoga Falls CSD should also periodically review all salaries to determine the appropriateness of current salary schedules and make necessary adjustments.
- During future negotiations, Cuyahoga Falls CSD should consider reducing or eliminating the attendance bonus and retirement incentives it offers to certificated and classified employees. Additionally, the District should lower its maximum severance payout.
- During future contract negotiations, the District should consider reducing the minimum number of call-in hours paid to employees for emergencies, raising the number of years of service to attain 25 days of vacation, and reducing the number of paid holidays. By

doing so, CFCSO will be more comparable to the peer districts, increase productivity, and potentially minimize future severance costs.

Facilities

- At a minimum, the District should consistently track labor and supply costs within its current work order tracking system. However, the District should consider purchasing a work order software system to more efficiently manage work requests and provide the information necessary to manage and plan for the District's preventive and daily maintenance needs. Tracking labor and supply costs would ensure that related costs are accurately captured per building and activity, and help measure staff performance.
- In conjunction with the purchase of a computerized work order system, the District should also implement a formal preventive maintenance (PM) program that addresses all routine, cyclical and planned building maintenance functions. The implementation of a formal PM program will help the District anticipate needed facility and equipment repairs and replacements. This could, in turn, potentially minimize costs in the long-term. In addition, the improved record keeping associated with an electronic work order system and the development of formal budget procedures (see **district-wide processes** section) will help in formalizing the preventive maintenance program and make future preventative maintenance costs more predictable.
- CFCSO should develop a comprehensive facility master plan by updating its *School Facility Study*, enrollment projections, and building capacities where necessary. The facility master plan should include a formal preventive maintenance plan to support capital improvement planning and replacement decisions. The District should work with a cross-section of school personnel, parents, students, and community members to update these items and develop a comprehensive facility master plan to reflect CFCSO's overall goals and objectives.

Transportation

- CFCSO 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.
- CFCSO should closely review its non-routine transportation services to identify methods to potentially reduce its level of non-routine services. This would be particularly important as the District takes measures to optimize ridership. In addition, CFCSO should

adopt a Board policy regarding reimbursement for non-routine transportation to include within its collective bargaining agreement.

- CFCSD should follow established Board policies to “seek advantages in savings that may accrue...through joint agreements.” Although CFCSD maintains competitive fuel pricing, it should seek competitive bids or issue RFPs to multiple vendors for the procurement of fuel and actively compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums (e.g., Ohio Department of Administrative Services). The District should do likewise when purchasing transportation-related supplies. Upon vendor selection, the District should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service.
- The District should ensure that bus drivers are conducting formal daily bus inspections. This will help to minimize the number of violations identified by the Ohio State Highway Patrol.

District-Wide Processes

- CFCSD should develop policies and procedures within a comprehensive purchasing manual that outline the request for proposal (RFP) and request for qualifications (RFQ) process to ensure accountability for the purchase of goods and services. Accordingly, the District should implement a formal process for developing and evaluating RFPs and RFQs. The District should also work with its legal counsel to develop appropriate RFP and RFQ language and identify key items to include, such as terms, conditions, evaluation process, performance expectations and reporting requirements. In addition, the District should ensure compliance with ORC § 3313.46 when soliciting bids or price quotes from potential vendors for goods and services exceeding \$25,000. The District should also follow these processes when renewing, updating, or expanding a service currently provided within the District.
- The District should develop a comprehensive purchasing manual, updated frequently and distributed to administrators, principals and supervisors. This manual should serve as a guide for the procurement process. Once the purchasing manual is completed, reviewed by legal counsel, and determined sufficient by the Board, CFCSD should train personnel on all procurement controls, tasks and processes. Having a comprehensive purchasing manual eliminates any ambiguous responsibilities and inconsistencies in processes. In addition, the District needs to stress the importance of filling out a purchase requisition and make sure that purchase orders (P.O.s) are checked against the availability of funds before the purchase is approved.

Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Cuyahoga Falls City School District should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Estimated Annual Cost Savings
Revised Assumptions ¹	
R2.2 Revise Real Estate, Property Tax Allocation, and Renewal Impact	(\$1,333,250)
R2.3 Revise Tangible Personal	\$53,000
R2.5 Revise Purchased Services	(\$1,166,000)
R2.6 Revise Supplies & Materials	\$196,500
R2.7 Revise Capital Outlay	(\$242,250)
R2.8 Revise Other Expenditures	\$19,750
R2.9 Revise Debt Service	(\$34,750)
Total Impact of AOS Forecast Adjustments	(\$2,507,000)
Recommendations Not Subject to Negotiation	
R3.1 Reduce 18 FTE regular education teachers	\$690,000
R3.2 Reduce up to 8 FTE educational service personnel	\$434,000
R3.3 Reduce 4 FTE clerical staff	\$78,000
R3.3 Purchase Substitute Calling System	(\$14,000) ²
R4.1 Reduce custodian positions if Sill Middle School is sold, or charge back staffing and operational costs if Sill Middle School is leased	\$70,000
R4.2 Purchase a computerized work order system	(\$3,000)
R5.2 Reduce 2 buses	\$36,500
Total Recommendations Not Subject to Negotiation	\$1,291,500
Recommendations Subject to Negotiation	
R3.5 Reduce retirement payment	\$88,000
R3.6 Establish a 15% employee healthcare contribution	\$774,000
R3.7 Establish a 15% employee contribution to dental insurance	\$67,000
R3.10 Reduce sick leave usage	\$346,000
Total Recommendations Subject to Negotiation	\$1,275,000
Net Result of Recommendations Included in Forecast (Excluding Forecast Adjustments)	\$2,566,500

Source: AOS Recommendations

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

² Includes one-time cost of approximately \$2,000.

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 depending on the implementation of the various recommendations.

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Financial Systems

Background

This section focuses on the financial systems within the Cuyahoga Falls City School District (Cuyahoga Falls CSD, CFCSD, or the District). The objective is to analyze the current financial condition of CFCSD and develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to the following peer districts: Boardman Local School District (Boardman LSD), Lakewood City School District (Lakewood CSD) and Stow-Munroe Falls City School District (Stow-Munroe Falls CSD).

In accordance with ORC §3316.03, a district may be placed in fiscal caution when the district projects a current year ending fund balance less than or equal to two percent of the prior year's projected revenues. The legislation states that the Auditor of State (AOS) shall declare fiscal watch when an operating deficit has been certified for the current year that exceeds eight percent of the school district's general fund revenue from the preceding year and the voters have not approved a levy that would generate sufficient revenue in the next fiscal year to eliminate the deficit. The legislation also states that the AOS shall declare fiscal watch if the state superintendent finds that a district declared to be in fiscal caution has not acted reasonably to eliminate or correct the practices that prompted the declaration and AOS determines that the decision of the state superintendent was reasonable.

On February 17, 2005, the Ohio Department of Education (ODE) declared Cuyahoga Falls CSD to be in a state of fiscal caution due to potential deficits in FY 2004-05 as well as the potential of deficits in future years. Subsequently, the Local Government Services Section of AOS certified an operating deficit of approximately \$4.7 million on April 8, 2005, which represented approximately 12 percent of the total general fund revenues from FY 2003-04. Consequently, AOS placed the District in fiscal watch on April 8, 2005.

As a result of being placed in fiscal watch, the District submitted a recovery plan that projected a reduction of approximately \$1.8 million in FY 2004-05, \$7.1 million in FY 2005-06, and \$1.7 million in FY 2006-07. In addition, voters in the Cuyahoga Falls CSD passed a 7.9 mill operating levy on May 5, 2005 that will generate approximately \$6.2 million annually. The combination of the additional levy proceeds and cost reductions, primarily staffing-related, are projected to eliminate the District's potential deficit in FY 2005-06. Although ODE accepted Cuyahoga Falls CSD's fiscal watch recovery proposal on August 5, 2005, the District's forecast projects a deficit of approximately \$817,000 in FY 2008-09, assuming the passage of renewal levies.

Financial Forecast

Table 2-1 presents the District's five-year financial forecast submitted to ODE on May 27, 2005. The District hired a financial consultant in December 2004 to review its finances and assist the newly employed Treasurer in various activities, including the development of the above-referenced five-year financial forecast. The Financial Consultant is no longer employed by the District. AOS reviewed the assumptions that have a significant impact on the forecast, such as tax revenue, state funding, salaries and benefits. Where appropriate, changes were made to the District's assumptions and/or methodology to present more reliable projections of future revenues and expenditures (see **Table 2-16**). The projections are accompanied by three years of comparative historical information, general assumptions and explanatory comments.

The actual revenues and expenditures for FY 2004-05 became available during the course of this performance audit, and were used in analyzing the District's historical trends and forecast assumptions. The actual figures for FY 2004-05 have been accounted for in the proposed recovery plan for CFCSD (see **R2.12** and **Table 2-16**). The actual ending fund balance for FY 2004-05 is approximately \$133,000 higher than the projected fund balance, which represents less than 0.25 percent of the District's total FY 2004-05 expenditures.

Table 2-1: CFCSD Financial History and Forecast (in 000's), May 27, 2005

	Actual FY 2001-02	Actual FY 2002-03	Actual FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09
Real Estate Property Tax	17,245	17,734	19,802	19,187	22,007	25,358	21,665	20,177
Tangible Personal Property Tax	2,745	2,563	2,058	2,528	2,296	1,927	1,723	1,539
Unrestricted Grants-in-Aid	12,609	12,563	12,164	12,332	11,905	11,905	11,905	11,905
Restricted Grants-in-Aid	0	0	197	221	197	197	197	197
Property Tax Allocation	2,170	2,381	2,612	2,644	2,560	2,570	2,570	2,596
Other Revenues	900	1,548	2,562	2,122	1,975	2,000	2,000	2,000
Total Operating Revenues	35,670	36,789	39,395	39,034	40,940	43,957	40,060	38,414
Personal Services	21,768	22,605	24,362	25,550	23,917	24,787	25,913	27,089
Employee's Retirement & Insurance Benefits	5,385	8,392	7,588	8,808	9,166	10,047	11,104	12,299
Purchased Services	3,655	2,063	4,488	5,620	4,154	5,445	5,989	6,588
Supplies & Materials	869	2,251	934	935	635	1,031	1,082	1,136
Capital Outlay	238	508	937	500	500	650	675	700
Debt: Principal (Historical)	0	0	112	250	189	170	111	37
Debt: Principal	1,600	1,500	4,388	5,600	0	0	0	0
Debt: Principal - State Loan	0	0	-	0	0	702	702	702
Debt: Principal - Other	0	0	-	0	133	109	83	57
Debt: Interest & Fiscal Charges	19	85	77	0	50	50	50	50
Other Objects	875	792	1,216	960	1,239	1,100	1,120	1,050
Total Operating Expenditures	34,409	38,196	44,102	48,223	39,983	44,090	46,830	49,709
Proceeds from Sale of Notes	0	1,000	4,475	5,600	0	0	0	0
Advancements	0	0	-	3,100	0	0	0	0
Operating Transfers In	125	0	-	0	0	0	0	0
Operating Transfers Out	2,013	119	-	0	500	100	100	100
All Other Financial Sources	0	2	9	0	1	1	1	1
Advances Out	2	0	-	0	0	0	0	0
Net Financing Sources/ (Uses)	-1,891	883	4,476	8,700	-499	-99	-99	-99
Results of Operations (Loss)	(629)	(524)	(232)	(489)	458	(232)	(6,868)	(11,394)
Beginning Cash Balance	1,832	1,203	679	447	(42)	417	185	(6,684)
Ending Cash Balance	1,203	679	447	(42)	417	185	(6,684)	(18,078)
Estimated Encumbrances	0	0	220	0	0	0	0	0
Fund Balance	1,203	679	227	(42)	417	185	(6,684)	(18,078)
Cumulative Balance of Renewals	N/A	N/A	N/A	N/A	N/A	2,586	9,074	17,260
Fund Balance with Renewals	1,203	679	227	(42)	417	2,770	2,390	(817)

Source: Ohio Department of Education

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 conclusions as to the reasonableness of the assumptions and methodology are also presented.

Revenues

Real Estate Property Taxes

Real estate property taxes are the District's largest source of revenue, comprising approximately half of its total operating revenue, excluding revenues related to notes, transfers, and advances. Overall, the District's real estate property tax collections have increased at an average annual rate of three percent during the last six years. During that time period, the District had two years of significant growth and experienced a decline in revenues in FY 2004-05. The relatively high increase in FY 1999-00 is due to the update that occurred in Calendar/Tax Year (CY) 1999 and the first full year of collections for a new 3 mill levy generating approximately \$1.6 million in annual real estate taxes, which was authorized by voters on November 3, 1998. Although a reappraisal occurred in CY 2002, the passage of a new 4.75 mill levy generating approximately \$2.8 million in annual real estate taxes was the primary contributor to the 2.8 percent increase in FY 2002-03 collections. The increase in FY 2003-04 was due to the first full year of collections related to the 4.75 mill levy and the District taking a \$310,000 advance against the following year's tax receipts. The decrease in actual real estate tax collections to approximately \$17.3 million in FY 2004-05 can be attributed to the District's short-term borrowing against FY 2005-06 real estate taxes. The next update and reappraisal are scheduled to occur in CY 2005 and 2008, respectively.

In order to reliably measure the change in the District's collections attributable to its property value, AOS analyzed the historical trends by accounting for the impact of the two new levies passed from FY 1998-99 to FY 2004-05, and adjusting prior advances and borrowings to identify the actual collections attributable to the District's property valuation for each fiscal year. Based on this analysis, the District's property tax collections increased an average of one percent annually from FY 1998-99 to FY 2004-05.

The District's assumptions for projecting real estate property tax receipts are based on the following factors:

- Cuyahoga Falls CSD passed an operating levy on May 3, 2005 that will generate nearly \$6.2 million annually. Based on the collection cycle, the District will collect approximately half of the levy in FY 2005-06. The first full collection will occur in FY 2006-07 and will continue through the remainder of the forecast.

- Aside from the impact of the new levy, the Treasurer assumed no additional growth for FY 2005-06 and FY 2006-07. For FY 2007-08 and FY 2008-09, the Treasurer increased real estate taxes by approximately one percent due to the scheduled reappraisal that is set to occur in CY 2008.
- The District is currently collecting on five operating levies. Three of the levies are continuous, while two are set to expire during the forecasted period. The general current expense levy that generates \$4.7 million (\$3,864,502 to real estate, \$517,019 to property tax allocation, and \$361,801 to tangible personal property tax) will expire in CY 2005, with collections ending in CY 2006. The general current expense levy that generates \$3.4 million (\$2,844,491 to real estate, \$380,556 to property tax allocation, and \$172,372 to tangible personal property tax) will expire in CY 2006, with collections ending in CY 2007. The forecast attempts to incorporate the revenues lost from the expiration of these two levies, and shows the effect of assuming a renewal below the fund balance.

The District's projected increase of approximately one percent for FY 2007-08 and FY 2008-09 are consistent with historical trends and therefore appear reasonable, in contrast to its assumption of no additional growth except for the impact of the new levy for FY 2005-06 and FY 2006-07. Additionally, the Treasurer did not allocate the portion of the new levy to property tax allocation, and instead accounted for it in real estate due to time constraints. However, the allocation of the levy is a classification change that will have no impact on the District's total revenues. Although the Treasurer shows the effect of levy renewals below the fund balance line item, it appears that the Treasurer did not deduct the impact of the expiring levy from the real estate line item in FY 2006-07. This assumes that the real estate line item captures the impact of the new levy. See **R2.2** for adjustments to the real estate projections.

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. ORC § 5711.22 slowly phases out the tangible property tax by reducing the assessed tangible property valuation rates by one percent in tax years (TY) 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 District has experienced large fluctuations in this line-item in recent years. The large increase in tangible property taxes in FY 2004-05 was the result of an increase in the assessed valuation of automobile inventory. Overall, the District has had an average annual growth rate of less than one percent over the last five years. However, the phase out took effect in TY 2002 and affected the District's tangible personal property tax collections beginning in FY 2002-03. From FY 2002-03 to FY 2004-05, the District experienced an average annual decrease in tangible personal property tax collections of close to four percent, after accounting for the effect of the new 4.7 mill levy passed in CY 2002.

The FY 2005-06 tangible personal property taxes are projected to decrease by approximately 7.5 percent. This is based on the District's assumption of a 10 percent decrease related to the legislation phasing out the personal tangible property tax rates, which is offset by the tangible personal property tax collections related to the new levy just passed. Based on the collection cycle for tangible personal property taxes and the trend from FY 2002-03 to FY 2004-05 which captures the phase-out legislation, the FY 2005-06 projection appears reasonable. However, in FY 2006-07 through FY 2008-09, the District's forecast does not match the stated assumptions of a ten percent decrease each year. The FY 2006-07, FY 2007-08, and FY 2008-09 are projected to decrease 16, 11, and 11 percent, respectively. In addition, the District has two levies that are set to expire during the forecasted period. However, the Treasurer did not capture the effect of the two expiring levies (renewing and not renewing) on tangible personal property (see **R2.2** and **R2.3**).

During the course of this performance audit, the State legislature passed H.B. 66, which will impact future tangible personal property and state funding (see ensuing discussion under **state funding**).

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. For CFCSO, state funding represented approximately 24 percent of FY 2004-05 revenues. When excluding notes, advances, and transfers, state funding made up about 34 percent of the total operating revenues in FY 2004-05. The District's assumptions for projecting unrestricted and restricted grants-in-aid are as follows:

- The FY 2005-06 projections are based on FY 2004-05 current funding levels and were adjusted to account for the loss of the reappraisal guarantee.
- The Treasurer's projections for FY 2006-07 through FY 2008-09 hold all state funding fixed at the FY 2005-06 levels based on the uncertainty of the state budget.
- ADM is held constant at 5,064 students, which is the same as the FY 2003-04 level reported on the SF-3 report and slightly less than ADM reported in FY 2004-05 (5,134).

The Treasurer's assumption to decrease unrestricted grants-in-aid by approximately three percent and restricted grants-in-aid by 11 percent in FY 2005-06 appears reasonable. In developing the estimates for FY 2005-06, the Treasurer used the FY 2004-05 projection as a base model. The Treasurer and Financial Consultant indicated that state funding is projected to decline based on the District losing its reappraisal guarantee and the recent decline in ADM. The reappraisal guarantee safeguards the District from decreases in total state aid due to an increase in local valuations that result from a reappraisal of property values. The decline in ADM is a result of more students leaving the District to attend charter schools (see **purchased services** for discussion of open enrollment).

The Treasurer's assumptions to hold the FY 2006-07 through FY 2008-09 state funding projections flat at the FY 2005-06 level also appears reasonable. At the time the May forecast was prepared, state funding levels were only guaranteed through the end of FY 2004-05. Given the budget problems at the state level, the legislature could have reduced the FY 2005-06 and FY 2006-07 growth rates in the state funding formula. ODE also reflected this view by indicating on its state funding simulations that "... there is a tremendous amount of uncertainty surrounding the potential outcome of the FY 2006-07 state budget. Consequently, two sets of state funding simulations are being provided. One is a very conservative set based on holding the FY 2004-05 funding factors constant throughout the two years and simply updating estimates for ADM and valuation. The second set differs from the first only in that the funding level grows by 2.2 percent per year – the current rate of growth in each of the years of the FY 2004-05 biennium."

While the District's total enrollment decreased by 5.9 percent from FY 1998-99 to FY 2004-05, the ADM has been relatively constant from FY 2002-03 to FY 2004-05, with a three year average ADM of 5,121. Based on the three year average ADM being only 1.1 percent higher than the Treasurer's projections and the relatively constant enrollment during the last three years, the Treasurer's assumption to hold ADM fixed at FY 2003-04 levels appears reasonable.

During the course of this performance audit, the Ohio Legislature passed House Bill 66 which includes several changes to the way schools are funded in Ohio. The most significant changes impacting Cuyahoga Falls CSD's state funding are the phasing out of the cost of doing business factor (CODBF) and the accelerated phase-out of the tangible personal property taxes. Under the new legislation, the CODBF will be phased out from the state funding formula over a two year period beginning in FY 2005-06, while the tangible tax on general business and railroad property will be eliminated by TY 2009. The tax on telephone and telecommunication property will be eliminated by TY 2011. At the same time, the legislation replaces the revenue lost due to the accelerated phase-out. In the first five years, school districts and local governments are reimbursed fully for lost revenue; in the following seven years, the reimbursements are phased out. Therefore, the net impact of the accelerated phase-out on the District's total revenues should be immaterial over the next five years. According to ODE, the HB 66 hold harmless reimbursements will be made as direct payments to the District until the property appraisal takes place in FY 2005-06. Beginning with FY 2007-08, ODE anticipates that the declining property values from HB 66 will result in higher state funding levels as the charge-off portion of the funding formula will decline. As a result, the reimbursements will be made as a combination of increased SF-3 aid and direct payments to the District from FY 2007-08 through FY 2009-10.

In order to capture the effect of H.B. 66, the District's state funding projections for FY 2005-06 and FY 2006-07 will be adjusted based on the most recent SF-3 ODE simulation reports for these years. Thereafter, the projections will be based on the FY 2005-06 and FY 2006-07 simulations and the following assumptions:

- A declining ADM of one percent per year based on historical trends;
- A one percent increase in property values each year, consistent with real estate projections;
- Elimination of the CODBF after FY 2006-07; and
- An increase of 2.2 percent in the per student formula funding amount from FY 2007-08 to 2009-10, similar to the increases in FY 2005-06 and FY 2006-07.

Table 2-2 shows the impact of these adjustments to the District's projection for state funding.

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

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSO Projections					
Unrestricted	\$1,905	\$11,905	\$11,905	\$11,905	N/A
Restricted	\$197	\$197	\$197	\$197	N/A
Total State Funding	\$12,102	\$12,102	\$12,102	\$12,102	N/A
AOS Revised Projections					
Unrestricted	\$12,243	\$12,367	\$11,910	\$12,063	\$12,206
Restricted	\$128	\$189	\$193	\$197	\$201
Total State Funding	\$12,370	\$12,557	\$12,103	\$12,260	\$12,407
Net Impact on Forecast	\$268	\$454	\$1	\$157	N/A

Note: As the FY 2005-06 and FY 2006-07 do not include the effect of the accelerated phase-out for tangible personal property per HB 66, no adjustments will be made to State funding or tangible personal property. However, since the accelerated losses will be reimbursed for the next five years, the net impact is assumed to be immaterial.

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. In general, CFCSO's historical property tax allocations correspond to the trends in real estate taxes.

The District's projection for FY 2004-05 was in-line with the actual revenues. The projections for FY 2005-06 show property tax allocations decreasing approximately three percent, due to a decrease in assessed value. However, this does not correspond to the District's projection for real estate taxes (see above). Although the FY 2006-07 and FY 2008-09 property tax allocations coincide with the projections for real estate, the FY 2007-08 property tax allocations are projected to remain flat despite the District's projected increase of one percent in real estate taxes. Additionally, due to time constraints, the Treasurer only allocated the proceeds from the new levy to real estate and tangible personal property taxes, and did not account for the portion of the expiring levies attributable to property tax allocations. While this does not impact the District's combined revenues for real estate and property tax allocation because of the parallel

relationship between these two categories, the property tax allocations will be adjusted based on the adjustments to real estate taxes in order to maintain the parallel relationship (see **R2.2**).

Other Revenues

The other revenue line item consists primarily of tuition receipts related to open enrollment, and also includes interest, rentals and other miscellaneous revenues. In FY 2004-05, tuition receipts accounted for 80 percent of the other revenue line item. Historically, the District has experienced large fluctuations in other revenues. The increases from FY 2001-02 to FY 2003-04 were primarily due to increases in tuition receipts. However, the historical trends are also impacted by the District miscoding other revenues. For instance, the District's Financial Consultant indicated that lease purchases and loans were previously accounted for in other revenues, rather than as debt.

In FY 2005-06, the other revenues are projected to decrease by approximately 14 percent. The Financial Consultant indicated that the decrease is due to the elimination of a one-time textbook loan of approximately \$250,000 that was paid off in FY 2004-05. The previous Treasurer had coded the loan in the other revenues line-item. In addition, the Treasurer indicated that the decrease in other revenues is an attempt to eliminate all of the loans and lease agreements that were coded as other revenue. Therefore, coupled with the overall unreliability of items historically coded as other revenues, the projection for FY 2005-06 appears reasonable.

In FY 2006-07, the District is projecting other revenues to increase by approximately one percent, in an effort to be conservative. The projections for FY 2007-08 and FY 2008-09 are held constant at the FY 2006-07 level, based on the assumption that open enrollment will remain flat. Although the District saw a large increase in tuition payments from FY 2002-03 to FY 2003-04, tuition payments only increased two percent in FY 2004-05. Additionally, the total number of students the District will receive through open enrollment remains uncertain. For instance, the number of students entering the District decreased from 287 students in FY 2003-04 to 252 students in FY 2004-05. Therefore, given the recent trend in the District's open enrollment, holding other revenues constant seems reasonable.

Expenditures

Personal Services

Personal services consist of employee salaries and wages, supplemental contracts, severance payments, and overtime. Personal services represented approximately 54 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses). The District's assumptions for projecting personal services are based on the following:

- Due to the financial condition of the District, the unions agreed to a concession in exchange for a contract extension. The concession called for the 3.1 percent cost of living adjustment (COLA) to be distributed over the next two years. The unions will receive a two percent COLA in FY 2005-06 and a 1.1 percent COLA in FY 2006-07.
- FY 2005-06 is projected by increasing the FY 2004-05 projections by 4.54 percent -- 54 percent for step increases and two percent for the COLA increase -- and accounting for the staffing reductions and resignations. The District made the following staffing reductions:
 - 6.5 administrator positions,
 - 38.5 certificated staff positions, and
 - 46 classified positions.
- FY 2006-07 is projected by increasing the FY 2005-06 projections by 3.64 percent -- 2.54 percent for step increases and 1.1 percent for the COLA increase for all employees.
- FY 2007-08 and FY 2008-09 are projected by assuming a 4.54 percent increase -- 2.54 percent for step increases and two percent for the COLA increase for all employees.

The actual salary expenditures for FY 2004-05 were in line with projections. In addition, the District's year-to-date personal expenditures as of December 31, 2005 were approximately 48 percent of the District's FY 2005-06 projections. Therefore, the projection for FY 2005-06 appears reasonable.

The District's assumption of a two percent COLA increase in FY 2007-08 and FY 2008-09 appears reasonable. A review of the COLA's granted to the various bargaining units during the last two years shows that the unions have received an average COLA increase of approximately three percent. However, given the District's financial difficulties and the recent concessions taken by the unions, an assumption of a two percent COLA increase for FY 2006-07 through FY 2008-09 appears reasonable.

The Financial Consultant indicated that the 2.54 percent estimate for step increases is based on the salary schedule presented in the teacher's contract. The Financial Consultant took the differences in steps from the beginning, middle, and end of the scale and calculated an average of those differences. The District assumed that 50 percent of the staff will receive a step increase, which resulted in an estimate of 2.54 percent. Based on an analysis of the District's step schedule, the District's projection of a 2.54 percent step increase seems reasonable.

Fringe Benefits

Employee fringe benefits represented approximately 17 percent of the of the District's FY 2004-05 operating expenditures (excluding other financing uses) and consisted of employee health

insurance, pension costs, Medicare benefits, workers compensation insurance and unemployment insurance. The decline in fringe benefit costs in FY 2003-04 is due to the District changing from traditional premium paid health insurance coverage to a self-funded program. As a result of the change, there was a gap of three months between the traditional and self-funded payments. In addition, the actual FY 2004-05 employee benefit costs were lower than the District's projection by approximately \$551,000, which was mainly due to overestimating unemployment and workers compensation costs.

The reductions in staffing have been incorporated in the benefits forecast for FY 2005-06. This is evidenced by the year-to-date expenditures for benefits as of December 31, 2005 being roughly 52 percent of the District's original projection. Additionally, the District projected medical costs to increase 13 percent in FY 2005-06 and 15 percent thereafter. The District had originally projected medical costs to increase by 13 percent; however, the District's third party administrator recommended that the District increase medical costs by 15 percent. The District will begin forecasting a reserve for the health insurance fund in FY 2005-06 by transferring \$400,000 from the General Fund into the reserve account (see **transfers and advances**). Furthermore, the District negotiated several changes to its health care plan, including an increase in co-pays for office visits and prescriptions, and elimination of the traditional plan starting in April 2006 (see **human resources**).

Making changes to its health care plans and forecasting a 15 percent increase should help the District build an adequate reserve in its health insurance fund. As a result of these actions and input from the third part administrator, the District's assumption for health care costs appears reasonable. Furthermore, the Treasurer applied the appropriate contribution rates for retirement, workers' compensation, and Medicare based on the District's salary and wage projections. Therefore, these projections also appear reasonable.

Purchased Services

Purchased services represented approximately 13 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses), and consisted primarily of property services, utilities, and tuition. The District has experienced large fluctuations in purchased services over the last three years. The large decrease in FY 2002-03 was due to the previous Treasurer erroneously coding repair and maintenance costs of approximately \$1.4 million attributable to property services in supplies and materials. Purchased services increased considerably from FY 2002-03 to FY 2004-05, primarily due to increases in property services, utilities and tuition.

For FY 2005-06 and FY 2006-07, the District's projections do not match the stated assumption in the forecast notes of 10 percent annual increases. The District is forecasting a total reduction in purchased services for FY 2005-06 of approximately \$2.2 million, which does not appear reasonable based on the District's estimated savings from closing two buildings (Newberry and Sill), adjusting utility payments to account for past over/under payments, and restricting capital

improvements and maintenance stated in the District's recovery plan. The District is projecting a 31 percent increase to purchased services in FY 2006-07. The Financial Consultant indicated that the large increase is the result of the District's past history of putting bills aside and carrying them over to the next fiscal year. However, this does not appear reasonable because the notes listed in the forecast indicate that all carryover bills from FY 2003-04 were projected to be paid in FY 2004-05.

In FY 2007-08 and FY 2008-09, the Treasurer increased purchased services by ten percent each year, due to the rise in tuition payments and energy costs. However, as tuition and energy costs comprise a considerable portion of purchased services, forecasting them separately based on historical trends and other information would provide a more detailed and reliable forecast methodology. As a result, the projections for FY 2006-07 through FY 2008-09 may be overstated. (see **R2.5**)

Supplies and Materials

Supply and material expenditures comprised about 2 percent of the District's FY 2004-05 operating expenditures (excluding other financing uses). The District has experienced large fluctuations in supplies and materials over the last six years. The large variances in FY 2002-03 and FY 2003-04 are due to the previous Treasurer accounting for repair and maintenance costs attributable to property services in supplies and materials (\$1.4 million). When adjusting for this coding error, the District averaged approximately \$896,000 annually in supplies and materials from FY 1999-00 to FY 2004-05, with an average increase of only 0.38 percent in expenditures per year. In addition, ORC § 3315.17 requires school districts to maintain a minimum level of spending in relation to state funding formula amounts for textbooks and instructional materials. This statute establishes the minimum spending threshold at three percent of the preceding years' state funding formula amount.

Based on the District's assumptions, it is projected to meet the set-aside requirements during the forecast period. However, the District's projections do not match the assumption stated in the forecast notes of 5 percent annual increases for FY 2005-06 and FY 2006-07. The District projected the FY 2005-06 supplies and materials expenditures to decrease 28 percent because of the District's ability to reduce costs in this area without having a major impact, and through the closing of two school buildings. This appears reasonable assuming the District delays new text book purchases for the 2005-06 school year, as stated in its recovery plan, for a savings of approximately \$200,000.

The Treasurer indicated that the projected increase of 62 percent for FY 2006-07 is the result of the District needing to replenish its supplies after making cuts the previous year. In FY 2007-08 and FY 2008-09, the Treasurer increased supplies and materials by five percent each year. However, the projections of \$1.03 million are significantly higher than the six-year historical adjusted average of \$896,000. As the District does not clearly explain the deviation from

historical trends, and considering the carry forward balance remaining after the District's reduction of \$200,000 for FY 2005-06, the projections from FY 2006-07 to FY 2008-09 appear to be overstated. Furthermore, the District could use its carry-forward balance for the textbook and instructional set-asides to help reduce future supply and material expenditures (see **R2.6**).

Capital Outlay

Historically, the District has used the capital outlay line-item to account for the costs of acquiring new assets such as buses and computers. Further, because it does not have a permanent improvement fund, the District also accounts for equipment upgrades and purchases, and some building improvements in the capital outlay line item. The FY 2003-04 increase is due to expenditures for musical instruments, office renovations, furniture, and computers. Additionally, ORC § 3315.18 establishes accountability standards for school districts to maintain a minimum level of spending in relation to its state funding formula amount for capital purposes. This statute establishes the minimum spending threshold at three percent of the preceding years' state funding formula amount.

Based on the District's assumptions, it is projected to comply with the capital spending requirements. However, the District's projections do not match the assumption stated in the forecast notes of 4 percent annual increases for FY 2005-06 and FY 2006-07. In FY 2005-06, the Treasurer held the projection constant based on the FY 2004-05 projection. For FY 2006-07, the Treasurer projected capital outlays to increase by 30 percent, due to restricting capital improvements and maintenance costs and disregarding the state mandated minimum set asides until FY 2006-07. However, the District significantly exceeded the set-aside requirements in FY 2003-04 and FY 2005-06, mainly due to property service expenditures within the purchased services line item. FY 2007-08 and FY 2008-09 are increased by four percent annually.

Because the District does not need to purchase new buses during the forecast period (see the **transportation section**) and its projections for FY 2005-06 to FY 2008-09 are based on FY 2004-05 expenditures (includes two bus purchases), the projections appear over-stated. Furthermore, the historical expenditures exhibited no consistent trend in annual increases. The District's projections are much higher than the six-year historical average of \$512,000 (see **R2.7**).

Other Expenditures

Historically, the District has experienced large fluctuations in other expenditures. Other expenditures consist of dues and fees, general liability insurance and judgments. The Financial Consultant indicated that the District had some concerns about this line item due to prior coding issues. For instance, in FY 2003-04, the previous Treasurer included the lease payments in other expenditures rather than in debt service. According to the Treasurer, the projections for other expenditures are based on the District looking forward optimistically, rather than on historical

patterns. Although it is hard to determine a historical trend given the large fluctuations and coding issues in the past, the District lacks a formal methodology and assumption in its notes to explain and support the projections for other expenditures (see **R2.8**).

Debt Service

Based on the actual debt schedules for the lease agreements, the forecast does not accurately portray the District's future debt service requirements. According to the lease agreement for the boiler, the date of the final payment is October 2010; however, the District has only accounted for payments through October 2008. In addition, the Treasurer has accounted for the interest associated with the loan for the \$3.1 million advance twice in the forecast. While the first payment on the loan is due on June 1, 2006, the forecast shows the District not making a principal payment until FY 2006-07. Furthermore, the Treasurer included \$50,000 of interest and fiscal charges related to county auditor fees as debt services, rather than in other expenditures (see **R2.9**).

Transfers and Advances

Historically, the District has experienced large fluctuations in operating transfers and advances. The large fluctuations are a result of the previous Treasurer transferring funds in order to offset shortages in funds. The District's assumptions for operating transfers include the following:

- In FY 2005-06, the District is projecting a \$400,000 transfer to establish a health reserve fund.
- The District is projecting a \$100,000 transfer in FY 2005-06 through FY 2008-09 in order to cover athletic expenses and some food service expenses.
- Other financial sources are expected to remain constant at the FY 2005-06 level for the remainder of the forecast.

The District's assumption for the FY 2005-06 transfer-out appears reasonable, based on the need to establish a reserve for the health insurance fund. In FY 2005-06 through FY 2008-09, the District is transferring \$100,000 from the General Fund in order to cover athletic and food service expenses. However, during the course of this performance audit, the forecast was updated and no transfers are now being projected. This appears reasonable as the food service fund has historically not received transfers from the General Fund and should benefit from the two building closures at the end of FY 2004-05. Additionally, in FY 2003-04, revenues exceeded expenditures in the food services fund. Therefore, the financial recovery plan will exclude these transfers (see **Table 2-16**). However, during the final stages of this performance audit, the Treasurer indicated that the food service fund was not charged for related insurance expenses in the past, which is contributing to current deficits in the fund (see *Issue for Further Study*). The District is also projecting a \$1,000 other financing source to occur in FY 2005-06 through FY 2008-09. The Treasurer indicated that the other financial sources were other sources of revenue

that the District was unsure how to code. Since the total amount of other financial sources (\$1,000) represents less than one percent of Cuyahoga Falls CSD's total revenues, the \$1,000 other financial source is immaterial.

Assessments Not Yielding Recommendations

The District's forecast methodology and assumptions in the following categories appeared reasonable and did not result in any changes or recommendations:

- Other revenues,
- Personal services,
- Fringe benefits, and
- Transfers and advances.

Noteworthy Accomplishments

The District took significant actions to address its financial condition. More specifically, the District reduced approximately 91 positions (6.5 administrator positions, 38.5 certificated positions, and 46 classified positions), closed two school buildings, and renegotiated several items in the collective bargaining agreements, including reductions in COLAs and changes to the health care plans. In addition, the District has taken action to improve its financial processes. For example, the CFCSD formed a Financial Forecasting Advisory Committee in an effort to increase fiscal accountability and community awareness of the District's finances (see **district-wide processes** section). The District's proactive approach to addressing its financial condition and improving its financial processes likely contributed to the voters of the District approving a new 7.9 mill operating levy on May 5, 2005, which will generate approximately \$6.2 million annually. The District's reductions and the new operating levy will significantly improve CFCSD's future financial condition.

Issue for Further Study

According to the District's financial report by fund, expenditures exceeded revenues by approximately \$115,000 in the food service fund in FY 2004-05, resulting in a negative fund balance of approximately \$69,000. According to the Treasurer, this is due to charging the food service fund for related insurance expenses, which was not done in the past. Although the food service fund should benefit from the two building closures at the end of FY 2004-05, the District should closely monitor the food service fund and implement appropriate measures to eliminate operating deficits. Doing so would avoid the need for the General Fund to support food service operations during the five-year forecast period.

Recommendations

Financial Forecast & Planning

R2.1 The Treasurer should consider expanding the five-year forecast and the accompanying notes to present more detailed information and explanatory comments. For example, the assumption to hold enrollment constant is significant to the forecast, but is not disclosed in the notes. 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.

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 full disclosure concerning the following:

- Inflation rates – historic and projected;
- Enrollment and Average Daily Membership (ADM) – historic and projected;
- Disclosures regarding the historic and projected number of open enrollment students;
- Information regarding facility utilization and building needs;
- Staffing by position – historic and projected;
- Explanations when projected amounts deviate from historical trends;
- Projected needs for meeting the annual instructional material and capital improvement spending requirements; and
- Debt service obligations with detailed descriptions.

In addition to the above, there were several instances where the assumptions disclosed in the notes did not reflect the figures presented in the forecast (see **R2.3, R2.5, R2.6** and **R2.7**). However, on October 25, 2005, the Treasurer issued an updated five-year forecast which generally provides much more information and explanations for the projections. Furthermore, the District's website contains additional detail and information regarding the District's October five-year forecast.

R2.2 The Treasurer should review the methodology used for projecting real estate property tax collections. Because it is a significant source of revenue to the District, comprising approximately half of total revenues, the Treasurer should incorporate all known factors impacting this revenue source into the forecast. These factors should include the potential impact of reappraisals and updates, based on historical trends, as well as the effect of new levies passed during prior years and those impacting future years' revenues. The Treasurer also should project property tax allocations to parallel the projections for real estate.

Additionally, the Treasurer should update the forecast to account for the portion of the new levy that is attributable to property tax allocations. Lastly, when forecasting the effect of renewals, the Treasurer should exclude the portion of the expiring levies attributable to each respective property tax line item (real estate, tangible personal property and property tax allocation).

Contrary to historical trends, the District assumes no additional growth in real estate revenues for FY 2005-06 and FY 2006-07 with the exception of the impact of the new levy, due to Cuyahoga Falls being a mature city. AOS technical bulletin 98-015 provides guidelines to school districts in preparing their revenue assumptions and states, "Property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor..." When considering the impact of new levies and adjusting for prior advances/borrowings against future years' real estate taxes to identify real estate revenues directly attributable to each fiscal year, the District's property tax collections increased an average of one percent annually from FY 1998-99 to FY 2004-05. This accounts for the impact of reappraisals (CY 2002) and updates (CY 1999 and CY 2005). As a result, the District's projected increase of approximately one percent for FY 2007-08 and FY 2008-09 appears reasonable. However, the District's projections for FY 2005-06 and FY 2006-07 appear to be understated.

In an effort to quickly determine the impact the new levy will have on the District's financial forecast, the Treasurer allocated the entire \$6.2 million to real estate (\$5,935,591) and tangible property taxes (\$267,969). As a result, the Treasurer did not account for the property tax allocation portion of the new levy. However, the allocation of the levy is a classification change that will have no impact on the District's total revenues. Furthermore, due to time constraints, the Treasurer attempted to deduct the whole portion of the expiring levies from real estate taxes rather than allocating the amount of the levies also attributable to tangible personal and property tax allocations. However, although the Treasurer shows the effect of levy renewals below the fund balance line item, it appears that the impact of the expiring levy was not deducted from the real estate line item in FY 2006-07. This assumes that the real estate line item captures the impact of the new levy. Therefore, the District's total real estate revenue projections appear overstated when assuming passage of the expiring levies. Lastly, tangible personal property taxes are independent of real estate and property taxes, and will be phased out at an increasing rate. As a result, the District is not accurately showing the impact of levy renewals during the forecast period, within each respective property tax line item, and within the line item below the fund balance.

Based on historical trends, the District's projections from FY 2005-06 to FY 2008-09 will be adjusted to include a one percent annual increase to capture growth resulting from general increases in property values, reappraisals and updates, based on the actual

collections in FY 2004-05 (after accounting for the advances and borrowing). An analysis of historical information indicates that property tax allocations have represented approximately 13 percent of real estate property taxes. Therefore, the amount of the new 6.2 mill levy attributable to real estate and property tax allocations will be allocated as such. The reallocation of the new levy will have no effect on the total revenues depicted in the District's financial forecast. Likewise, the amounts of the expiring tax levies attributable to real estate, tangible personal property and property tax allocation will be captured in each respective category, as well as below the fund balance line item to accurately capture the effect of renewing and not renewing these levies. The projection for FY 2009-10 is appreciated one percent, consistent with historical trends.

Table 2-3 shows the net impact of these adjustments on real estate, property tax allocation, and renewals shown below the fund balance line item.

Table 2-3: Forecast Adjustments for Real Estate, Property Tax Allocation and Renewals (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Real Estate Taxes					
CFCSD Projections	\$22,007	\$25,358	\$21,665	\$20,177	N/A
AOS Revised Projection	\$22,221	\$22,809	\$19,389	\$18,040	\$18,220
Net Impact on Forecast	\$214	(\$2,549)	(\$2,276)	(\$2,137)	N/A
Property Tax Allocation					
CFCSD Projections	\$2,560	\$2,570	\$2,570	\$2,596	N/A
AOS Revised Projection	\$2,978	\$3,056	\$2,598	\$2,417	\$2,441
Net Impact on Forecast	\$418	\$486	\$28	(\$179)	N/A
Renewals – Below Fund Balance					
CFCSD Projection	N/A	\$2,586	\$9,074	\$17,260	N/A
AOS Revised Projections ¹	N/A	\$2,412	\$9,231	\$17,939	\$26,695
Net Impact on Forecast	N/A	(\$174)	\$157	\$679	N/A
Total Net Impact on Forecast	\$632	(\$2,237)	(\$2,091)	(\$1,637)	N/A

¹ Includes the portions of the expiring levy attributable to real estate, tangible personal property, and property tax allocation. See **R2.3** for additional analysis on tangible personal property.

R2.3 In developing future forecasts of tangible personal property taxes, the Treasurer should carefully apply the methodology and supporting assumptions in developing the projections, and ensure that the stated assumption matches the forecast methodology. In addition, the Treasurer should clearly convey the rational and support for the stated assumptions in the five-year forecast.

The FY 2005-06 tangible personal property taxes are projected to decrease by approximately 7.5 percent. This is based on the District's assumption of a 10 percent decrease related to the legislation phasing out the personal tangible property tax rates,

which is offset by the tangible personal property tax collections related to the newly passed levy. The District anticipates receiving approximately ten percent of the proceeds from the levy (\$27,774), which appears reasonable due to the levy's collection cycle beginning in CY 2006. Based on the collection cycle for tangible personal property taxes, the District receives a large settlement in November, with the remaining settlement payment arriving in January of each fiscal year.

Although the District's forecast does not clearly explain the support for specifically assuming a 10 percent decrease, the assumption appears reasonable given the trend in collections from FY 2002-03 to FY 2004-05 and the increase in the phase out from one to two percent beginning in tax year 2005. More specifically, the one percent phase out contributed, in part, to the average annual decrease of close to four percent from FY 2002-03 to FY 2004-05, after accounting for the effect of the new 4.7 mill levy passed in CY 2002. Consequently, it is reasonable to assume that the effect of doubling the phase out to two percent would double the future impact on collections. This would result in an eight percent decrease in future years, close to the District's assumption of a ten percent decrease. Forecasting an additional two percent decrease provides a more conservative projection and could account for the one-time increase in FY 2004-05. Therefore, the FY 2005-06 projection appears reasonable.

In FY 2006-07 through FY 2008-09, the District's forecast does not match the stated assumptions of a ten percent decrease each year. The FY 2006-07 tangible personal property taxes are projected to decrease 16 percent, while they are projected to decrease 11 percent in FY 2007-08 and FY 2008-09, respectively. In addition, the District has two levies that are set to expire during the forecasted period. However, the Treasurer attempted to deduct the full amount of the proceeds from real estate rather than allocating the proceeds from the levy to tangible personal property and property tax allocation (see **R2.2**).

The FY 2006-07 through FY 2008-09 projections will be adjusted to reflect an annual decrease of ten percent, which is in line with the District's projection for FY 2005-06. In addition, the projections will be reduced by the amount of the expiring levies that are attributable to tangible personal property taxes. These amounts will also be reduced by ten percent each year to reflect the decline in tangible personal property taxes resulting from the phase-out. Lastly, the tangible personal property collections related to the new 6.2 mill levy are included in the revised projections. **Table 2-4** shows the net impact of these adjustments on the forecast for tangible personal property.

Table 2-4: Forecast Adjustments for Tangible Personal Property (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSD Projections	\$2,296	\$1,927	\$1,723	\$1,539	N/A
AOS Revised Projections	\$2,259	\$2,219	\$1,748	\$1,472	\$1,324
Net Impact on Forecast	(\$37)	\$292	\$25	(\$68)	N/A

R2.4 The Treasurer should consider revising the methodology used in determining step increases by preparing a spreadsheet that tracks which employees are eligible for step increases in future years. This would provide the District with the actual impact step increases will have on its total salary expenditures.

Although the Treasurer's assumptions for salaries are reasonable, the Treasurer could improve the methodology used to arrive at the projections. The District assumes that 50 percent of its staff will be eligible for a step increase each year resulting in an increase of 2.54 percent. However, the District could consider plotting out its employees based on their salary schedule to determine how many employees will be eligible for a step increase, rather than assume 50 percent of the staff will receive step increases. By using this methodology, the District would have the true impact that step increases will have on salaries, which represents the bulk of the District's expenditures.

R2.5 The Treasurer should carefully apply the methodology and supporting assumptions in developing the future projections of purchased services and ensure that the stated assumption matches the forecast methodology. When developing assumptions for purchased services, the Treasurer should review the major components comprising this category and apply the appropriate forecast methodology separately for each major component, and consider the District's degree of control over these categories.

Cuyahoga Falls CSD should closely monitor the number of students leaving the District to attend other schools and continue to take actions to stabilize potential increases. Considering that the District experienced some coding problems with this line item in the past, it should ensure that the revenues and expenditures for tuition, as well as the numbers of students leaving and entering the District, are being reported accurately. This would help to ensure that reliable information is available for decision-making. Furthermore, the District should update its five-year capital improvement plan, and prioritize maintenance and repairs based on its current and projected financial condition (see the facilities section for updating the capital improvement plan).

According to the forecast notes, the District is projecting purchased services to increase annually by 10 percent. However, this does not match the District's actual projection because purchased services decreased by approximately 34 percent in FY 2005-06. The

District indicated that the large decrease in purchased services was the result of the District closing two buildings at the end of FY 2004-05, carry-over of bills from FY 2003-04 to FY 2004-05 which inflated the FY 2004-05 expenditures, and its recovery plan. According to the District's School Consolidation Report, the total savings in purchased services by closing the two buildings (Newberry and Sill) was estimated at \$200,900. Furthermore, the District may still incur purchased service costs depending upon the future use of the two closed school buildings (e.g., leasing the buildings), although they could be offset by lease and rental revenues. The only confirmed carry-forward bills were for the two extra months of utility payments in FY 2004-05. In addition, the District's recovery plan states that CFCSD will restrict capital improvements and maintenances costs for an estimated savings of approximately \$500,000 for FY 2005-06.

When combining the District's estimated savings attributable to closing two buildings, adjusting utility payments, and restricting capital improvements and maintenance, the total reduction in purchased service expenditures amounts to approximately \$827,900, from FY 2004-05 to FY 2005-06. However, the District is forecasting a total reduction in purchased services for FY 2005-06 of approximately \$2.2 million. Coupled with the pending future use of the closed buildings and the difficulty in controlling tuition expenditures, which represented 45 percent of the total purchased services expenditures in FY 2004-05, the District's assumption for FY 2005-06 appears to be understated.

The FY 2006-07 projection also does not match the stated assumption provided within the forecast. The District is projecting a 31 percent increase in purchased services in FY 2006-07. The Financial Consultant indicated that the large increase is the result of the District's past history of putting bills aside and carrying them over to the next fiscal year. However, according to the notes listed in the forecast, all carryover bills from FY 2003-04 were projected to be paid in FY 2004-05. In FY 2007-08 and FY 2008-09, the Treasurer increased purchased services by ten percent each year. The Financial Consultant indicated that the ten percent increase is the result of the rise in tuition payments and energy costs. However, because tuition and energy costs comprise a considerable portion of purchased services, forecasting them separately based on historical trends and other information would provide a more detailed and reliable forecast methodology.

When reviewing historical trends, and after considering the coding error of \$1.4 million, purchased services increased considerably from FY 2002-03 to FY 2004-05, primarily due to increases in property services, utilities and tuition. More specifically, property services increased 15.7 in FY 2004-05, while utility expenditures increased 21 and 6 percent in FY 2003-04 and FY 2004-05, respectively; and tuition expenditures increased 26 and 109 percent in FY 2003-04 and FY 2004-05, respectively. The District established a five-year capital improvement plan (*Facility Study*) with maintenance and repairs to its

facilities beginning in FY 2003-04, thereby contributing to the increases in property services. The plan estimates a total of approximately \$930,000 per year from FY 2003-04 to FY 2007-08 in repairs and capital improvements. The fluctuations in utility costs are partially due to FY 2003-04 reflecting only 10 months of utility payments, while FY 2004-05 reflects 14 months of utility payments. After adjusting utilities to reflect a full year of payments in FY 2003-04 and FY 2004-05, utilities increased an average of five percent from FY 2002-03 to FY 2004-05. The increases in tuition are due, in part, to steady increases in the number of students leaving the District via open enrollment. The number of students leaving the District increased by 10 and 17 percent, respectively, in FY 2003-04 and FY 2004-05. CFCSD believes that the much higher increases in tuition expenditures when compared to the increases in students leaving the District could be due to increases in special education tuition related to excess costs billed to the District.

Based on the above, the projections from FY 2005-06 to FY 2009-10 will be adjusted as follows:

- Utilities will be increased 5 percent annually based on historical trends and the adjusted FY 2004-05 expenditures that reflect 12 months of expenditures.
- Tuition expenditures will be increased 10 percent annually. Although this is lower than the increases in FY 2003-04 and FY 2004-05, the District is aware of the drastic increases and is trying to minimize future increases by turning its Schnee Learning Center into a community school. Assuming that the District takes action to minimize future increases, and that the number of students leaving the District and corresponding tuition expenditures naturally begin to stabilize, increasing tuition expenditures by 10 percent annually is a relatively conservative assumption.
- Property services will be decreased by \$500,000 from FY 2004-05 levels for FY 2005-06, based on the District's recovery plan and the need to minimize discretionary spending (see **R2.10**). FY 2005-06 will then be increased by three percent for inflation, as will the forecast years thereafter.
- The remaining line items will be increased by three percent annually, based on inflation.

The savings related to closing two school buildings will not be included because they are subject to the District's future use of these buildings and to provide a conservative projection. Moreover, this adjusted assumption may delay completion of all of the repairs and capital improvements scheduled in the District's capital improvement plan from FY 2007-08 to FY 2009-10, or possibly later. However, this will ultimately depend on the actual costs related to the capital improvements and repairs, other components in

purchased services category and the property services line-item, as well as the District's overall future financial condition.

Table 2-5 shows the net impact of these adjustments on the forecast.

Table 2-5: Forecast Adjustments for Purchased Services (in 000's)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSO Projections	\$4,154	\$5,445	\$5,990	\$6,588	N/A
AOS Revised Projection	\$6,048	\$6,465	\$6,918	\$7,410	7,943
Net Impact on Forecast	(\$1,894)	(\$1,020)	(\$929)	(\$821)	N/A

R2.6 In developing future forecasts of supplies and materials, the Treasurer should carefully apply the methodology and supporting assumptions in developing the projections and ensure that the stated assumptions match the forecast methodology. The Treasurer should also ensure that the forecast and assumptions are consistent with the District's recovery plan and accurately capture the effects of actions detailed in the recovery plan. In addition, the Treasurer should review historical trends when developing a forecast methodology and assumptions, and account for prior coding issues that could skew historical trends. When deviating from historical trends, the Treasurer should provide the support and explanation in the notes to the forecast.

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.

The District's projections for supplies and materials do not match the assumption of 5 percent annual increases for FY 2005-06 and FY 2006-07 stated in the forecast notes. However, the forecasted decrease of 28 percent in FY 2005-06 appears reasonable, primarily based on delaying textbook purchases and the District's ability to limit spending in this area. Although the forecasted assumptions do not link to the District's recovery plan to explain the forecasted decrease for FY 2005-06, the District's recovery plan indicates that CFCSO will delay new textbook purchases for the 2005-06 school year, resulting in a savings of approximately \$200,000. This appears reasonable based on the District's carry forward balance for instructional set-asides of approximately \$775,000 at the beginning of FY 2005-06.

In FY 2006-07, the Treasurer projected supplies and materials to increase by 62 percent, and indicated that the large increase is the result of the District needing to replenish its

supplies after making cuts the previous year. In FY 2007-08 and FY 2008-09, the Treasurer increased supplies and materials by five percent each year. However, the District's supplies and materials expenditures averaged approximately \$896,000 annually from FY 1999-00 to FY 2004-05 when accounting for the coding error, which is significantly lower than the District's projections of over \$1.0 million for FY 2006-07 through FY 2008-09. Additionally, the District's historical expenditures did not exhibit any consistent trend and averaged virtually no annual increase from FY 1999-00 to FY 2004-05. Furthermore, over the past six years, the District's highest supply and material expenditures were in FY 2000-01, at approximately \$983,000.

In addition to delaying textbook purchases to save approximately \$200,000 for FY 2005-06, the District's recovery plan states that CFCSD plans to restrict instructional supplies and ignore the set-aside requirements for a budgeted savings of approximately \$500,000 for FY 2005-06. Although the District has the ability to further restrict spending and still meet the set-aside requirements, this does not correspond to its forecast. Nevertheless, the District is projected to have a set-aside carryover balance of approximately \$546,000 at the conclusion of FY 2005-06. If the District used this amount over a four-year period beginning in FY 2006-07, it would be able to reduce supplies and materials spending by approximately \$75,000 annually and still comply with the set-aside requirements.

The FY 2006-07 through FY 2008-09 projections will be reduced by \$75,000 as a result of using the carry-forward balance to meet the set-aside requirements. This will be based on the five year average actual expenditures of \$896,000 after accounting for the coding error in FY 2002-03. As Newberry School has been leased and decisions regarding the future use of Sill are still pending, the District may incur supply costs in these buildings, which are captured in the historical expenditures.

Table 2-6 shows the impact of these adjustments on the District's forecast for supplies and materials.

Table 2-6: Forecast Adjustments for Supplies and Materials (in 000s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSD Projections	\$635	\$1,031	\$1,082	\$1,136	N/A
AOS Revised Projection	\$635	\$821	\$821	\$821	\$821
Net Impact on Forecast	\$0	\$210	\$261	\$315	N/A

R2.7 The Treasurer should carefully apply the methodology and supporting assumptions in developing the future projections of capital outlay, and ensure that the stated assumptions match the forecast methodology. In addition, the Treasurer should review historical trends when developing a forecast methodology and assumptions, and account for prior coding issues that could skew historical trends. When deviating from historical trends, the Treasurer should provide support and

explanations in the notes to the forecast. Furthermore, the District should develop a formal bus replacement plan, and use it to help determine future bus replacements (see transportation).

The District's capital outlay projections do not match the assumption of 4 percent annual increases for FY 2005-06 and FY 2006-07 stated in the forecast notes. In FY 2005-06, the Treasurer held the FY 2005-06 projection constant based on the FY 2004-05 projection. The FY 2004-05 capital outlay expenditures were lower than the District anticipated, which resulted in capital outlay increasing five percent from FY 2004-05 to FY 2005-06. However, the District purchased two new buses in FY 2004-05 at a total cost of approximately \$120,000. Because the District does not need to purchase new buses during the forecast period (see **transportation**) and FY 2005-06 is based on FY 2004-05 expenditures, the projection for FY 2005-06 is overstated.

For FY 2006-07, the Treasurer projected capital outlay to increase by 30 percent, due to restricting capital improvements and maintenance costs and disregarding the state mandated minimum set asides until FY 2006-07. However, the District significantly exceeded the set-aside requirements in FY 2003-04 and FY 2005-06, mainly due to property service expenditures within the purchased services line item. Along with increasing capital outlay based on the FY 2005-06 projection, which includes new bus purchases, this overstates the capital outlay projection for FY 2006-07.

The FY 2007-08 and FY 2008-09 capital outlay expenditures are projected to increase by approximately four percent, based on the competition of equipment providers driving down costs, in addition to the number of purchases the District needs to make for building equipment, such as boilers. However, the projections for FY 2007-08 and FY 2008-09 are overstated based on the inclusion of new bus purchases. Furthermore, historical expenditures exhibited no consistent trend to support annual increases. The District's projection of \$650,000 in FY 2006-07, \$675,000 in FY 2007-08, and \$700,000 in FY 2008-09 are much higher than the six-year average of \$512,000. From FY 1999-00 to FY 2004-05, capital outlay expenditures exceeded \$550,000 only in FY 2003-04.

Since the District used FY 2004-05 as the base year to develop its projections, the projections are overstated because it does not need to purchase two new buses per year. When excluding bus purchases from expenditures in FY 2004-05 and FY 2002-03, and excluding expenditures in FY 2003-04, capital outlay expenditures averaged approximately \$402,000 annually from FY 1999-00 to FY 2004-05. FY 2003-04 is excluded because it deviated significantly from the other years, since most of the repairs and maintenance in the capital improvement plan are assumed to be captured in property services (within purchased services), and in consideration of the District's current and projected financial condition. Because the historical expenditures exhibited no consistent trend to support annual increases, this adjusted average will be used as the projection for

future years. In addition, the District is projected to continue to comply with the capital set-aside requirements, with the revised AOS assumptions.

Table 2-7 shows the impact of these adjustments on the District's forecast for capital outlay.

Table 2-7: Forecast Adjustments for Capital Outlay (in 000s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSD Projections	\$500	\$650	\$675	\$700	N/A
AOS Revised Projection	\$389	\$389	\$389	\$389	\$389
Net Impact on Forecast	\$111	\$261	\$286	\$311	N/A

R2.8 The Treasurer should update the forecast to allow for inflationary increases to other expenditures. In addition, the District should incorporate the county auditor fees into other expenditures for coding purposes.

The Financial Consultant indicated that the District had some concerns about this line item due to coding issues brought on by the previous Treasurer. For instance, in FY 2003-04, the previous Treasurer included the lease payments in other expenditures rather than in debt service. According to the Treasurer, the projections for other expenditures are based on the District looking forward optimistically rather than on historical patterns.

Although it is difficult to determine a reliable historical trend given the large fluctuations and coding issues in the past, the District lacks a formal methodology and assumption in its notes to explain and support the projections for other expenditures. As a result, the FY 2005-06 through FY 2008-09 other expenditures will be adjusted to reflect a three percent increase each year. This will be applied to the FY 2004-05 actual expenditures because they are assumed to be more reliable than prior year expenditures. The three percent increase is based on inflation and the District's lack of control over certain line items accounted for in other expenditures, such as Treasurer fees and liability insurance. In addition, the FY 2005-06 through FY 2008-09 projections will be adjusted to include the county auditor fees that were previously accounted for in debt service (see **R2.9**). According to the USAS manual, county auditor fees should be accounted for in other expenditures under the category of dues and fees.

Table 2-8 shows the impact of these adjustments on the District's forecast for other expenditures.

Table 2-8: Forecast Adjustments for Other Expenditures (in 000s)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSD Projections	\$1,239	\$1,100	\$1,120	\$1,050	N/A
AOS Revised Projection	\$1,060	\$1,092	\$1,124	\$1,158	\$1,193
Net Impact on Forecast	\$181	\$10	(\$4)	(\$108)	N/A

R2.9 The Treasurer should update the forecast to reflect the actual debt schedules stated in contracts and leases agreements. In addition, the Treasurer should ensure that line items are only accounted for once throughout the forecast.

A summary of the District's general fund debt obligations are as follows:

- **Tax Anticipation Notes** – The District issued three notes in anticipation of the collection of taxes for cash flow purposes in FY 2004-05. The three notes resulted in total tax anticipation notes of \$5.6 million. The notes were paid off during FY 2004-05. However, the Treasurer indicated that the District has elected to roll \$2.0 million over for another six months for cash flow purposes, and will pay it back in FY 2005-06.
- **Loan** – The District received a \$3.1 million advance on the 7.9 mill current expense levy that was passed in May 2005. In preparing the debt projections for the forecast, the Treasurer assumed that the advance would be repaid in five principal payments at an interest rate of 4.27 percent.
- **Lease Agreements** – Cuyahoga Falls CSD entered into three lease agreements during FY 2003-04. The leases were for musical instruments, fitness equipment, and a boiler. The principal amount of the leases is \$328,340, \$222,000, and \$225,129, respectively. The musical instrument lease will be paid off in FY 2008-09, the boiler is scheduled to be paid off in FY 2010-11, and the fitness equipment will be paid off in FY 2006-07.

Based on the actual debt schedules for the lease agreements, the forecast does not accurately portray the District's future debt service requirements. According to the lease agreement for the boiler, the date of the final payment is October 2010; however, the District has only accounted for payments through October 2008. In addition, the Treasurer has accounted for the interest associated with the loan twice in the forecast. The Treasurer included the interest in the principal as well as in its own separate line item. Furthermore, the first payment on the loan is due on June 1, 2006; however, the forecast shows the District not making a principal payment until FY 2006-07.

The projected lease payment for the boiler will be included for FY 2008-09. The FY 2006-07 through FY 2008-09 debt service projections will be adjusted so that the interest

on the loan is only accounted for once. In addition, the FY 2005-06 debt service projections will be adjusted to account for the principal payment for the loan that is due that year. **Table 2-9** shows the adjustments necessary to accurately depict the District's debt service requirements:

Table 2-9: General Fund Debt Service

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10 ¹
Boiler					
Principal	\$29,958	\$31,326	\$32,757	\$34,252	\$35,816
Interest	\$7,700	\$6,332	\$4,902	\$3,406	\$1,842
Musical Instruments					
Principal	\$64,852	\$67,683	\$70,637	\$18,136	
Interest	\$8,470	\$5,640	\$2,685	\$195	
Fitness Equipment²	\$78,323	\$58,742			
Total Debt Service	\$189,304	\$169,723	\$110,981	\$55,989	\$37,658
Loan – Levy					
Principal	\$568,923	\$593,387	\$618,902	\$645,515	\$673,272
Interest	\$133,300	\$108,836	\$83,321	\$56,708	\$28,951
Total Debt Service	\$891,527	\$871,946	\$813,204	\$758,212	\$739,882

Source: CFCSD

¹ FY 2009-10 debt services projected by AOS based on debt schedules.

² This figure includes both the principal payment and the interest payment because they were not provided separately.

Moreover, the Treasurer included \$50,000 of interest and fiscal charges related to county auditor fees in debt service. However, the forecast prepared by LGS and the USAS manual account for all auditor and treasurer fees in other expenditures. Therefore, the \$50,000 interest and fiscal charges will be added to the District's other expenditures (see **R2.8**). However, since this is a coding error, the adjustment will have no impact on the District's total expenditures.

Table 2-10 shows the impact of the above adjustments on the forecast for debt service.

Table 2-10: Forecast Adjustments for Debt Service

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
CFCSD Projections	\$372,604	\$1,030,783	\$946,525	\$846,091	N/A
AOS Revised Projection	891,527	871,946	813,204	758,212	739,882
Net Impact on Forecast	(\$518,923)	\$158,837	\$133,321	\$87,879	N/A

Discretionary Spending

R2.10 Due to Cuyahoga Falls CSD's financial condition, the District should diligently monitor those spending areas over which it can exercise more discretion. Various areas were noted in which Cuyahoga Falls CSD spent more per student than its peer districts. District management should closely monitor these costs to identify possible opportunities for reductions and savings. In addition, the District should carefully review its financial reports to ensure that the expenditures represent an accurate picture of the District's financial situation (see district-wide processes section for more information on financial reporting, monitoring, and budgeting).

Table 2-11 shows the District's discretionary spending per pupil from FY 2002-03 to FY 2004-05, and compares Cuyahoga Falls CSD's discretionary expenditures per student to those of its peers.

Table 2-11: Discretionary Expenditures Per Student

	CFCS FY 02-03	CFCS FY 03-04	CFCS FY 04-05	Boardman LSD FY 03-04	Lakewood CSD FY 03-04	Stow- Munroe CSD FY 03-04	Peer Average
Prof. and Technical Service	59	100	120	95	105	111	104
Property Services	(89)	274	313	136	337	139	204
Mileage/Meeting Expense	16	16	21	9	17	10	12
Communications	24	20	25	21	50	13	28
Contract, Craft or Trade Service	3	1	0	4	2	12	6
Pupil Transportation	7	8	9	16	102	5	41
Other Purchased Service	28	24	7	10	29	8	16
General Supplies	340	60	62	71	125	55	84
Textbooks/Reference Materials	(237)	61	52	52	96	60	69
Supplies & Materials for Resale	0	0	0	0	4	0	4
Food & Related Supplies	1	1	1	0	0	0	0
Plant Maintenance and Repair	306	34	25	26	77	45	49
Fleet Maintenance and Repair	18	19	29	50	2	48	33
Other Supplies & Materials	8	9	2	22	0	0	22
Land, Building & Improvements	0	30	0	0	0	38	38
Equipment	79	80	54	118	44	174	112
Buses/Vehicles	19	4	30	0	0	0	0
Other Capital Outlay	0	71	8	0	0	2	2
Dues and Fees	120	135	142	111	113	107	110
Insurance	12	23	10	12	11	21	15
Awards and Prizes	0	0	0	0	0	0	0
Miscellaneous	0	76	39	0	0	10	10
Total	\$714	\$1,046	\$949	\$753	\$1,115	\$859	\$909

Source: CFCS and peer district 4502 and SF-3 reports

As shown **Table 2-11**, Cuyahoga Falls CSD's total FY 2003-04 discretionary expenditures were above the peer average by \$137 per student, or 15 percent. The District was also above the peer average in 9 out of 22 categories. The discretionary expenditure line-items where spending was significantly higher than the peer averages include the following:

- *Property Services* – Cuyahoga Falls CSD spent \$70 more than the peer average in this category, which is due to maintenance and repairs completed under the District's capital improvement plan (see the **facilities** section).
- *Dues and Fees* – The District spent \$25 more per student than the peer average on dues and fees. The Superintendent indicated that dues and fees are higher than the peers because advances on real estate taxes resulted in additional interest fees.
- *Miscellaneous* – Cuyahoga Falls CSD spent \$66 more per student than the peer average in this category. The Treasurer indicated that the high expenditures in miscellaneous could be the result of past coding errors and transfers.

Table 2-11 also shows the District's discretionary spending per student increased by 46.5 percent from FY 2002-03 to FY 2003-04. This is primarily due to property services and textbooks/reference materials. In FY 2002-03, the District reported negative adjustments in these categories, thereby having a positive effect on the District's finances. The negative balances in property services and textbooks/reference materials were due to prior coding errors. The District had an expenditure for repairs and maintenance that should have been recorded in property services, but was instead accounted for in supplies and materials. The Superintendent indicated that the negative balance in textbooks was a result of a textbook loan in FY 2002-03. The District did not repay the loan until FY 2004-05. While the District decreased discretionary spending per pupil by 9.3 percent in FY 2004-05, it was still higher than the peer average in FY 2003-04.

Table 2-12 presents Cuyahoga Falls CSD's FY 2002-03, FY 2003-04, and FY 2004-05 expenditures in purchased services and supplies and materials.

Table 2-12: Purchased Services and Supplies & Materials

	FY 2002-03	FY 2003-04	% Change	FY 2004-05	% Change
Purchased Services					
Prof. and Technical Services	\$302,452	\$508,430	68.10%	\$614,850	20.93%
Property Services	(\$458,438)	\$1,387,911	402.75%	\$1,605,956	15.71%
Travel Mileage/Meeting Exp.	\$82,344	\$78,848	(4.25%)	\$109,584	38.98%
Communications	\$123,010	\$102,249	(16.88%)	\$127,510	24.71%
Utilities	\$692,691	\$836,953	20.83%	\$890,767	6.43%
Contracted Craft or Trade	\$15,668	\$3,878	(75.25%)	\$933	(75.94%)
Tuition	\$1,089,639	\$1,369,541	25.69%	\$2,858,425	108.71%
Pupil Transportation Services	\$35,877	\$40,898	14.00%	\$44,951	9.91%
Other Purchased services	\$146,614	\$120,845	(17.58%)	\$36,661	(69.66%)
Total Purchased Services	\$2,029,856	\$4,449,552	119.21%	\$6,289,636	41.35%
Supplies and Materials					
General Supplies	\$1,758,568	\$303,436	(82.75%)	\$317,368	4.59%
Textbooks	(\$1,258,055)	\$258,707	120.56%	\$223,502	(13.61%)
Library Books	\$29,377	\$48,805	66.13%	\$43,686	(10.49%)
Periodicals and Films	\$4,432	\$2,941	(33.65%)	\$1,312	(55.40%)
Food and related Supp. and Mat.	\$5,561	\$5,296	(4.78%)	\$3,453	(34.79%)
Maintenance and Repair to Plant	\$1,579,105	\$170,682	(89.19%)	\$126,630	(25.81%)
Maintenance and Repair to Fleet	\$91,092	\$96,609	6.06%	\$150,247	55.52%
Other Supplies and Materials	\$39,655	\$47,180	18.98%	\$9,805	(79.22%)
Total Supplies and Materials	\$2,249,735	\$933,656	(58.50%)	\$876,003	(6.18%)

Source: CFCSD 4502 reports

Although Cuyahoga Falls CSD reduced its total supplies and materials expenditures by approximately 59 and 6 percent in FY 2003-04 and FY 2004-05, respectively, the District's total purchased services increased approximately 120 and 41 percent in FY 2003-04 and FY 2004-05, respectively. This is primarily due to increases in property services and tuition. The first year of scheduled capital improvements and repairs scheduled in the District's capital improvement plan occurred in FY 2003-04, which explains the significant increase in property services. Additionally, tuition increases are due to additional students leaving the District via open enrollment.

Although CFCSD has limited control over the number of students leaving the District, it has the ability to control spending in other areas. For example, the District's recovery plan states that CFCSD will restrict capital improvement and maintenance costs for FY 2005-06, which are captured in property services. As shown in **Table 2-12**, property services was the second-highest expenditure category after tuition. See **R2.5**, **R2.6** and **R2.7** for ways the District can control future discretionary spending, and the impact of doing so on the District's five-year forecast.

Revenues and Expenditures

R2.11 In an effort to help regain financial stability, Cuyahoga Falls CSD should closely examine the spending patterns in Tables 2-13 and 2-14 and the cost reductions recommended in the human resources, facilities and transportation sections of this report. Opportunities may exist to reduce operating expenditures in certain areas without impacting the overall quality of education. Furthermore, CFCSD should take measures to improve the budgeting, and financial reporting and monitoring processes to help eliminate historical financial problems (see district-wide processes section).

Table 2-13 compares Cuyahoga Falls CSD's General Fund revenues by source and expenditures by object to those of the peer school districts for FY 2003-04. The data is presented on a per student basis to account for differences in enrollment. Additionally, **Table 2-13** includes CFCSD's FY 2004-05 General Fund revenues and expenditures.

Table 2-13: Revenues and Expenditures per Student

	CFCS FY 03-04	CFCS FY 04-05	Boardman LSD FY 03-04	Lakewood CSD FY 03-04	Stow- Munroe Falls CSD FY 03-04	Peer Average
Property & Income Tax	\$4,206	\$3,240	\$5,406	\$5,588	\$4,614	\$5,203
Intergovernmental Revenues	\$3,005	\$3,050	\$2,145	\$3,908	\$3,251	\$3,101
Other Revenues	\$1,333	\$3,224	\$105	\$792	\$145	\$347
Total Revenue	\$8,544	\$9,515	\$7,656	\$10,287	\$8,010	\$8,651
Wages	\$4,806	\$4,979	\$4,718	\$5,995	\$4,782	\$5,165
Fringe Benefits	\$1,498	\$1,608	\$1,951	\$1,901	\$1,461	\$1,771
Purchased Service	\$879	\$1,225	\$642	\$989	\$740	\$790
Supplies & Textbooks	\$184	\$171	\$220	\$304	\$209	\$245
Capital Outlays	\$185	\$93	\$4	\$44	\$214	\$87
Debt Service	\$794	\$50	\$0	\$0	\$98	\$98
Miscellaneous	\$240	\$191	\$123	\$124	\$141	\$130
Other Financing Uses	\$0	\$1,124	\$155	\$239	\$71	\$155
Total Expenditures	\$8,586	\$9,439	\$7,813	\$9,596	\$7,716	\$8,375

Source: CFCS and peer district 4502 and SF-3 reports

Table 2-13 shows that Cuyahoga Falls CSD falls below the peer average in total General Fund revenue per student by \$107, or approximately one percent. However, Lakewood CSD is receiving significantly more revenue than the other peers, thereby skewing the peer average. More specifically, Cuyahoga Falls CSD's total revenue per student was

higher than both Boardman LSD and Stow-Munroe CSD. This is mainly due to the District's other revenues. Cuyahoga Falls CSD receives \$986 more per student than the peer average in other revenues. The majority of the District's other revenues is comprised of tuition and proceeds from notes. However, Cuyahoga Falls CSD passed a levy on May 3, 2005 that will generate approximately \$6.2 million annually beginning in FY 2005-06. The levy should help reduce the District's reliance on other revenues.

Table 2-13 also shows that the District is spending \$211 more per student than the peer average in total operating expenditures. Cuyahoga Falls CSD was higher in the following categories:

- *Purchased Services* – Cuyahoga Falls spent \$89 more per student than the peers in purchased services, which was due to capital improvements and repairs completed in FY 2003-04 (see the **facilities** section).
- *Capital Outlay* – The District spent \$98 more per student than the peers in capital outlay. The Superintendent indicated that the high expenditures in capital outlay were related to the District replacing windows in all of its buildings.
- *Debt Service* – Cuyahoga Falls CSD spent \$696 more per student than the peers for debt service, due to the issuance of tax anticipation and other short-term notes.
- *Miscellaneous* – The District spent \$110 more per student than the peer average in miscellaneous expenditures. The Treasurer indicated that the high expenditures in miscellaneous were due to the District's past accounting practices.

In the past, the District transferred money between funds in order to account for shortages in funds, and carried over bills from one fiscal year to the next. These issues could have contributed to the expenditure variances in the above categories.

Table 2-13 also shows that CFCSO received \$971 and spent \$853 more per student, respectively, in FY 2004-05. The higher revenues per student are due to other revenues, which include the proceeds attributable to the tax anticipation notes totaling \$5.6 million and the \$3.1 million advance on the new levy passed in May 2005. The decrease in property taxes in FY 2004-05 was due to an advance of approximately \$785,000 taken against FY 2004-05 taxes that was received in FY 2003-04. Furthermore, the Treasurer indicated that the District had additional short term loans of approximately \$738,000, which further contributed to the decrease in tax revenue in FY 2004-05. The increase in FY 2004-05 expenditures was primarily due to other financing sources, which, according to the Treasurer, consisted of transfers to cover set-asides. The receipts from these transfers are in other revenues. Therefore, this has no impact on the District's ending

fund balance for FY 2004-05. Lastly, increases in tuition and property services contributed to the 39 percent increase in purchased services in FY 2004-05.

Table 2-14 shows the amount per student and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Cuyahoga Falls CSD and the peer districts for FY 2003-04. **Table 2-14** also includes FY 2004-05 expenditures per student for CFCSD. Function codes report expenditures by their nature or purpose.

Table 2-14: Governmental Funds Operational Expenditures by Function

USAS Function Classification	FY 2003-04 Cuyahoga Falls		FY 2004-05 Cuyahoga Falls		FY 2003-04 Boardman		FY 2003-04 Lakewood		FY 2003-04 Stow-Munroe		FY 2003-04 Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures	\$5,112	58.7%	\$5,672	61.9%	\$4,847	58.4%	\$6,282	60.6%	\$4,734	59.5%	\$5,552	59.7%
Regular Instruction	\$3,770	43.3%	\$3,978	43.4%	\$4,240	51.1%	\$3,738	36.1%	\$3,724	46.8%	\$3,871	43.2%
Special Instruction	\$876	10.1%	\$952	10.4%	\$552	6.7%	\$1,614	15.6%	\$639	8.0%	\$983	11.0%
Vocational Education	\$188	2.2%	\$186	2.0%	\$0	0.0%	\$708	6.8%	\$214	2.7%	\$513	3.8%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$41	0.4%	\$0	0.0%	\$47	0.2%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$277	3.2%	\$557	6.1%	\$55	0.7%	\$180	1.7%	\$157	2.0%	\$138	1.5%
Support Service Expenditures	\$3,255	37.4%	\$3,156	34.4%	\$3,102	37.4%	\$3,583	34.6%	\$2,949	37.1%	\$3,231	36.1%
Pupil Support Services	\$536	6.2%	\$530	5.8%	\$408	4.9%	\$718	6.9%	\$451	5.7%	\$540	6.0%
Instructional Support Services	\$557	6.4%	\$412	4.5%	\$524	6.3%	\$629	6.1%	\$431	5.4%	\$531	5.9%
Board of Education	\$34	0.4%	\$19	0.2%	\$24	0.3%	\$15	0.1%	\$50	0.6%	\$30	0.3%
Administration	\$574	6.6%	\$656	7.2%	\$531	6.4%	\$591	5.7%	\$467	5.9%	\$531	5.9%
Fiscal Services	\$165	1.9%	\$159	1.7%	\$187	2.3%	\$227	2.2%	\$166	2.1%	\$195	2.2%
Business Services	\$76	0.9%	\$75	0.8%	\$40	0.5%	\$145	1.4%	\$81	1.0%	\$94	1.0%
Plant Operation & Maintenance	\$1,067	12.3%	\$1,042	11.4%	\$893	10.8%	\$1,175	11.3%	\$756	9.5%	\$952	10.6%
Pupil Transportation	\$177	2.0%	\$212	2.3%	\$484	5.8%	\$15	0.1%	\$484	6.1%	\$307	3.4%
Central Support Services	\$68	0.8%	\$50	0.5%	\$11	0.1%	\$68	0.7%	\$61	0.8%	\$50	0.6%
Non-Instructional Services	\$161	1.9%	\$171	1.9%	\$146	1.8%	\$348	3.4%	\$84	1.1%	\$201	2.2%
Extracurricular Activities	\$177	2.0%	\$176	1.9%	\$205	2.5%	\$156	1.5%	\$186	2.3%	\$180	2.0%
Total Operational Expenditures	\$8,705	100%	\$9,175	100%	\$8,300	100%	\$10,369	100%	\$7,953	100%	\$9,163	100%

Source: CFCSD and Peer 4502 reports

Table 2-14 shows the District's total expenditures per student in FY 2003-04 being \$458, or 5.3 percent, lower than the peer average. However, Lakewood CSD is spending significantly more than the other peers, thereby skewing the peer average. When Lakewood CSD is excluded, Cuyahoga Falls CSD's total expenditures per student were \$579 higher than the average of the two remaining peers. When compared to Boardman LSD and Stow-Munroe Falls CSD, Cuyahoga Falls CSD's instructional expenditures were \$321 higher than the peer average. In terms of pupil instruction, Cuyahoga Falls CSD was higher in the following categories:

- *Other Instruction* – Cuyahoga Falls CSD spent \$139 more per student than the three-district peer average in this category. According to the Superintendent, other instruction costs are higher due to the use of individual small group instructors (ISGIs) and erroneously accounting for the musical instrument loan in other instruction. The Superintendent indicated that the District had to spend \$183,000 for added ISGIs because class sizes are larger than the number stipulated in the collective bargaining agreement (see the **human resources** section).
- *Special Instruction* – When excluding Lakewood CSD, Cuyahoga Falls CSD's special instruction expenditures per student were higher than Boardman LSD and Stow-Munroe Falls CSD by approximately \$280. The Superintendent indicated that the high special instruction costs are a result of serving large numbers of special needs students that need extra help academically. For instance, based on data from ODE, disabled students comprise 16 percent of the District's total student population, which is similar to Lakewood CSD (15 percent), but much higher than Boardman LSD (9 percent) and Stow-Munroe Falls CSD (11 percent). Nevertheless, the District uses ISGIs for special education, which could also contribute to the higher special instruction costs per student (see the **human resources** section).

In terms of support service expenditures, Cuyahoga Falls CSD was higher in the following categories:

- *Pupil Support Services* – When compared to Boardman LSD and Stow-Munroe Falls CSD, Cuyahoga Falls CSD's pupil support services per student were \$106 higher than the three-district peer average. This is primarily due to guidance counselor staffing levels. The District subsequently reduced two guidance counselor positions. See **human resources** for additional information about the District's expenditures in pupil support services.
- *Instructional Support Services* – Cuyahoga Falls CSD is spending \$26 more per student than the three-district peer average on instructional support services. However, only 46 percent of the total instructional support services are attributable to the General Fund, which is much lower than the peer average of 92 percent.

- *Administration* – The District is spending \$43 more per student than the three-district peer average on administration, which is due to higher levels of compensation (see the **human resources** section).
- *Plant Operation and Maintenance* – The District is spending \$115 more per student than the three-district peer average in this category, which is due to maintenance and repairs completed per the District’s capital improvement plan (see the **facilities** section).
- *Non-Instructional Services* – Although Cuyahoga Falls CSD spent less than the three-district peer average for non-instructional services by approximately \$40 per student, when excluding Lakewood CSD, Cuyahoga Falls CSD’s non-instructional service expenditures were \$46 higher than the average of Boardman LSD and Stow-Munroe Falls CSD. However, these expenditures were related to special revenue and trust funds, not the General Fund.

In addition, the District does not require employee healthcare contributions while each peer requires some level of contribution for single and family coverage. Consequently, CFCSD incurs all of the costs for healthcare, which could contribute to the higher expenditures per pupil in the above categories.

Table 2-14 also shows that the District’s total operating expenditures per student increased by 5.4 percent from FY 2003-04 to FY 2004-05, primarily due to increases in regular, special and other instructional expenditures. This is due, in part, to increases in salaries and benefits attributable to COLAs and step increases, as well as increases in health insurance costs. However, the increases could also be due to the higher ISGI staffing levels when compared to peer districts (see **human resources**). The District reduced its overall support service expenditures per student by three percent from FY 2003-04 to FY 2004-05. **Table 2-15** compares Cuyahoga Falls CSD’s academic performance indicators to the peers.

Table 2-15: ODE Performance Standards Comparison

	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe CSD	Peer Average
Number of 22 Performance Standards Met					
FY 2001-02	14	22	18	20	20
Number of 22 Performance Standards Met					
FY 2002-03	11	21	15	16	17
Number of 18 Performance Standards Met					
FY 2003-04	9	17	9	13	13
Performance Index Scores					
FY 2001-02	85.7	97.9	84.8	92.8	91.8
FY 2002-03	85.3	96.5	88.4	88.9	91.3
FY 2003-04	87.6	97.8	87.6	92.7	92.7

Source: District report cards

While Cuyahoga Falls CSD spent more per student than two of the three peers in FY 2003-04, it met fewer educational performance standards and achieved a lower performance index score than two of the peers during the same time frame. Given that the peers were able to meet more ODE performance standards while spending less per student (excluding Lakewood CSD), there appears to be an opportunity for Cuyahoga Falls CSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

R2.12 CFCSO should analyze and use the proposed financial forecast outlined in Table 2-16 to evaluate the recommendations presented in this performance audit and determine the impact of the related cost savings on its financial condition. The District should also consider implementing the recommendations in this performance audit and the strategies identified in its recovery plan to improve its current and future financial situation. In addition, the District should periodically update the recovery plan and five-year forecast as situations change.

Table 2-16 demonstrates the impact of the revised assumptions based on the District's May 27, 2005 forecast, and recommendations discussed in this report. The financial savings and implementation costs associated with the performance audit recommendations have been included in a line item titled "Cumulative Impact of AOS Recommendations." **Table 2-17** 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. The recommendations are separated to identify those that require negotiation and those that do not. In addition, **Table 2-18** presents the cost reduction strategies in CFCSO's Phase III recovery plan (FY 2006-07) that do not overlap with the performance audit recommendations. The impact of these strategies has also been included in **Table 2-17**. Furthermore, **Table 2-16** reflects the actual ending fund balance for FY 2004-05 by including the effect of the difference between the projected and actual ending fund balances.

Table 2-16 shows that the District can achieve financial recovery by implementing the actions in its recovery plan and the recommendations contained in this performance audit. However, for CFCSO to achieve and maintain financial stability, it will be necessary to make difficult management decisions. For example, the recovery plan shown in **Table 2-16** assumes that the District will reduce 8 ESP FTEs to operate at State minimum standards in this area, reduce 18 regular teacher FTEs, and negotiate to require employee health care contributions. If the District does not implement some of these recommendations or is unsuccessful during negotiations, it will likely have to implement additional staffing and cost reductions in order to achieve financial recovery, such as further reductions in regular education staffing levels (see **human resources**) and

eliminating maintenance and repair activities scheduled in the capital improvement plan (see **facilities**).

In addition, the District is on pace to significantly reduce its purchased service expenditures for FY 2005-06 and come under its revised projection of \$5.0 million in the October forecast. Assuming that the District spends to its revised projection of \$5.0 million in FY 2005-06, it would reduce expenditures by approximately \$1.0 million when compared to **Table 2-16**, thereby further improving its financial condition. Consequently, the District will need to carefully weigh the benefits and costs of numerous strategies to reduce expenditures, such as reducing staffing levels versus reducing maintenance and repairs scheduled in the five-year capital improvement plan. For example, if the District eliminated all of the scheduled maintenance and repairs during the forecast period, it might not need to implement all of the staffing reductions identified in this performance audit and in its recovery plan. If further reductions are made in maintenance and repairs, the Treasurer should ensure that CFCSD can still comply with the capital set-aside requirements.

It should be noted that the Treasurer issued an updated five-year forecast on October 25, 2005, which generally provides much more information and explanations for the projections than the May 27, 2005 forecast. The District's website also contains additional detail and information regarding the District's October five-year forecast. Additionally, CFCSD established a Financial Forecasting Advisory Committee. The goal of the committee is to increase fiscal accountability and community awareness on the District's financial forecasting processes. The committee is comprised of five community business members with a background in finance and/or law, two BOE members, the treasurer, and superintendent.

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 2-16: CFCSD Financial Recovery Plan (in 000's)

	Actual FY 2002-03	Actual FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10
Real Estate Property Tax	17,734	19,802	19,187	22,221	22,809	19,389	18,040	18,220
Tangible Personal Property Tax	2,563	2,058	2,528	2,259	2,219	1,748	1,472	1,324
Unrestricted Grants-in-Aid	12,563	12,164	12,332	12,243	12,367	11,910	12,063	12,206
Restricted Grants-in-Aid	0	197	221	128	189	193	197	201
Property Tax Allocation	2,381	2,612	2,644	2,978	3,056	2,598	2,417	2,441
Other Revenues	1,548	2,562	2,122	1,975	2,000	2,000	2,000	2,000
Total Operating Revenues	36,789	39,395	39,034	41,803	42,641	37,838	36,188	36,394
Personal Services	22,605	24,362	25,550	23,917	24,787	25,913	27,089	28,319
Retirement & Insurance Benefits	8,392	7,588	8,808	9,166	10,047	11,104	12,299	13,653
Purchased Services	2,063	4,488	5,620	6,048	6,465	6,918	7,410	7,943
Supplies & Materials	2,251	934	935	635	821	821	821	821
Capital Outlay	508	937	500	389	389	389	389	389
Debt: Principal (Historical)	0	112	250	189	170	111	56	38
Debt: Principal	1,500	4,388	5,600	0	0	0	0	0
Debt: Principal - State Loan	0	-	0	569	593	619	645	673
Debt: Principal - Interest	0	-	0	133	109	83	57	29
Debt: Interest & Fiscal Charges	85	77	0	0	0	0	0	0
Other Objects	792	1,216	960	1,060	1,092	1,124	1,158	1,193
Total Operating Expenditures	38,196	44,102	48,223	42,106	44,473	47,083	49,925	53,059
Proceeds from Sale of Notes	1,000	4,475	5,600	0	0	0	0	0
Advancements	0	-	3,100	0	0	0	0	0
Operating Transfers In	0	-	0	0	0	0	0	0
Operating Transfers Out	119	-	0	400	0	0	0	0
All Other Financial Sources	2	9	0	1	1	1	1	1
Advances Out	0	-	0	0	0	0	0	0
Net Financing Sources/ (Uses)	883	4,476	8,700	-399	1	1	1	1
Results of Operations (Loss)	(524)	(232)	(489)	(701)	(1,831)	(9,244)	(13,735)	(16,664)
Beginning Cash Balance	1,203	679	447	(137)	(839)	(2,670)	(11,913)	(25,649)
Ending Cash Balance	679	447	(137) ¹	(839)	(2,670)	(11,913)	(25,649)	(42,313)
Encumbrances ²	0	220	37	129	129	129	129	129
Fund Balance	679	227	(174)	(967)	(2,798)	(12,042)	(25,777)	(42,441)
Cumulative Impact of Renewals	N/A	N/A	N/A	N/A	2,412	9,231	17,939	26,695
Fund Balance with Renewals	679	227	(174)	(967)	(387)	(2,811)	(7,838)	(15,746)
Cumulative Impact of District Recovery Plan	0	0	0	0	712	1,440	2,213	3,038
Fund Balance Including District Recovery Plan	679	227	(174)	(967)	325	(1,371)	(5,625)	(12,708)
Cumulative Impact of AOS Recommendations	0	0	0	0	2,827	5,897	9,235	12,876
Fund Balance Including AOS Recommendations	679	227	(174)	(967)	3,152	4,525	3,609	168

Source: CFCSD & AOS Adjusted Forecast and Recommendations

¹ Includes an adjustment to show actual ending fund balance for FY 2004-05

² Forecasted based on the average of FY 2003-04 and FY 2004-05.

Table 2-17: Summary of Performance Audit Recommendations

Recommendation	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Impact of Revised Assumptions					
R2.2 Revise Real Estate, Property Tax Allocation, and Renewal Impact	\$632,000	(\$2,237,000)	(\$2,091,000)	(\$1,637,000)	N/A
R2.3 Revise Tangible Personal	(\$37,000)	\$292,000	\$25,000	(\$68,000)	N/A
R2.5 Revise Purchased Services	(\$1,894,000)	(\$1,020,000)	(\$929,000)	(\$821,000)	N/A
R2.6 Revise Supplies & Materials	\$0	\$210,000	\$261,000	\$315,000	N/A
R2.7 Revise Capital Outlay	(\$111,000)	(\$261,000)	(\$286,000)	(\$311,000)	N/A
R2.8 Revise Other Expenditures	\$181,000	\$10,000	(\$4,000)	(\$108,000)	N/A
R2.9 Revise Debt Service	(\$519,000)	\$159,000	\$133,000	\$88,000	N/A
Total Impact of AOS Forecast Adjustments	(\$1,748,000)	(\$2,847,000)	(\$2,891,000)	(\$2,542,000)	N/A
Recommendations Not Subject to Negotiation					
R3.1 Reduce 18 FTE regular education teachers	N/A	\$760,997	\$809,136	\$860,669	\$917,070
R3.2 Reduce up to 8 FTE educational service personnel	N/A	\$475,599	\$505,684	\$537,891	\$573,140
R3.3 Reduce 4 FTE clerical staff	N/A	\$86,349	\$91,811	\$97,659	\$104,059
R3.3 Purchase Substitute Calling System	N/A	(\$14,000)	(\$12,000)	(\$12,000)	(\$12,000)
R4.1 Reduce custodian positions if Sill Middle School is sold, or charge back staffing and operational costs if Sill Middle School is leased	N/A	\$78,632	\$83,606	\$88,930	\$94,758
R4.2 Purchase a computerized work order system	N/A	(\$3,000)	(\$3,000)	(\$3,000)	(\$3,000)
R5.2 Reduce 2 buses	N/A	\$38,355	\$40,677	\$43,184	\$45,935
Total Recommendations Not Subject to Negotiation	N/A	\$1,422,932	\$1,515,914	\$1,613,333	\$1,719,962
Recommendations Subject to Negotiation					
R3.5 Reduce retirement payment	N/A	\$91,203	\$95,344	\$99,672	\$104,198
R3.6 Establish a 15% employee healthcare contribution	N/A	\$890,100	\$1,023,615	\$1,177,157	\$1,353,731
R3.7 Establish a 15% employee contribution to dental insurance	N/A	\$77,050	\$88,608	\$101,899	\$117,183
R3.10 Reduce sick leave usage	N/A	\$346,000	\$346,000	\$346,000	\$346,000
Total Recommendations Subject to Negotiation	N/A	\$1,404,353	\$1,553,567	\$1,724,728	\$1,921,112
Net Result of Recommendations Included in Forecast (Excluding Forecast Adjustments)	N/A	\$2,827,285	\$3,069,480	\$3,338,061	\$3,641,075

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.

Table 2-18: CFCSD Recovery Plan

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Reduce 4 special education ISGIs	\$132,780	\$141,145	\$150,178	\$160,090
Reduce 1 special education teacher	\$38,184	\$40,590	\$43,187	\$46,038
Reduce 6 educational Aides	172254	\$183,106	\$194,825	\$207,683
Reduce 10 special need attendants	\$210,000	\$223,230	\$237,517	\$253,193
Reduce 1 family science teacher	\$38,184	\$40,590	\$43,187	\$46,038
Reduce 1 psychologist	\$63,685	\$67,697	\$72,030	\$76,784
Reduce 1 monitor	\$29,000	\$30,827	\$32,800	\$34,965
Reduce summer help	\$28,000	\$28,000	\$28,000	\$28,000
Total District Recovery Plan	\$712,087	\$727,184	\$773,724	\$824,790

Source: CFCSD Recovery Plan

Note: Savings appreciated based on the Districts increases in salaries and benefits during the forecast period.

Human Resources

Background

This section of the performance audit focuses on Cuyahoga Falls City School District's (Cuyahoga Falls CSD, CFCSO or the District) various human resource operations. The objective is to analyze human resource operations and develop recommendations for improvements and reductions in District expenditures. Data from the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), and peer school districts are used for comparisons throughout this section of the report. The peer districts include Boardman LSD, Lakewood CSD, and Stow-Munroe Falls CSD.

Organizational Structure and Function

Cuyahoga Falls CSD has a centralized human resources department (HRD) that consists of a director and two administrative staff. HRD is responsible for the following:

- Coordinating activities and programs for the recruitment and selection of certificated and administrative employees;
- Monitoring teacher certification;
- Developing mentorship and other orientation programs;
- Coordinating professional development for certificated staff;
- Assisting teachers in meeting the requirements of the Local Professional Development Committee (LPDC);
- Assisting in updating job descriptions;
- Tracking and reporting leave usage to the treasurers office;
- Facilitating employee performance evaluations;
- Administering and monitoring the District's grievance policies and procedures;
- Conducting disciplinary hearings;
- Negotiating and administering labor contracts;
- Maintaining personnel files; and
- Scheduling substitute teachers.

The Business Office handles human resource issues pertaining to the classified staff.

Staffing

Table 3-1 illustrates the actual staffing levels as full-time equivalents (FTEs) at Cuyahoga Falls CSD and the peer districts during FY 2004-05, as reported in the Educational Management Information System (EMIS). **Table 3-2** shows staffing levels on a per 1,000 ADM basis. Adjustments were made to the corresponding EMIS reports to ensure comparability and consistency in reporting. Furthermore, **Tables 3-1** and **3-2** reflect the staffing reductions implemented by the District during the course of this performance audit.

Table 3-1: FTE Staffing Levels

Category	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average
Total Administrators	28.0	24.0	45.0	31.0	33.3
Central Administrators Subtotal	14.0	12.0	25.0	17.0	18.0
Site-Based Administrators Subtotal	14.0 ¹	12.0	20.0	14.0	15.3
Professional Education Subtotal	326.7	300.6	461.9	359.9	374.1
Curriculum Specialist	0.0	0.0	6.7	2.0	4.3
Counseling	9.0	11.0	13.7	11.0	11.9
Librarian / Media	4.0	3.0	7.0	5.3	5.1
Remedial Specialist	0.0	7.0	11.5	2.0	6.8
Regular Teaching	229.9	236.1	261.3	239.1	245.5
Special Education Teaching	34.0	22.0	52.7	36.6	37.1
Vocational Education Teaching	13.0	0.0	33.5	18.7	26.1
Tutor / Small Group Instructor	17.8	2.0	38.9	18.1	19.7
Educational Service Personnel Teacher	16.0	18.9	19.0	26.2	21.4
Suppl. Service Teacher (Spec. Ed.)	3.0	0.0	15.6	0.0	15.6
Permanent Sub	0.0	0.0	2.0	1.0	1.5
Other Professional	0.0	0.6	0.0	0.0	0.6
Professional - Other Subtotal	12.0	10.0	52.3	13.1	25.1
Technical Subtotal	5.0	10.0	22.8	6.2	13.0
Office / Clerical Subtotal	57.0	49.4	123.3	85.4	85.7
Bookkeeping	0.0	2.0	7.9	4.0	4.6
Clerical	35.0	22.4	49.0	25.1	31.8
Messenger	0.0	0.0	0.5	1.0	0.7
Records Managing	1.0	0.0	4.8	0.8	2.8
Teaching Aide	21.0 ²	23.0	60.1	52.5	45.2
Telephone operator	0.0	0.4	0.0	2.0	1.2
Parent Mentor	0.0	0.0	1.0	0.0	1.0
Other Office / Clerical ³	0.0	1.6	0.0	0.0	1.6
Crafts / Trades Subtotal	8.0	8.0	10.0	14.0	10.7
Transportation	13.1	57.0	0.0	34.7	45.8
Service Work / Laborer Subtotal	88.5	91.8	94.6	75.1	87.1
Custodian	34.5	46.0	46.5	38.5	43.7
Food Service	21.7	24.0	28.1	19.5	23.9
Monitoring	5.5	8.0	4.8	16.9	9.9
Stores Handling	1.0	1.0	0.0	0.0	1.0
Groundskeeping	0.0	0.0	2.0	0.0	2.0
Attendant	25.0	11.8	8.3	0.0	10.0
Other Service Worker / Laborer ⁴	0.8	0.0	1.0	0.0	1.0
Total FTES	538.3	550.8	809.8	619.2	659.6

Source: ODE FY 2004-05 EMIS Staff Demographic Reports, and interviews with District and peers

¹ Includes director of community schools at Cuyahoga Falls CSD

² Includes 7.0 FTE Title I teachers

³ Other office includes financial staff (Boardman LSD)

⁴ Other Service Laborer includes parking attendants (CFSD) and utility worker (Lakewood CSD)

Table 3-2: Staffing Levels per 1,000 ADM

Category	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average
District ADM	5,153	4,887	6,392	5,831	5,703
Total Administrators	5.43	4.91	7.04	5.32	5.84
Central Administrators	2.72	2.46	3.91	2.92	3.16
Site-Based Administrators	2.72 ¹	2.46	3.13	2.40	2.69
Professional Education: Subtotal	63.40	61.51	71.94	61.71	65.59
Curriculum Specialist	0.00	0.00	1.04	0.34	0.71
Counseling	1.75	2.25	2.14	1.89	2.08
Librarian / Media	0.78	0.61	1.10	0.90	0.89
Remedial Specialist	0.00	1.43	1.79	0.34	1.20
Regular Teaching	44.61	48.31	40.88	40.99	43.04
Special Education Teaching	6.60	4.50	8.24	6.28	6.50
Vocational Education Teaching	2.52	0.00	5.24	3.20	4.27
Tutor / Small Group Instructor	3.45	0.41	6.10	3.11	3.45
Educational Service Personnel Teacher	3.10	3.87	2.98	4.49	3.75
Suppl. Service Teacher (Spec. Ed.)	0.58	0.00	2.44	0.00	2.44
Other Professional	0.00	0.12	0.00	0.00	0.12
Professional - Other	2.33	2.05	7.70	2.24	4.41
Technical	0.97	2.05	3.57	1.06	2.28
Office / Clerical: Subtotal	11.07	10.12	19.28	14.64	15.03
Bookkeeping	0.00	0.41	1.23	0.69	0.81
Clerical	6.80	4.59	7.67	4.30	5.58
Messenger	0.00	0.00	0.08	0.17	0.12
Records Managing	0.19	0.00	0.75	0.14	0.46
Teaching Aide	4.08 ²	4.71	9.40	9.00	7.93
Telephone operator	0.00	0.07	0.00	0.34	0.22
Parent Mentor	0.00	0.00	0.16	0.00	0.16
Other Office / Clerical ³	0.00	0.34	0.00	0.00	0.34
Crafts / Trades Subtotal	1.55	1.64	1.56	2.40	1.87
Transportation	2.54	11.65	0.00	5.94	8.03
Service Work / Laborer Subtotal	17.16	18.77	14.80	12.87	15.28
Custodian	6.69	9.41	7.27	6.60	7.66
Food Service	4.21	4.91	4.40	3.34	4.18
Monitoring	1.07	1.64	0.75	2.90	1.74
Stores Handling	0.19	0.20	0.00	0.00	0.20
Grounds keeping	0.00	0.00	0.31	0.00	0.31
Attendant	4.85	2.40	1.29	0.00	1.77
Other Service Worker / Laborer ⁴	0.15	0.00	0.16	0.00	0.16
Total FTEs	104.46	112.69	125.90	106.18	115.64

Source: ODE FY 2004-05 EMIS Staff Demographic Reports, and interviews with District and peers

¹ Includes director of community schools at Cuyahoga Falls CSD

² Includes 7.0 FTE Title I teachers

³ Other office includes financial staff (Boardman LSD)

⁴ Other Service Laborer includes parking attendants (CFSD) and utility worker (Lakewood CSD)

When compared to the peers, Cuyahoga Falls CSD has a greater number of FTEs per 1,000 ADM in the following classifications:

- **Site-Based Administrators:** CFCSD employs more site-based administrators per 1,000 students than two of the three peers, which is due to the number of school buildings in the District (see *Assessment Not Yielding Recommendations*).
- **Regular Education:** Cuyahoga Falls CSD employs 1.57 more regular education FTEs per 1,000 students than the peer average. (see **R3.1**)
- **Special Education:** Cuyahoga Falls CSD employs 0.10 FTEs more special education FTEs per 1,000 ADM than the peer average. With the exception of Lakewood CSD, Cuyahoga Falls CSD is the only peer that employs staff in the supplemental service – special education classification (see *Assessments Not Yielding Recommendations*).
- **Tutor Small Group:** CFCSD employs more tutor small group instructor FTEs per 1,000 ADM than two of the three peers. However, this is partially due to not employing any remedial specialists (see *Assessment Not Yielding Recommendations*).
- **Clerical:** When excluding teaching aides and parent mentors, CFCSD employs more clerical FTEs per 1,000 ADM than two of the three peers. (see **R3.3**)
- **Attendants:** Cuyahoga Falls CSD employs 3.08 more FTES per 1,000 ADM compared to the peer average. This classification consists of special education attendants that are assigned to severely handicap children as guided by an individual education program (IEP). In addition, the higher staffing levels could be due to the District's high special education population and potential coding differences in EMIS (see *Assessment Not Yielding Recommendations*).

Collective Bargaining Agreements

Cuyahoga Falls CSD recognizes the Cuyahoga Falls Education Association (the Association or CFEA) as the sole and exclusive bargaining agent for all certificated professional personnel, including Individual Small Group Instructors (ISGIs), long-term substitutes, and those who, by virtue of their assignments, are required to hold administrative or supervisory certification and those positions governed by Section 3319.02 of the Ohio Revised Code (ORC). Certificated personnel are governed by a negotiated agreement between the District and the Association. The agreement took effect on August 27, 2003, and originally set to expire on August 26, 2006. The agreement has been subsequently extended to August 26, 2007.

Cuyahoga Falls CSD recognizes the Ohio Association of Public School Employees/ American Federation of State, County, and Municipal Employees (AFSCME-AFL-CIO) and Ohio

Association of Public School Employees (OAPSE) Local #111 as the sole and exclusive bargaining agent for all employees in the following classifications:

- Cafeteria employees;
- Office employees;
- Study hall monitors;
- Education aides; and
- Attendants.

Administrative secretaries, the assistant treasurer, student workers, noon monitors, casual or seasonal employees and casual substitutes are excluded from the bargaining units. The negotiated agreement between the District and the OAPSE took effect on January 1, 2004, was originally set to expire on June 30, 2007, and has since been extended to December 31, 2007.

Additionally, the District recognizes the International Brotherhood of Firemen and Oilers, Local #100 (Local 100) as the sole and exclusive bargaining agent for custodial, maintenance and transportation employees. The negotiated agreement between the District and Local 100 took effect on August 28, 2003, was originally set to expire on August 27, 2006, and has subsequently been extended to August 26, 2007.

Cuyahoga Falls CSD categorizes its employees into three groups:

- Status I – Single and family coverage fully paid by the Board. This group is defined as full-time employees who work 30 hours or more per week, 120 days or more per year;
- Status II – Board pays 75 percent of coverage costs. This group is defined as certificated employees who work 20 to 30 hours per week, and classified employees who work 15 to 30 hours per week; and
- Status III – Coverage costs fully paid by the employee. This group for certificated staff is defined as all employees who perform as substitutes, casual labor, student labor, persons employed by contract with a third party, persons paid on a per-unit or performance basis, and all employees who work less than 20 hours per week. For classified staff, this group is defined as employees who work less than 15 hours per week.

Certain contractual and employment issues pertaining to certificated and classified staff were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial impact on Cuyahoga Falls CSD. The implementation of any recommendations related to collective bargaining agreements would require negotiations with the respective bargaining unit(s). **Table 3-3** and **Table 3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparison

Contract Provisions	Cuyahoga Falls¹ CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD
Reduction in Force (RIF)	Suspension of contracts shall be in accordance with ORC § 3319.17 or for substantial financial reasons and seniority shall be determined by length of continuous service in Cuyahoga Falls CSD.	The District may deem it necessary to reduce teaching staffing due to decreased enrollment, territorial changes affecting the District, and financial reasons as solely determined by the Board, which shall not be arbitrary or capricious, or lack of adequate funding for Ohio Auxiliary Services.	District will achieve reductions by RIF in accordance with ORC § 3319.17. When RIF of members of the bargaining unit are necessary, seniority and areas of certification/licensure shall be the exclusive criteria in determining such RIF.	RIF will be kept to a minimum by not employing replacements. To the extent that reductions are not achieved through attrition, reductions may be achieved by suspending contracts.
Length of work day	K-12: 7 hours, 30 minutes	K-12: 7 hours, 30 minutes	K-12: 7 hours, 30 minutes	K-12: 7 hours, 30 minutes
Maximum class size (see R3.1)	K-1: 22 students 2-5: 25 students 6-12: not stated For K-5, classes in excess shall be provided an ISGI for two hours per day unless the teacher declines the ISGI. ²	K-1: 23 students 2-6: 25 students Middle: 125 students/day High: 125 students/day	Elementary: 30 Middle: 30 Secondary: 30	Elementary: 25 Middle: 28 Secondary: 28
Number of Contract Days	184 days	184 days	184 days	184 days
Instructional Days/ Student contact days	178 days	178 days	183 days for HS teachers; 182 days for K-8 teacher	180 days
Conference Days	2 days	2 days	Conferences: 4 days (2 for K-8 – no school for students and 2 for HS – school is in session)	1 day
Teacher Days	3 days	3 days	1 day – Professional day for HS teachers.	2 days
In-Service	1 day	1 day		1 day
Incentives:	1 st , 2 nd and 3 rd	None	None	0 days/yr of either

<p>Sick Leave (see R3.8) ³</p> <p>Personal Leave</p>	<p>Grading Period - \$100 each. 4th Grading Period - \$200. Applicable to those who achieve at least a 96% attendance level based on the number of teacher work days in each grading period as set in the school calendar.</p> <p>Use of personal leave counts as an absence and thus affects employees' eligibility for the attendance bonus. Unused personal days are lost at the end of a contractual year. The attendance incentive takes into account the combined sick leave and personal leave days used.</p>	<p>Unused personal leave days are converted to sick leave at the end of the year on a 1:1 ratio.</p>	<p>Unused personal days will be added to the teacher's total sick leave accumulation at the end of each school year.</p>	<p>sick or personal leave used = \$400</p> <p>1 – 2 days/yr of any combination of sick and/or personal leave used = \$200</p> <p>3 days/yr of any combination of sick and/or personal leave used = \$150</p> <p>Personal leave that is not used during the school year will be converted to sick leave on a 1:1 basis. Personal leave that has been converted to sick leave cannot be converted to personal leave.</p>
<p>Maximum number of sick days accrued</p>	<p>315 days - 2003-04 320 days - 2004-05 325 days - 2005-06</p>	<p>260 days</p>	<p>325 days - 2002-03 330 days - 2003-04 335 days - 2004-05</p>	<p>350 days</p>
<p>Sick Leave Accrual Rate</p>	<p>1 ¼ days per month Per ORC § 3319.141</p>	<p>1 ¼ days per month</p>	<p>1 ¼ days per month</p>	<p>1 ¼ days per month</p>
<p>Maximum # of personal days</p>	<p>3 days</p>	<p>3 days</p>	<p>3 days</p>	<p>3 days</p>
<p>Maximum sick leave pay out at retirement (sec R3.8)</p>	<p>25% of sick leave up to a maximum of 51 days (204 accumulated sick days). Excess of 204 days is paid out at 10% to a maximum of 325 days. Total maximum payout is 83.5 days</p>	<p>25% of accumulated sick leave days up to a maximum of 60 days (240 accumulated sick days).</p>	<p>25% of sick leave up to a maximum of 70 days. (If a teacher has accumulated 210 days of unused sick leave, they will be entitled to 65 days of severance pay – Expires August 1, 2006).</p>	<p>Maximum of 65 days. 1 for every 3 days is paid out.</p>
<p>Personal days Received</p> <p>Notice required</p>	<p>3 days</p> <p>3 days written notice required</p>	<p>3 days</p> <p>5 days in advance</p>	<p>3 days</p> <p>Prior to using personal days. Teacher responsible for securing a substitute.</p>	<p>3 days</p> <p>As far in advance as possible.</p>

Association business leave	One instructional period each day (CFEA president only)	None	Association President only; half day each day per school year.	Teachers who are union officials get release time and subs take over their classes)
Sabbatical leave	One semester up to one academic year Teachers are limited to one sabbatical leave every 5 years. Note: No teacher has taken a sabbatical leave in the last 10 years.	One full semester, one full school year or for the last semester of one school year and the first semester of the following year. Individuals are limited to one sabbatical leave once every 5 years	Granted with partial compensation up to 1 full year with at least 5 years at the District.	Up to 1 full year with at least 5 years at the District.
Payment of employee's STRS contribution by district (see R3.5)	No	Yes	No	No.
Retirement Incentive (see R3.8)	Thirty percent (30%) of final year's salary if an employee retires after the end of the first school year having completed: (1) 30 years of service, at least ten (10) of which were in the Cuyahoga Falls CSD; or (2) Completed 20 or more years of service at age 60. Effective 2004-05, in addition to the provisions of 1 and 2 above, employees shall receive 20 percent of their final year's salary if they retire after the end of their 31 st year.	None	None stated ⁴	Yes, \$5,000 incentive for Early Notification (Employee has to notify District by February 1 st of their intent to retire.)
Cost of living increases each year of the contract	3.0% - 2003-04 3.15% - 2004-05 3.1% - 2005-06	0% - First year 2.5% - Second year 2.9% - Third year	2.9% - 2005-06 2.1% - 2006-07 2.0% - 2007-08	3% for each year of the contract.

Source: Cuyahoga Falls CSD and peer districts' certificated employees' negotiated agreements

¹ The 2003-06 Agreement was extended until August 27, 2007.

² The Association will encourage teachers eligible for an overload ISGI to decline an ISGI during the 2005-06 and 2006-07 school years.

³ During the course of the performance audit, the Board of Education negotiated with the certificated and Local 111 bargaining units to waive the attendance bonus provision for the next two school years (2005-06 and 2006-07).

⁴ When Board approved, either a cash payment to act as an incentive for an employee to retire or purchase of service credit to STRS/SERS for additional credit.

Table 3-4: Classified Contractual Agreement Comparison

	Cuyahoga Falls CSD Local 111 ¹ Local 100 ²	Boardman LSD	Lakewood CSD Local 134 Local 129	Stow-Munroe Falls CSD
Evaluations Required	Yes	Employees shall be evaluated as deemed necessary by their appropriate supervisor.	Yes At least once each of the first 3 years they are in a new position and once every 3rd year thereafter. Yes During first 90 day probationary period, new employees will be evaluated after 30, 60 & 90 calendar days. Thereafter, employees in the bargaining unit shall be evaluated once every third year.	Yes
Minimum Call-in hours (see R3.9)	Local 100: 3 hrs-Custodians & Maintenance 2 hrs - Bus drivers (Mon-Fri) 3 hrs - Bus drivers (Weekends) Local 111 - No Minimum	1 hour	Local 134 - 3 hours at time and a half. Local 129 - None	2 hours
Paid Vacation Accumulation (see R3.9)	1-5 yrs = 10 days 6-10 yrs = 15 days 11-15 yrs = 20 days 16+ yrs = 25 days	1-5 yrs = 10 days 6-10 yrs = 15 days 11-24 yrs = 20 days 25 + yrs = two (2) additional days of vacation may be granted.	After 1 yr of service = 11 days After 5 yrs = 17 days After 12 yrs = 23 days After 20 yrs = 25 days The same applies to Local 129 employees for years 1 - 12. Only difference: After 25 yrs = 25 days	Less than 1 yr. = .4166/month 1-5 years = 10 days 6 yrs = 11 days 7 yrs = 12 days 8 yrs = 13 days 9 yrs = 14 days 10 yrs = 15 days 11 yrs = 16 days 12 yrs = 17 days 13 yrs = 18 days 14 yrs = 19 days 15 yrs = 20 days 16 yrs = 21 days 17 yrs = 22 days 18 yrs = 23 days 19 yrs = 24 days 20 yrs >= 25 days

<p>Sick and personal Leave incentive (see R3.8)³</p>	<p>1st, 2nd, 3rd, 4th and 5th Grading Periods - \$100 each.</p> <p>Applicable to only those who achieve at least a 96% attendance level based on the number of work days in each grading period as set in the school calendar.</p> <p>Note: Status I employees shall receive full payment as reflected on the incentive schedule. Status II employees shall receive one-half of the above listed payments.</p> <p>Local 100 In 2003-04, status I employees with 0 absences - \$475 1 – 2 absences - \$375 3 absences - \$275 Status II employees shall receive three-fourths of the above listed payments.</p>	<p>Board will pay a bonus of 1 day's pay for non-use of all 3 personal days at each employee's regular contract daily rate. For the non-use of one or two personal days, the Board will add one half day for each day not used to the employee's accumulated sick leave.</p>	<p>Full-time classified employees have the following incentive for perfect attendance: 9 months = \$125 or 1 day off 10 months = \$150 or 1.5 days off 11 months = \$200 & 1 day off or 2 days off</p>	<p>0 sick or personal leave days used = 3 days per diem pay</p> <p>1-2 days of any combination (sick/personal leave days) used = 2 days per diem pay</p> <p>3 days of any combination used = 1 day per diem pay</p> <p>Personal Leave that was not used during the July 1st – June 30th period will be converted to sick leave on a 1:1 basis at the beginning of the next fiscal year. Personal Leave that has been converted to Sick Leave cannot be changed back to Personal Leave.</p>
<p>Maximum number of sick days accrued</p>	<p>1.25 days per month for a maximum of 15 days per year. Maximum accumulation shall be the employee's annual work days plus 120 days.</p> <p>1.25 days per month for a maximum of 15 days per year. Maximum accumulation of 400 days.</p>	<p>1.25 days per month for a maximum of 15 days per year. Maximum accumulation of 260 days.</p>	<p>Sick days are earned at the rate of 1.25 days per month for a maximum of 15 days per year. Maximum accumulation: 325 days in 2003 330 days in 2004 335 days in 2005</p>	<p>The total number of regular hours scheduled per day times 1.25 times 12 (months per year) for a maximum of 120 sick leave hours earned per year. The accrual of sick leave shall be unlimited.</p>
<p>Maximum number of sick days paid at retirement (see R3.8)</p>	<p>25% of sick leave up to a maximum of 51 days (204 accumulated sick days). Excess of 204 days is paid out at 10 % to a maximum of 325 days. Total maximum payout is 83.5 days</p>	<p>25% of accumulated sick leave days up to a maximum of 60 days.</p>	<p>25% of accumulated sick leave days up to a maximum of 70 days.</p>	<p>One day of pay for each 3 days of unused sick leave is paid out at retirement to a maximum of 183 days (61 days paid).</p>

Retirement incentive (see R3.8)	Status I employees receive 30% of their final year's salary if they retire within the first 12 months after they first become eligible to retire under SERS (30 years at any age; 25 or more years at age 55; or 5 or more years at the age of 60). Status II employees who retire under these conditions shall receive a 15% benefit.	None	Not Specified	None
Number of years required for severance Pay	10 years and meets or exceeds the age and/or service requirements of the appropriate retirement system.	10 years or more of service with the State, or any of its political subdivisions or any combination.	Not Specified	10 years and meets the age and/or service requirements of the retirement system.
Number of personal days	3 days per service year	3 days	5 days - 12 month employees 4 days - 9 and 10 month employees	3 days
Notice required	3 days written notice required Request must be made in advance, even in emergency situations.	3 day advance notice required	Local 134 - Within payroll period of return to work. Local 129 - Within 2 days after returning to work.	As much advance notice as possible. In case of emergency, oral notification in person, by telephone, or by other means is acceptable.
Number of holidays paid 12-month employees	12 holidays	10 holidays	10 holidays	12 holidays
9-11 month employees	11 holidays	7 holidays	7 holidays	11 holidays
Number of days to file a grievance	Within 10 days of the time the grievant knew or should have known of the occurrence. Within 15 days	Within 30 days	Within 30 days Within 20 days	A grievant has 5 working days to inform his/her supervisor. A grievance must be filed within 30 working days of knowledge by the Union of its occurrence or it no longer exists.

Labor-Management Committee (LMC)	Yes	Yes	Yes	Yes
Retirement Pick-up (see R3.5)	None	Employees covered under this agreement will receive a 0.7% pick-up with pick-up on the pick-up for the duration of this contract beginning July 1, 2004.	None	None
Cost of living increases each year of the contract	Effective 1/1/04 3% Effective 1/1/05 – 3.15% Effective 1/1/06 – 3.1% Eff. 1/1/07-6/30/07 – TBD Local 100 Effective 7/1/03 – 3% Effective 7/1/04 – 3.15% Effective 7/1/05 – 3.1%	Effective 7/1/03 0% Effective 7/1/04 – 2.5% Effective 7/1/05 – 2.9%	Effective 9/1/02 5.116% Effective 9/1/03 – 3.0% Effective 9/1/04 – 3.0%	3% for each year of the

Source: Cuyahoga Falls CSD and peer districts' classified employees' negotiated agreements

Note: For Districts with more than one Negotiated Agreement, the same article applies unless otherwise noted.

¹ Contract deadline between Cuyahoga Falls CSD and Local #111 was extended until December 31, 2007.

² Contract deadline between Cuyahoga Falls CSD and Local #100 was extended from August 27, 2006 to August 26, 2007.

³ During the course of the performance audit, the Board of Education negotiated with the certificated and Local 111 bargaining units to waive the attendance bonus provision for the next two school years (2005-06 and 2006-07).

Noteworthy Accomplishments

- **Cost Saving Measures:** The District reduced approximately 91 positions (6.5 administrators, 38.5 teaching, and 46 classified) and renegotiated several items with the collective bargaining units, including reductions in COLAs and changes to the health care plans. For instance, the District implemented the following changes to its healthcare plans:
 - Eliminating the traditional plan, effective April 1, 2006;
 - Increasing the PPO high option co-pay for an office visit to \$15; and
 - Increasing the employee co-pay for prescriptions in the PPO high option to \$10.00 for generic drugs.

- In addition, the Board of Education (BOE) negotiated with the certificated and Local 111 bargaining units to waive the attendance bonus provision for the next two school years (2005-06 and 2006-07).

- **Teacher Instructional Time:** Based on a review of teachers' actual schedules, the instructional time spent by Cuyahoga Falls CSD's high school and middle school teachers is higher than the peers.

Assessments Not Yielding Recommendations

- **Administrator Staffing:** CFCSO employs the second lowest number of central-based administrators per 1,000 ADM when compared to the peers. While CFCSO employs the second highest number of site-based administrators per 1,000 ADM, it employs the lowest number of site-based administrators per school building. As indicated in the **facilities** section, the District is making optimal use of current school buildings and there does not appear to be enough excess capacity at the remaining schools to allow for another building closure.
- **Special Education Staffing:** When combining the classifications of special education teachers and supplemental service special education teachers, and based on the number of special education students, Cuyahoga Falls CSD is 7.5 FTEs below minimum staffing requirements for special education outlined in OAC § 3301-51-09. 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. Furthermore, as of August 20, 2005, the District was using approximately 7.5 FTE individual small group instructors (ISGI) to assist special education in the regular classroom setting, as dictated under the IEP. When including ISGIs, the District meets the minimum special needs staffing requirements in OAC § 3301-51-09. However, the District should discuss the use of ISGIs with ODE to ensure they can be used to comply with the OAC staffing requirements.
- **Tutor/Small Group Instructors:** When combining remedial specialists and tutor/small group instructors, CFCSO employs a similar number of FTEs per 1,000 ADM (3.45) as Stow-Munroe Falls CSD and significantly fewer FTEs per 1,000 ADM when compared to Lakewood CSD (7.9). Additionally, when excluding staff devoted to special needs students and funded via grants, Cuyahoga Falls CSD employs fewer FTEs per 1,000 when compared to two of the three peer districts.
- **Attendants:** According to the District, this classification consists of special education attendants that are assigned to severely handicapped children as guided by an individual education program (IEP). While CFCSO employs significantly more attendants per 1,000 students, it employs significantly fewer teaching aide positions per 1,000 students when compared to the peers. When combining these two classifications to account for potential coding differences for staff assigned to assist regular and special needs students, the District employs 8.9 aide/attendant FTEs per 1,000 students. This is still slightly higher than the peer average of 9.1 aide/attendant FTEs per 1,000 students, which could be partially due to coding 7.0 FTE Title I teachers in the teaching aide category.

Moreover, the District's special education students comprise 16 percent of the District's total student population, which is similar to Lakewood CSD (15 percent) but much higher than Boardman LSD (9 percent) and Stow-Munroe Falls CSD (11 percent). In addition to IEP requirements, this could also contribute to the District's higher attendant staffing levels. Nevertheless, the District has included the possibility of reducing 10 special need attendant positions in its recovery plan for FY 2006-07.

- **Other Service Workers (Parking Attendants):** Cuyahoga Falls CSD employs two parking lot attendants, currently working three hours per day, five days a week (0.75 FTE). The peer districts either use security personnel or parking attendants to monitor parking lots for safety purposes. Because CFCSO does not have security personnel, using parking lot attendants is consistent with its peers.
- **Vocational Education Staffing:** Cuyahoga Falls CSD employs the second lowest number of vocational education FTEs per 1,000 ADM when compared to the peers (see **Table 3-2**). Furthermore, the District's vocational education expenditures per student are the second lowest when compared to the peers (see **financial systems**), and its State funding related to vocational education covers 97 percent of the vocational education expenditures.
- **Supplemental Teaching Positions:** Cuyahoga Falls CSD extracurricular expenditures per pupil are two percent lower than the peer average.
- **Certificated Salaries:** Cuyahoga Falls certificated salaries are lower than both the peer average and State average.
- **Vision and Life Insurance:** Cuyahoga Falls CSD does not provide vision coverage benefits, while peer districts provide this coverage. The District's life insurance premiums are similar to its peers and the SERB average, based on the cost per \$1,000 of coverage.

Recommendations

Staffing

R3.1 Given the District's financial situation, Cuyahoga Falls CSD should consider reducing 18 regular teaching FTEs, in addition to the 38.5 total teaching positions reduced by the District. This would result in total student to teacher and regular student to teacher ratios that are in line with two of the three peer districts. If the District does not implement the performance audit recommendations and other strategies to reduce costs, and/or does not achieve the projections in the forecast (see Table 2-16 in financial systems), it should consider reducing additional regular education staffing levels. Based on the current staffing levels, the District could reduce up to a total of 42 regular education teachers for a regular student to teacher ratio of 22:1. This would be below the class size restrictions for grades 2 to 5, and in-line with the class size restrictions for kindergarten and first grade (assuming class sizes are based on regular education students). This would also be below OAC § 3301-35-05 staffing requirements of at least one full-time equivalent teacher for every 25 regular education students. 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.

Additionally, implementing some of these reductions may be impacted by the class size restrictions in the certificated bargaining agreement, primarily if the District reduces regular education staffing levels close to State minimum standards. Therefore, the Superintendent should meet and discuss proposed staffing reductions with the District's legal counsel and the Association. This would fully ensure compliance with the certificated agreement, ensure that the District can implement these reductions without hiring additional ISGIs, and inform relevant stakeholders of the need for such reductions.

During future contract negotiations, the District should eliminate language within its collective bargaining agreement that forces it to increase tutor staffing when it exceeds class size limits. This will allow administrators to decide on the most effective use of available resources and how best to allocate teacher and tutor staffing levels within the District, in consideration of the current and projected financial condition.

OAC § 3301-35-05 mandates a district-wide maximum of 25 students in the regular student population per one full-time equivalent classroom teacher. While Cuyahoga Falls CSD's current staffing levels are below these standards, they are slightly higher than the peer and State averages. However, these staffing levels are impacted by minimum

staffing requirements established in the collective bargaining agreement. More specifically, as stipulated by the certificated bargaining agreement, average size for kindergarten and 1st grade shall not exceed 22 students per teacher without an ISGI for two hours per day, unless the teacher declines the ISGI. Additionally, 2nd through 5th grade shall not exceed 25 students per teacher without an ISGI for two hours per day, unless the teacher declines the ISGI. While 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.

While the District has established a memorandum of understanding with the Cuyahoga Falls Education Association, that encourages teachers to decline the use of an ISGI during the 2005-06 and 2006-07 schools years, this clause can create a significant cost to the District, and reduces management's ability to make staffing decisions. While the peers have class sizes stipulated for all grades in their contractual bargaining agreements, they do not have language requiring that tutors be added if class sizes are exceeded.

Table 3-5 compares Cuyahoga Falls CSD's regular education student-to-teacher ratios to the peers and State average. During the course of the audit, the District reduced 19.5 regular education FTEs. These reductions have been factored into the regular education staffing analysis.

Table 3-5 Regular Education Students per Teacher

	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow Munroe Falls CSD	Peer Average
Total Regular Education	229.90	236.11	261.31	239.07	245.50
Total ADM	5,153	4,887	6,392	5,831	5,703
Total Student per Teacher	22.4	20.7	24.5	24.4	23.2
Total Regular Education ADM	4,139	4,233	5,100	4,996	4,776
Regular Student per Teacher	18.00	17.93	19.52	20.90	19.46
Performance Standards Met	9	17	9	13	13
Performance Index Scores	87.6	97.8	87.6	92.7	92.7

Source: EMIS

Table 3-5 illustrates that Cuyahoga Falls CSD's total student and regular student to teacher ratios are both lower than two peers. Although the District has a relatively low student-to-teacher ratio, it met only nine performance standards, which is 31 percent lower than the peer average of 13 performance standards. Additionally, the District's performance index score was lower than two peers.

Given the District's financial condition (see **financial systems**), and absent additional revenue, it will need to identify additional cost reductions to achieve financial solvency in

future years. Therefore, if the District were to maintain overall and regular student-to-teacher ratios similar to Lakewood CSD, the peer with the next highest ratios, it could reduce 18.0 FTEs. However, if the regular education student-to-teacher ratio was increased to 22 to 1, Cuyahoga Falls CSD could reduce 42 FTEs.

Financial Implication: Based on the average salary of \$29,034 for regular education teachers at the lower end of the salary schedule, and benefits equal to 32.9 percent of salaries, the District could save approximately \$690,000 by reducing at least 18 FTE teachers. It could save approximately \$1,620,000 by reducing 42 FTEs.

R3.2 Although CFCSD's education service personnel staffing (ESP) levels are lower than the peers, the District should consider a reduction of up to 8.0 FTEs based on its financial condition. However, before the District makes any reductions, it should determine any impact on the attainment of its mission and goals as well as on direct instruction and student contact time.

Cuyahoga Falls CSD's ESP staffing is higher than OAC standards. **Table 3-6** compares the FY 2004-05 staffing levels and changes for FY 2005-06 for all ESP personnel at Cuyahoga Falls CSD and the peer districts.

Table 3-6: ESP Staffing Comparison ¹

Classification	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow Munroe Falls CSD	Peer Average
ESP Teacher	16.0	18.9	19.0	26.2	21.4
Counselor	9.0	11.0	13.7	11.0	11.9
Librarian / Media Specialist	4.0	3.0	7.0	5.3	5.1
Registered Nurse	0.0	2.0	4.0	0.0	3.0
Social Worker	0.0	1.0	4.1	0.0	2.6
Totals	29.0	35.9	47.8	42.4	42.1
Total ADM	5,153	4,887	6,392	5,831	5,703
ESP FTEs per 1,000 ADM	5.6	7.3	7.5	7.3	7.4
FY 2004-05 Regular Education ADM	4,139	4,233	5,100	4,995	4,776
ESP Staff per 1,000 Regular Education ADM	7.0	8.5	9.4	8.5	8.8

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 shown in **Table 3-6**, the District employs the lowest number of ESP staff per 1,000 total and regular education ADM when compared to the peers. However, Cuyahoga Falls CSD has 2.0 more ESP FTEs than the minimum standards identified in OAC § 3301-35-05 (A)(4) of 5.0 FTEs per 1,000 students in the regular student population. According to

OAC § 3301-35-05 (A)(4), ESP staff are required to be assigned to at least five of the eight areas that include the following: counselor, library media specialist, school nurse, visiting teacher, social worker, elementary art, music, and physical education. Approximately 50 percent of the District's ESP staff members are art, music and physical education teachers who have direct instructional contact with students throughout the day. Nevertheless, the District could reduce up to 8.0 ESP FTEs and still comply with OAC standards. By reducing ESP positions, especially in non-instructional areas such as counselors, and registered nurses, the District would improve its financial condition.

Financial Implication: Based on the average salary of \$40,827 for ESP teachers at the lowest salary levels and benefits equal to 32.9 percent of annual salaries, Cuyahoga Falls CSD could generate an estimated cost savings of approximately \$434,000 by reducing 8.0 FTEs from the ESP classification.

R3.3 Cuyahoga Falls CSD should consider reducing staffing by 4.0 FTEs within its clerical classification, by pooling and consolidating duties. To aid in reducing clerical positions, Cuyahoga Falls CSD should initiate efforts to implement an automated substitute calling system that will meet the District's needs. An automated substitute system will improve District operations by providing an efficient method of contacting qualified substitutes that will reduce the time spent by District personnel in obtaining substitutes. An automated substitute calling system will also provide the District with a convenient reporting system that will improve management's access to data. During the course of this performance audit, the Human Resources Director indicated that the District will be reviewing automated systems and will consider purchasing one that meets its needs.

Cuyahoga Falls CSD's clerical staffing levels are higher than peer districts. **Table 3-7** compares the staffing levels for all clerical personnel at Cuyahoga Falls CSD with the peers.

Table 3-7: Cuyahoga Falls CSD Clerical Staffing Level

	Cuyahoga Falls CSD	Boardman CSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average
Total Clerical Personnel¹	36.03	26.45	62.16	32.88	40.50
Total District Personnel²	502.26	524.35	747.64	586.36	619.45
Total District Personnel per Clerical Staff	13.94	19.83	12.03	17.83	15.30
Total ADM	5,153	4,887	6,392	5,831	5,703
Total Clerical Personnel Per 1,000 ADM	7.0	5.4	9.7	5.6	7.1
Number of School Buildings	9	7	14	9	10
School Building Clerical Staff	22.1	14.0	30.1	19.0	21.0
School Building Clerical Staff per School Building	2.5	2.0	2.2	2.1	2.1
School Building Clerical Staff per 1,000 ADM	4.3	2.9	4.7	3.3	3.7
District-Wide / Central-Based Clerical Staff per 1,000 ADM	2.7	2.5	5.0	2.4	3.4

Source: EMIS Staffing Report and Payroll Secretary

¹ Includes individuals classified as bookkeeping, accounting, clerical, records, messenger, and other office / clerical.

² Excludes clerical FTEs

Table 3-7 illustrates that the CFCSD clerical staff supports the second-lowest number of district personnel per FTE, and employs the second-highest number of clerical FTEs per 1,000 ADM, when compared to the peers. In addition, the District employs the highest number of school building clerical FTEs per building. Reducing 3.0 school building clerical FTEs would result in 2.1 FTEs per building, in line with the peers. In addition, reducing 1.0 central-based clerical FTE would decrease the number of central-based clerical staff per 1,000 ADM to 2.5, similar to Boardman CSD and Stow-Munroe Falls CSD. Furthermore, by reducing a total of 4.0 clerical FTEs, the number of District personnel per total clerical FTE would increase to 15.7, which would still be lower than Boardman CSD and Stow-Munroe Falls CSD. Likewise, the District would still employ more total clerical FTEs per 1,000 ADM (6.2) when compared to these two peers. Based on these staffing ratios, the District should be able to adequately support its student and staff population with 4.0 fewer clerical FTEs.

Currently, Cuyahoga Falls CSD has 1.0 FTE clerical staff in the HR Department devoted to retrieving and recording call-offs and scheduling substitute teachers. In addition, the clerk maintains all of the paperwork files related to substitute teachers, and ensures that leave is forwarded to the treasurer's office for accurate payroll records. In contrast, Stow-Munroe Falls CSD uses an automated substitute calling system which is a web and phone-based system that allows staff to record call-offs by phone, and automatically contacts a sub from a pre-established list of employees. The system also allows district

staff to enter all leave requests into the web system, and obtain supervisor approval online. Additionally, supervisors are able to print reports on leave usage as needed.

An automated calling system could enable the District to improve the efficiency of tracking absences and scheduling substitutes. One particular phone-based system allows a teacher to call and report an absence, leave, or a message for the substitute. The system then automatically chooses a substitute teacher from a pre-established list. According to the system's vendor, an automated phone-based substitute calling system offers several benefits, including the following:

- Eliminating the labor intensive task of calling substitutes manually;
- Linking teachers to preferred substitutes or substitute groups;
- Tracking all staff absences;
- Allowing individual substitutes to choose their own calling times;
- Printing a listing of absent teachers and arranged substitutes at each school each morning; and
- Prioritizing each school's substitute lists.

Implementing an automated substitute calling system would enable Cuyahoga Falls CSD to reduce paperwork, better track and record data for payroll purposes, help in reducing clerical staffing levels, and increase the overall efficiency of the HR Department.

Financial Implication: Cuyahoga Falls CSD could generate an estimated cost savings of approximately \$78,000 in salaries and benefits by reducing 4.0 FTEs from the clerical classification, based on the average of the lower-salaried clerical staff. The one-time cost of a phone and/or web-based system ranges from \$900 to \$2,000, while the annual costs range from \$300 to \$12,000 annually. The net cost savings would be approximately of \$64,000 the first year and \$66,000 annually thereafter, based on the higher range of costs mentioned above.

Salaries

R3.4 During future negotiations, Cuyahoga Falls CSD should restructure its step schedule for transportation, custodian, and teacher aide positions. Cuyahoga Falls CSD should also periodically review all salaries to determine the appropriateness of current salary schedules and make necessary adjustments.

Cuyahoga Falls CSD has higher average salaries when compared to the peers and the State average in the areas of administrators, technical, teacher aides, transportation, and custodians. Salaries for Cuyahoga Falls CSD certificated employees are a part of the bargaining union agreement which is effective until August 2006 and provides a cost of living adjustment (COLA) of 3.0 percent in FY 2003-04, 3.15 percent in FY 2004-05 and

3.1 percent in FY 2005-06. The classified contracts expire August 2007 and provide a 3.0 percent COLA for FY 2003-04 through FY 2005-06. However, in April 2005 the District signed a memorandum of understanding, with the three collective bargaining units, which reduces the COLA to 2 percent for FY 2005-06, and 1.1 percent for FY 2006-07. Additionally, the District is forecasting future COLAs of 2 percent annually (see **financial systems**). Also, as of August 2005, the District reduced certificated and classified staff, which has been accounted for in this salary analysis.

Table 3-8 compares the average salaries within each classification group at Cuyahoga Falls CSD with peer districts and state averages, and includes the effect of CFCSD and peer districts paying the employees' retirement contribution for the affected employees.

Table 3-8: Average Salary Comparison (as of August 2005)

	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average	State average
Administrators	\$72,597	\$69,529	\$79,936	\$62,168	\$70,544	\$67,353
Professional Education	\$43,952	\$50,700	\$54,493	\$50,095	\$51,763	\$48,724.
Professional Other	\$44,041	\$49,506	\$47,634	\$53,984	\$50,375	\$49,102
Technical	\$35,005	\$19,929	\$26,272	\$21,013	\$22,405	\$25,173
Office / Clerical	\$24,775	\$21,182	\$25,174	\$27,405	\$24,587	\$22,562
Crafts and Trades	\$35,016	\$36,251	\$46,102	\$33,878	\$38,744	\$38,316
Transportation	\$21,354	\$13,109	N/A	\$23,340	\$18,225	\$17,787
Custodians	\$37,390	\$24,630	\$42,895	\$31,740	\$33,088	\$29,941
Food Service	\$16,187	\$14,357	\$15,848	\$19,570	\$16,592	\$14,014
Service Other	\$13,954	\$16,432	\$21,614	\$20,665	\$19,570	\$20,989
Totals	\$39,309	\$39,074	\$47,281	\$42,587	\$42,981	\$40,373

Source: FY 2003-04 EMIS Staff Summary report for CFCSD and peer districts

Table 3-8 shows that the District's overall average salary is approximately 9 percent lower than the peer average and 3 percent lower than state averages. However, when comparing each classification's average salaries, CFCSD is higher than the peers and state average in the following areas:

- **Administrators:** CFCSD's average salary for administrators is three and eight percent higher than the peer and State averages, respectively (see **R3.5**).
- **Technical:** CFCSD's average salary for staff within the technical classification is 56 percent higher than the peer average and 40 percent higher than the State average. As the library technicians' beginning and ending salaries are lower than the peer average, this is driven by CFCSD coding a purchasing agent in this category.

- **Office/Clerical:** CFCSD's average salary for staff within the office/clerical classification is similar to the peer average and higher than the state average. However, teaching aides within this classifications have a higher average salary (19,581) compared to the peer (16,828) and state (17,443) averages. The higher salary is a result of the teaching aides' salary schedule being higher than the peer districts.
- **Transportation:** CFCSD's average salary for staff within the transportation classification is 17 percent higher than the peer average and 20 percent higher than the State average. This is due higher salary schedules for bus drivers.
- **Custodians:** CFCSD's average salary for staff within the custodian classification is 13 percent higher than the peer average, and 25 percent higher than the state average, due to higher salary schedules.

Table 3-9 compares the salary schedules for the custodians and teacher aides to the peers. Each of the peers has multiple salary schedules for their different custodian job classifications. Therefore, the starting and ending salary rates in **Table 3-9** represent an average of the multiple salary schedules for custodian positions similar across each district and that comprise the majority of the custodian staffing levels.

Table 3-9: FY 2005-06 Salary Schedules for Select Positions

	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average
Custodians					
Starting Salary	\$16.93 ¹	\$13.36	\$16.17 ²	\$13.58 ³	\$14.37
Maximum Step Salary	\$21.69	\$15.72	\$19.36 ²	\$19.63 ³	\$18.24
Year of Maximum Step	35	10	9	22	14
Teacher Aide					
Starting Salary	\$12.38 ⁴	\$9.44	\$11.48	\$11.84	\$10.92
Maximum Step Salary	\$17.15 ⁴	\$10.75	\$12.43	\$19.07	\$14.08
Year of Maximum Step	30	8	11	22	14

Source: Cuyahoga Falls CSD's and peer district's salary schedule

Note: Salary schedule analysis for transportation staff was completed in the **transportation** section.

¹ Of its 35.5 custodian FTEs, CFCSD employs 1.5 "general labor" FTEs. Effective July 1, 2005, the hourly rate for general labor employees is \$11.43. The Director of Business Affairs indicated that the custodian salary schedule starts with the general labor position. Including the general labor hourly rate decreases the average starting salary for custodians to \$15.33.

² Lakewood CSD's FY 2004-05 salary schedule is increased by 3 percent, which was the increase in base salary schedules for FY 2003-04 and FY 2004-05. The other districts' schedules are effective at the start of FY 2005-06.

³ Of its 38.5 custodian FTEs, Stow-Munroe CSD employs 1.5 "floater" FTEs. Effective July 1, 2005, the starting and ending hourly rates for floater employees are \$11.66 and \$17.87, respectively. Including the floater hourly rates decreases the average starting and ending hourly rates to \$12.94 and \$19.04, respectively.

⁴ CFCSD's most recent teacher aide salary schedule is effective as of January 1, 2005.

Table 3-9 shows that CFCSD has the highest starting and ending hourly rates for custodians, and the highest starting and second highest ending hourly rates for teacher aides. Additionally, as discussed in the **transportation** section, CFCSD exceeds the peer average median hourly wages in the collective bargaining agreements for bus drivers, special needs attendants, and mechanics. Furthermore, CFCSD has 10 steps in its transportation salary schedule. While this is equal to Stow-Munroe Falls CSD and the mechanics salary schedule at Boardman LSD, it is more than Plain LSD (4 steps), and the salary schedule for bus drivers and attendants at Boardman LSD (8 steps).

A financial implication cannot be determined for a revised pay schedule because it would likely impact only new employees, resulting in salary expenditure levels that do not immediately decrease. 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.

R3.5 The District should seek to address higher administrative salary levels by reducing the number of employees receiving the retirement payment benefit and/or eliminating or reducing the retirement payment benefit for all administrators. Doing so would still maintain equitable salary levels when compared to peer districts and the State average.

CFCSD provides additional retirement pickup for several employees above and beyond amounts contributed by other staff and as a result, is incurring additional expenses. Certificated and classified employees contribute 10 percent of their salary to State Teachers Retirement System (STRS) and State Employees Retirement System (SERS) respectively, with the District responsible for the other 14 percent. However, CFCSD pays a portion of the employee retirement contribution for administrative employees. More specifically, for directors, coordinators, principals and assistant principals the District pays 33 percent, and for the assistant superintendent the District pays 67 percent, of the normal employee retirement contribution. For the Superintendent and Treasurer, the District pays the full 10 percent employee contribution. Lakewood and Boardman pay the full employee retirement contribution for all administrators, while Stow-Munroe Falls CSD pays the full employee retirement contribution for the superintendent and treasurer.

While the District has frozen administrator salary levels, CFCSD has incurred additional expenses of \$88,000 for retirement pickups in FY 2004-2005, which increases the overall salary package for those positions. Furthermore, the average salaries for administrators is similar to Boardman CSD and higher than Stow-Munroe Falls CSD and the state average, even when excluding the retirement pickup benefit for CFCSD while still including the retirement pickup benefit for the peers.

Financial Implication: By eliminating payment of the employee share of retirement benefits, CFCSD would save approximately \$88,000 annually.

Health Care Costs

R3.6 Cuyahoga Falls CSD should negotiate to require all bargaining unit Status I employees, currently receiving full benefits, to pay 15 percent of the monthly health care and prescription premiums. Alternatively, CFCSD could negotiate a lower employee contribution for Status I employees (e.g., at least 10 percent) and increase the employee contribution rate for Status II employees to achieve cost savings that would help to eliminate its projected deficits (see financial systems).

District plan benefits, in general, appear similar to the peers. As a result, the District should also explore other healthcare providers or a consortium in an attempt to reduce monthly premium costs. However, Cuyahoga Falls CSD could also explore altering plan benefits to reduce costs, given its financial condition and especially if it is unsuccessful in negotiating employee contributions toward the premium costs.

Cuyahoga Falls CSD has three medical insurance plans from which employees can choose: Medical Mutual's Traditional plan, SuperMed Plus PPO High plan, or the PPO Low plan. CFCSD categorizes its employees into three groups:

- Status I – Single and family coverage fully paid by the Board. This group is defined as full-time employees who work 30 hours or more per week, 120 days or more per year;
- Status II – Board pays 75 percent of coverage costs. This group is defined as certificated employees who work 20 to 30 hours per week and classified employees who work 15 to 30 hours per week; and
- Status III – Coverage costs fully paid by the employee. This group for certificated staff is defined as all employees who perform as substitutes, casual labor, student labor, persons employed by contract with a third party, persons paid on a per-unit or performance basis, and all employees who work less than 20 hours per week. For classified staff, this group is defined as employees who work less than 15 hours per week.

Table 3-10 compares the FY 2004-05 health insurance monthly premiums at Cuyahoga Falls CSD to the peer districts and data compiled by the State Employment Relations Board (SERB).

Table 3-10: 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
Cuyahoga Falls CSD					
Traditional ¹	Medical Mutual	\$438.18	\$0	\$1,060.92	\$0
PPO High		\$396.67	\$0	\$960.52	\$0
PPO Low		\$351.48	\$0	\$851.13	\$0
Boardman LSD					
Traditional (Classified)	Mahoning County School Employees Insurance Consortium	\$524.75	\$75.04	\$1,269.87	\$196.42
Traditional (Certificated)		\$524.75	\$94.79	\$1,269.87	\$248.11
PPO (Classified)		\$449.71	\$0	\$1,085.88	\$12.43 ²
PPO (Certificated)		\$449.71	\$0	\$1,085.88	\$15.70 ²
Lakewood CSD					
	Medical Mutual Kaiser	\$322.28	\$0	\$805.71	\$40.29
		\$309.82 ³	\$0	\$774.56 ³	\$38.73
Stow-Munroe Falls CSD	Stark County Schools Council of Governments Health Care Consortium	\$315.35	\$5.98	\$766.01	\$13.75
Peer Average	N/A	\$413.77	\$58.60	\$1,008.25	\$80.78
2004 SERB School District Average (2,500-9,999 students)	N/A	\$333.69	\$20.41	\$910.27	\$64.22
SERB(Akron/Canton Regional Average)	N/A	\$337.97	\$19.90	\$902.96	\$55.18

Source: School districts, negotiated agreements and 2004 SERB Report

Note: Includes medical and prescription

¹ Traditional healthcare plan will be eliminated effective April 1, 2006.

² This represents the co-pay for prescription costs. There is no co-pay only for medical.

³ The same prescription insurance premiums applicable to Medical Mutual were included for the Kaiser plan to provide a more reliable comparison to CFCSD.

As shown in **Table 3-10**, CFCSD employees do not contribute toward their monthly healthcare insurance premiums. Employees of peer districts contribute approximately \$6 to \$95 for single coverage and approximately \$13 to \$248 for family coverage. In addition, SERB's 2004 report on healthcare costs found that for the public employers requiring employee healthcare contributions, the average employee contribution for single and family plans amounted to 11.8 and 12.3 percent of the monthly single and family premium costs, respectively. Furthermore, the District's healthcare monthly premiums for the PPO plans are lower than both the peer and SERB averages (with the exception of the family low PPO plan when compared to SERB).

Table 3-11 compares health care plan benefits at Cuyahoga Falls CSD to the peers.

Table 3-11: Key Medical Plan Benefits

	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD
Health Plan(s)	Medical Mutual Plans: <ul style="list-style-type: none"> • Traditional ¹ • PPO High • PPO Low 	Mahoning County School Employees Insurance Consortium	Medical Mutual (MM) and Kaiser	Stark County Schools Council of Governments Health Care Consortium Plan
Office Visits	Traditional: 80% after deductible PPO High: \$10 ² co-pay, then 100% PPO Low: \$15 co-pay, then 100%	100% after deductible No co-pays	MM: \$10 co-pay Kaiser: 100%, no co-pay	Network: 90% Non-Network: 80%
Prescription Plan	Prescription Cost / Mail Order Generic co-pay Traditional - \$3 / \$3 PPO High - \$5 / \$10 ³ PPO Low - \$10 / \$20 Brand Name co-pay Traditional ³ - \$10 / \$10 PPO High - \$10 / \$20 PPO Low - \$20 / \$40	\$7 co-pay Generic \$14 co-pay brand name formulary \$28 co-pay non-formulary Mandatory mail order for 90-day supply: \$20 co-pay Generic \$40 co-pay brand name formulary \$79 co-pay non-formulary	MM: Same co-pays for mail order prescriptions (90-day supply) \$5 co-pay generic \$10 co-pay preferred \$16 co-pay non-preferred Kaiser: No Prescription coverage	80% (Patient pays 20%) after \$100 deductible Mail Order: Yes
Employee Annual Deductible	Traditional - \$150S/\$300F PPO High: Network - \$150S/\$300F Non-Network - \$300S/\$600F PPO Low - \$300S/\$600F	Network - \$250S/\$500F Non-Network - \$500S/\$1,000F	MM: Network- N/A Non-Network- \$200S/\$400F Kaiser: N/A	Network: \$100S/\$200F Non-Network: \$200S/\$400F
Out of Pocket Maximum	Traditional - \$1000S/\$1000F PPO High: Network - \$500S/\$1000F Non-Network - \$1500S/\$3000F PPO Low: Network - \$1000S/\$2000F Non-Network - \$1500S/\$3000F	Network - \$500S/\$1,000F Non-Network - \$1,250S/\$2,500F	MM: Network: N/A Non-Network: \$500 (S & F) Kaiser: \$2500 per member \$6000 per family	Network: \$500S/\$1,000F Non-Network: \$1,000S/\$2,000F
Maternity	Traditional – 80% after deductible PPO High: Network - 90% after deductible Non-Network - 70% after deductible PPO Low: Network - 80% after deductible Non-Network - 60% after deductible	100% after deductible & coinsurance	MM: Network- 100% Non-Network- 100% after deductible Kaiser: 100%	Network: 90% Non-Network: 80%

Well Child Care	Traditional – 80% after deductible PPO High: Network - \$10 co-pay, then 100% Non-Network - 70% after deductible PPO Low: Network - \$15 co-pay, then 100% Non-Network - 60% after deductible	Network - 100% Non-Network - 100% after deductible & coinsurance. Usual and Customary	MM: \$10 co-pay, \$500 maximum per calendar yr. per covered person Kaiser: 100%	Network: 100% Non-Network: 80%
Inpatient Hospital Care	Traditional – 80% after deductible PPO High: Network - 90% after deductible Non-Network - 70% after deductible PPO Low: Network - 80% after deductible Non-Network - 60% after deductible	100% (Subject to deductible and coinsurance)	MM: Network- 100% Non-Network- 100% after \$200 inpatient deductible Kaiser: 100%	Network: 90% Non-Network: 80%
Maximum Lifetime Benefit Amount	Traditional - \$2,000,000 PPO High - \$2,000,000 PPO Low - \$2,000,000	\$2,000,000	MM: \$2,500,000 Kaiser: N/A	Network: Unlimited Non-Network: Unlimited

Source: Bargaining agreements for Cuyahoga Falls CSD and Peers.

¹ The Traditional healthcare plan will be eliminated effective April 1, 2006.

² The co-pay for office visits in PPO High Option will increase from \$10 to \$15 effective April 1, 2006.

³ Employee co-pay for prescriptions in PPO High will increase from \$5 for generic and \$10 for brand name to \$10 for both generic and brand name.

As indicated in **Table 3-11**, the levels of most benefits offered at CFCSD are comparable to the peer districts. While CFCSD’s traditional healthcare insurance prescription plan co-payments are less than those paid by employees of the peer districts, the plan will cease to exist on April 1, 2006. The co-pays in the PPO plans generally appear similar to the peers.

In an effort to address its financial condition, the District negotiated changes in the healthcare plans with the collective bargaining units, which include the following:

- The Traditional plan in the current collective bargaining agreement will be terminated effective April 1, 2006.
- The new PPO high option co-pay for an office visit will increase to \$15.00 per visit.

- The employee co-pay for prescriptions in the PPO high option will go to \$10.00 for generic drugs and \$10.00 for brand name drugs.

Based on the AOS recovery plan (see **Table 2-16** in financial systems) and assuming that the District maintains the current contribution rate for Status II employees, the District would need to negotiate a 15 percent employee contribution for Status I employees to achieve financial solvency in future years. This contribution rate would be higher than two peers and slightly higher than SERB's reported state-wide average of approximately 12 percent. However, a 15 percent employee contribution would be in-line with Boardman CSD's traditional plan for classified employees and still lower than Boardman CSD's traditional plan for certificated employees.

Financial Implication: If the District were to negotiate a 15 percent employee contribution toward monthly healthcare and prescription premiums for Status I employees, and assuming all employees currently enrolled in the traditional healthcare plan switch to the PPO High plan effective April 1, 2006, it would realize annual cost savings of approximately \$774,000.

R3.7 During future contract negotiations, the District should bargain to have employees pay a 15 percent contribution to dental insurance premiums, similar to health insurance. Additionally, the District should require employee annual deductibles.

The District currently pays 100 percent of the monthly premium for dental insurance coverage for all eligible employees (Status I employees) without requiring any employee contribution. Cuyahoga Falls CSD has a single dental insurance plan through MetLife insurance. Similar to medical insurance, once an employee has opted to enroll in the dental plan, they must remain in the plan until the next open enrollment period. **Table 3-12** compares dental premium costs for Cuyahoga Falls CSD to the peers and the SERB average.

Table 3-12: Dental Premiums

School District	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Cuyahoga Falls CSD	\$35.12	\$0.00	\$84.65	\$0.00
Boardman LSD				
Classified	\$31.57	\$0.00	\$75.05	\$4.35
Certificated	\$31.57		\$75.05	\$5.49
Lakewood CSD	\$29.85	\$0.00	\$81.39	\$4.07
Stow-Munroe Falls CSD	\$40.05	\$0.00	\$98.76	\$0.00
Peer Average	\$33.82	\$0.00	\$85.07	\$4.92
2004 SERB Average	\$34.87	N/A	\$66.11	N/A

Source: Cuyahoga Falls CSD, peer districts and SERB report

N/A= Not available

As illustrated in **Table 3-12**, Cuyahoga Falls CSD monthly premiums for single and family coverage are higher than two peers and the SERB average. This could be due to levels of coverage and benefits, which are shown in **Table 3-13**.

Table 3-13: Dental Benefit Comparisons

Description	Cuyahoga Falls CSD	Boardman LSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average
Annual Maximum Benefits per person	\$1,500	\$1,500	\$2,500	\$2,500	\$2,167
Lifetime Maximum for Orthodontic services per person	\$2,000	\$2,000	\$1,000	\$1,200	\$1,400
Annual Deductible					
Single	\$0	\$50	\$25	\$25	\$33
Family	\$0	\$100	\$50	\$75	\$75
Percentages for Dental Procedures:					
Preventative/Diagnostic	100%	100%	100%	100%	100%
Basic	80%	80%	80%	80%	80%
Major	70%	80%	80%	80%	80%
Orthodontia	70%	60%	60%	60%	60%

Source: CFCSD and Peers' Bargaining Agreements

Table 3-13 illustrates that while the District's lifetime maximum for orthodontic services per person is 43 percent higher than the peer average, its annual maximum benefits per person are 31 percent lower than the peer average. The percentage covered for preventative/diagnostic and basic dental procedures are the same as the peers. Although its coverage level for orthodontia is higher than the peers, its coverage level for major procedures is lower than the peers. However, Cuyahoga Falls CSD does not require a deductible, in contrast to each peer. The peers pay an average annual deductible of \$33 for single and \$75 for family. The lack of an employee annual deductible contributes to the District's higher dental premium costs in **Table 3-12**.

Financial Implication: If the District were to negotiate a 15 percent employee contribution towards monthly dental insurance premiums, potential annual cost savings would be approximately \$67,000 (121 single and 390 family plans). The District could achieve similar savings by negotiating a lower employee contribution but requiring an employee annual deductible.

*Collective Bargaining Units***R3.8 During future negotiations, Cuyahoga Falls CSD should consider reducing or eliminating the attendance bonus and retirement incentives it offers to certificated and classified employees. Additionally, the District should lower its maximum severance payout.**

According to the certificated and Local 100 classified collective bargaining agreements, staff who achieve at least a 96 percent attendance rate are entitled to \$100 in the first, second and third grading periods, and \$200 in the fourth grading period, which could result in a total payment of \$500 annually. Full-time employees covered by the Local 100 agreement receive a sick leave incentive of \$475 for zero absences, \$375 for 1-2 absences, and \$275 for three absences. The certificated and Local 100 classified agreement indicates that unused personal leave days are lost at the end of the year, while the Local 111 agreement allows unused personal leave days to be rolled-over to sick leave.

When compared to its peers, the District's attendance bonuses are generous. The Stow-Munroe Falls CSD certificated agreement has a \$400 incentive for no sick days used throughout the year, a \$200 incentive for one to two days used, and a \$150 incentive for three days used. On the other hand, both Boardman LSD and Lakewood CSD certificated agreements have no incentive for not using sick leave, although they allow staff to convert unused personal days to sick leave. Additionally, the peers' classified agreements provide a lower sick/personal leave incentive when compared to CFCSD. Specifically, Lakewood CSD provides a maximum incentive of \$200 for using 1 to 2 days; Boardman LSD provides a maximum incentive equal to one day's pay for non-use of all three personal days; and Stow-Munroe Falls CSD provides three days pay for no sick or personal leave days used. Based on the average custodian salary, Boardman LSD's and Stow-Munroe Falls CSD's incentive payments would equal approximately \$144 and \$431, respectively, which are both lower than CFCSD maximum annual payments. Furthermore, despite CFCSD offering attendance bonuses for its staff, the District is using a relatively high amount of sick leave (see **R3.10**). During the course of the performance audit, the Board of Education (BOE) negotiated with the certificated and Local 111 bargaining units to waive the attendance bonus provision for the next two school years (2005-06 and 2006-07).

Cuyahoga Falls CSD certificated and classified Status I employees receive 30 percent of their final year's salary as retirement incentive if they retire after the end of the school year having:

- Completed 30 years of service, at least 10 of which were in the Cuyahoga Falls District; or

- Completed 20 or more years of service at age 60.

Effective 2004-05, in addition to the above incentives, employees shall receive 20 percent of their final year's salary if they retire after the end of their 31st year. Status II classified employees receive 15 percent of their final year's salary as a retirement incentive. The District's levels of retirement incentives are high when compared to the peers. For certificated and classified staff, Boardman LSD does not provide a retirement incentive, while Lakewood CSD occasionally introduces a retirement incentive, when approved by the Board. Stow-Munroe Falls CSD has a \$5,000 retirement incentive called "Early Notification" in the certificated contract, although nothing is stated about a retirement incentive in the classified contract. By comparison, CFCSD's retirement incentive would be \$12,000 based on a salary of \$40,000 for a Status I employee. While offering a retirement incentive may encourage higher salaried staff to retire and be replaced by lower-salaried staff, offering relatively high retirement incentives increases the District's costs when compared to the peer districts. More specifically, the District could still encourage higher-salaried staff to retire by offering a lower retirement incentive, if necessary.

Lastly, the District's maximum severance payout of 83.5 days for all bargaining units is higher than each peer. The peers' maximum severance payouts range from 60 to 70 days. Therefore, coupled with offering a high retirement incentive, the District's total benefit for retirees is much higher than the peers.

As the District is forecasting an immaterial amount for attendance bonuses (\$1,000) and does not appear to be forecasting retirement incentives, a financial implication will not be included by AOS. Because future severance pay will depend upon which employees will retire and their related sick leave balances, the financial implication resulting from a reduction in the maximum severance payout could not be readily quantified. Furthermore, the District's forecast, beginning in FY 2006-07, is based on maintaining current staffing levels.

R3.9 During future contract negotiations, the District should consider reducing the minimum number of call-in hours paid to employees for emergencies, raising the number of years of service to attain 25 days of vacation, and reducing the number of paid holidays. By doing so, CFCSD will be more comparable to the peer districts, increase productivity, and potentially minimize future severance costs.

As shown in **Table 3-4**, CFCSD's classified employee contract is similar to the peer districts, except in the following areas and areas noted in **R3.8**:

- **Call- in hours:** Classified employees covered by the Local 100 agreement are entitled to a minimum number of three hours of compensation due to emergency

call-ins. Although this is similar to classified staff in Lakewood CSD's Local 134 agreement, it is higher than Stow Munroe-Falls CSD (2) and Boardman LSD (1).

- **Vacation:** CFCSO classified employees' receive 25 vacation days after 16 years of service, while the peers receive 25 vacation days at 20 or 25 years of service.
- **Sick leave accumulation.** The Local 100 contract states that an employee's sick days can accrue to a maximum of 400 days. While Stow-Munroe Falls CSD has no limit on accrual, this is much higher than Boardman LSD (260) and Lakewood CSD (335). The Local 111 contract states that the maximum number of sick days accrued shall be the employee's annual work days plus 120 days. Assuming 260 days for a full-time employee, this would result in a maximum of 380 days.
- **Holidays:** CFCSO provides 12 and 11 paid holidays for full-time and 9-11 month employees, respectively. While this is equal to Stow-Munroe Falls CSD, it is higher than Boardman LSD (10 and 7 days) and Lakewood CSD (10 and 7 days).

Sick Leave Use

R3.10 Cuyahoga Falls CSD should strive to reduce the amount of sick leave used by its employees by developing a policy and/or negotiating language in the collective bargaining agreements that addresses employee sick leave misuse and abuse 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/she may be subject to discipline. 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 a physician's statement for extended absences, similar to the classified contract. However, CFCSO should consider reducing the number of consecutive days of absence that would require a physician's statement. Lastly, CFCSO should consider following the American Society for Public Administration's (ASPA) suggestions to effectively manage sick leave abuse.

If the District successfully reduced sick leave use, 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 use by 20 hours per FTE would bring the District in line with the state average of 54 hours per year, as reported by the Ohio Department of Administrative Services (ODAS).

Even though the District offers a relatively generous sick leave incentive (see **R3.8**), CFCSD's FY 2004-05 average sick leave use per FTE of 74 hours was higher than the ODAS average of approximately 54 sick leave hours reported for FY 2003-04 and FY 2002-03. The ODAS sick leave average includes 8 unions in the State. Currently, CFCSD contracts do not have guidelines and policies that include "patterns of abuse." Although the District has numerous policies for various activities, it does not have a formal policy for sick leave misuse and abuse. CFCSD's certificated contract states "falsification of a Sick Leave Statement is grounds for suspension or termination of employment under ORC Section 3319.16". However, CFCSD's certificated contract does not address sick leave abuse. In addition, the certificated contract does not mention any procedures for the use of sick leave or require certificated employees to file sick leave statements justifying the use of sick leave time. However, Lakewood CSD addresses the misuse of sick leave days in its certificated, classified, and support staff bargaining agreements, and establishes the following disciplinary steps for sick leave abuse, up to and including dismissal by the superintendent:

- First day: reduce pay for day misused plus one day suspension without compensation.
- Second day: reduce pay for day misused plus a suspension, without compensation, not to exceed five (5) days.
- Third day: reduce pay for day misused plus it shall be the grounds for termination of contract.

CFCSD classified employees are required to notify the Superintendent, Director of Business, or designee as far in advance as possible before using a sick day. Also, a statement from the attending physician, if consultation with a physician has been required, or a statement signed by the employee, must be filed with the administering officer or Director of Business not later than the end of the next succeeding pay period. In addition, if an employee has been absent for ten (10) or more consecutive days, the employee must file a physician's statement with the Director of Business certifying that the employee is able to return to work. Stow-Munroe Falls CSD requires a physician's statement if an employee has been absent for five (5) consecutive workdays.

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. ASPA also reports that according to CCH Inc, a company that produces electronic and print products for various markets, including human resources, unscheduled absenteeism can cost up to an average of \$602 per employee, per year. This excludes indirect costs such as overtime pay for other employees, hiring of temporary staff, missed deadlines, sinking morale, and lower productivity. Indirect costs can add up to 25 percent to the 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, recommend counseling or refer them 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.
- Documenting everything to learn from past mistakes.

Financial Implication: Using high amounts of sick leave days by employees can result in decreased productivity and increased substitute costs. CFCSO paid \$942,000 in FY 2003-04 and is forecasted by the Local Government Services Section of AOS to pay \$928,000 in FY 2004-05 in substitute costs. Reducing sick leave hours used by an average of 20 hours per employee, or 37 percent, would enable CFCSO to match the state average. Based on the 37 percent reduction in hours and the average substitute costs over FY 2003-04 and FY 2004-05, the District could save approximately \$346,000 in substitute costs.

Financial Implications Summary

The following tables are summaries of estimated implementation costs and annual cost savings. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of those recommendations subject to negotiation would require agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings	Estimated Implementation Cost (One-time)	Estimated Implementation Costs (Annual)
R3.1 Reduce 18 FTE regular education teachers	\$690,000		
R3.2 Reduce up to 8 FTE educational service personnel	\$434,000		
R3.3 Reduce 4 FTE clerical personnel	\$78,000		
R3.3 Purchase Substitute Calling System		\$2,000	\$12,000
Total	\$1,202,000	\$2,000	\$12,000

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings
R3.5 Reduce additional retirement pick-up	\$88,000
R3.6 Establish a 15% employee healthcare contribution	\$774,000
R3.7 Establish a 15% employee contribution to dental insurance	\$67,000
F3.10 Reduce sick leave usage thereby reducing substitute costs	\$346,000
Total	\$1,275,000

Facilities

Background

This section of the performance audit focuses on Cuyahoga Falls City School District's (CFCS or the District) custodial, maintenance and building operations. The objective is to analyze these areas and develop recommendations for operational improvements and expenditure reductions. The District's operations are evaluated against best practice and operational standards from the American Schools and University (AS&U) *Maintenance & Operations Cost Study*, the National Center for Educational Statistics (NCES) and peer school districts. The peer districts include Boardman City School District (Boardman CSD), Lakewood City School District (Lakewood CSD), and Stow-Munroe Falls City School District (Stow-Munroe Falls CSD).

Organizational Structure and Function

During FY 2004-05, CFCS consisted of 11 school buildings: seven elementary schools, three middle schools, and one high school. However, the District closed Sill Middle School and Newbury Elementary School prior to the start of FY 2005-06 in response to its current financial condition. The District is leasing space in two previously closed buildings, Bode and Schnee Elementary Schools, and provides cleaning and some maintenance services for these buildings. The District also operates a bus garage/warehouse. The Custodial/Maintenance Supervisor is responsible for oversight of all custodial and maintenance employees servicing these facilities.

Staffing

The custodial staff is essentially responsible for cleaning the buildings. The maintenance staff performs maintenance, repairs, and related tasks in one or more related crafts, such as plumbing, heating, painting, carpentry, electrical work, and grounds keeping. **Table 4-1** illustrates the custodial and maintenance staffing levels for FY 2004-05, and the number of full-time equivalents (FTEs) for FY 2005-06, as of September 7, 2005.

Table 4-1: Staffing Levels for FY 2004-05 and FY 2005-06

Classification	FY 2004-05 Employees	FY 2004-05 FTEs	FY 2005-06 FTEs As of 9/7/2005
Custodial/Maintenance Supervisor	1.0	1.0	1.0
Total Administration	1.0	1.0	1.0
Head Custodian (IV)	1.0	1.0	1.0
Custodian III	3.0	3.0	2.0
Custodian II	8.0	8.0	7.0
Custodian I	11.0	11.0	9.0
Cleaner	17.0 ¹	17.0 ¹	15.0 ¹
General Laborer	3.0 ²	1.5 ³	1.5
Student Helpers	3.0	1.5	0.0
Total Custodian	46.0	43.0	35.5
Maintenance II	2.0	2.0	2.0
Maintenance I	3.0	3.0	3.0
Utility	4.0	4.0 ⁴	4.0
Warehouse	1.0	1.0 ⁵	1.0
Total Maintenance	10.0	10.0	10.0
Total FTE	56.0	53.0	45.5

Source: CFCSD payroll and staffing reports

¹ Includes one open cleaner position

² Includes one open general laborer position (0.5 FTE)

³ Includes three positions at .5 FTE each (one position is open)

⁴ One utility person spends 50 percent of time delivering supplies for the warehouse person. Also, utilities staff performs some grounds keeping duties.

⁵ Warehouse person spends 10 percent of her time ordering and delivering supplies.

As shown in **Table 4-1**, the District had 53 FTEs performing custodial and maintenance duties in FY 2004-05. However, in FY 2005-06, the District reduced 7.5 custodial FTEs, including the use of student helpers, through attrition due to its financial condition. In the area of maintenance, the District employs two skilled positions; an electrician and a plumber. Furthermore, one warehouse person is responsible for purchasing and distributing supplies to each school in the District. The maintenance FTEs for CFCSD remained constant from FY 2004-05 to FY 2005-06.

Key Statistics

Key statistics related to the maintenance and operation (M&O) of CFCSD for FY 2004-05 and FY 2005-06 are presented in **Table 4-2**. The District developed a financial recovery plan to address its financial condition for FYs 2004-05 and 2005-06, after being designated by the Ohio Department of Education (ODE) to be in a state of “fiscal caution” and subsequently being placed in “fiscal watch” by the Auditor of State. As a result, CFCSD closed two schools prior to the start of FY 2005-06, one elementary school and one middle school, and reduced 6.0 custodial FTEs. In addition, the District reduced 1.5 student helper FTEs. These changes are reflected in the key statistics in **Table 4-2** for FY 2005-06.

Results from the 34th Annual American School and University (AS&U) Maintenance and Operations Cost Study, which was released in April 2005, are included in **Table 4-2** and throughout the facilities section. AS&U conducted a detailed survey of chief business officials at the nation's public school districts asking them to document their M&O costs, including salary/payroll, labor, utilities, gas, electricity, trash collection/disposal, supplies, and other costs, as well as various maintenance practices. Furthermore, the AS&U report tracked total square footage responsibilities (workload) for both maintenance and custodial staff in each public school district. The National Center for Education Statistics' (NCES) standard for square footage per custodian is also presented in **Table 4-2**. NCES publishes the *Planning Guide for Maintaining School Facilities* which is a collaborative effort with the Association of School Business Officials (ASBO) and the National Forum on Educational Statistics. According to NCES, the *Planning Guide* is designed for staff at the local school district level, where most facility maintenance is planned, managed and carried out. Lastly, **Table 4-2** includes facility staffing and square footage data from the three peer school districts, as well as facility expenditures per square foot.

Table 4-2: Key Statistics and Indicators

	FY 2004-05	FY 2005-06
Number of School Buildings	14	14
Elementary School	7	6
Middle School	3	2
High School	1	1
Other	3 ¹	5 ²
Total Feet Maintained	1,014,393	943,509
Elementary School	321,872	280,844
Middle School	248,579	177,695
High School	362,000	362,000
Other	81,942 ³	122,970 ^{3,4}
Square Feet Per FTE Custodial Staff Member (43.0) & (35.5)⁵	23,591	26,578
Elementary School (16.5) & (11.5)	19,507	24,421
Middle School (10.0) & (7.0)	24,858	25,385
High School (13.0) Both years	27,846	27,846
Other (2.0) & (4.0)	40,971	30,743
AS&U 34th Cost Study for >3500 Students Median	20,311	
AS&U 34th Cost Study National Median	25,444	
National Center for Education Statistics (NCES)⁶	28,000 – 31,000	
Peer Average	23,138	
Square Feet per Maintenance Staff Members (8.5⁷)	119,340	111,001
AS&U 34th Cost Study for >3500 Students Median	85,572	
AS&U 34th Cost Study National Median	87,931	
Peer Average	120,318	
FY2003-04 Maintenance & Operations Expenditures per Square Foot		5.30
Custodial and Maintenance		2.93
Utilities		0.88
Purchased Services, Supplies/Materials & Capital Outlay		1.49
AS&U 34th Cost Study for >3500 Students Median		4.29
AS&U 34th Cost Study National Median		3.84
Peer Average		5.45

Source: AS&U 34th Annual M&O Study; NCES, Cuyahoga Falls CSD and peer information requests

¹ Other includes, Bode, Schnee and Grant

² Other includes Sill, Newbury, Bode, Grant, and Schnee

³ Includes Bode and Schnee, and excludes Grant because the District does not clean nor maintain this building.

⁴ Includes Newbury Elementary because it has been leased and the District will be responsible for cleaning and maintaining the building. Sill Middle School is excluded because the sale or future use of this building is pending.

⁵ Includes student helpers and vacant positions. Student helpers are not included within the school breakdowns as they were used in all facilities.

⁶ National Center for Education Statistics (NCES) *Planning Guide for Maintaining School Facilities* (2003) Level 3 cleaning standard (the normal standard for most school facilities) of 28,000 to 31,000 square feet per custodian.

⁷ Does not include warehouse person (1.0 FTE) and 0.5 FTE for the utility person to account for time delivering supplies instead of maintaining buildings. In addition, CFCSD and peers maintenance staff perform grounds keeping duties.

As shown in **Table 4-2**, the closing of two schools and reduction in custodial staff resulted in a 13 percent increase in the number of square feet per custodial FTE for FY 2005-06. As a result, CFCSD's square footage per custodial FTE is higher than the AS&U median and the peer average, but below the range identified by NCES. While CFCSD's square footage per maintenance FTE is lower than the peer average, it is significantly higher than the AS&U median. Additionally, the District's expenditures per square foot in FY 2003-04 were lower than the peer average, but higher than the AS&U median (see **Table 4-3** for a detailed comparison).

Financial Data

Table 4-3 presents a two year summary of actual expenditures for all funds reported in the 2700 function code of the Uniform School Accounting System (USAS), as well as the budget for FY 2004-05. The 2700 function code contains M&O costs for the various buildings within the school district. During the course of this performance audit, the District's actual expenditures for FY 2004-05 became available, including those pertaining to M&O. See the **financial systems** section for the District's actual FY 2004-05 expenditures.

Table 4-3: Total Expenditures

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2002-03 to FY 2003-04 Percent Change	FY 2004-05 Budgeted	FY 2003-04 to FY 2004-05 Percent Change
Salaries and Leave	\$1,930,095	\$2,209,863	14.5%	\$2,038,071	(7.8%)
Benefits	\$821,154	\$790,553	(3.7%)	\$610,418	(22.8%)
Utilities	\$746,485	\$899,915	20.6%	\$1,077,707	19.8%
Purchased Services	(\$634,376)	\$1,205,299	290.0%	\$1,524,742	26.5%
Supplies and Materials	\$1,581,258	\$177,057	(88.8%)	\$206,382	16.6%
Capital Outlay	\$209,614	\$36,116	(82.8%)	\$44,500	23.2%
Other	\$50	\$102,902	205703.9%	\$82,371	(20.0%)
Total	\$4,654,280	\$5,421,705	16.5%	\$5,584,192	3.0%

Source: Cuyahoga Falls CSD 2700 BUDWORK report

As shown in **Table 4-3**, the District experienced significant annual fluctuations in all categories, which is partially due to prior miscoding of expenses in some line items and not fully applying expenses to the appropriate years. This is particularly evident in the purchased services, and supplies and material line items. More specifically, approximately \$1.4 million in repair and maintenance costs were coded to supplies and materials in the FY 2002-03 District-wide reported expenditures, rather than to purchased services. Additionally, utility expenditures for FY 2003-04 reflect only 10 months of utility bills. See the **financial systems** for further discussion of coding problems. Salaries and leave increased 14.5 percent in FY 2003-04, primarily due to wage increases. Salary and leave expenditures were budgeted to decrease in FY 2004-05 due to the suspension of all overtime and the reduction in staffing, which is also

reflected in a reduction in benefits. Furthermore, purchased services includes the scheduled repairs and capital improvements forecasted in the *Cuyahoga Falls City Schools School Facility Study*, beginning in FY 2003-04.

Table 4-4 compares CFCSD General Fund expenditures per square foot for FY 2003-04 to the peers.

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

	CFCSD	Boardman CSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average	34 th Annual AS&U Median >3500 Students
Salaries and Benefits	\$2.96	\$3.14	\$2.95	\$3.33	\$3.14	\$2.39
Purchased Services	\$1.12	\$0.48	\$0.75	\$0.53	\$0.59	\$0.14
Utilities	\$0.87	\$1.16	\$1.11	\$1.65	\$1.31	\$1.37
Supplies/Materials	\$0.17	\$ 0.26	\$0.27	\$0.37	\$0.30	\$0.25
Capital Outlay	\$0.04	\$0.07	\$0.06	\$0.10	\$0.08	N/A
Other	\$0.10	\$0.00	\$0.00	\$0.01	\$0.00	\$0.14
Total General Fund Expenditures per Square Foot	\$5.26	\$5.11	\$5.14	\$5.99	\$5.41	\$4.29

Source: Cuyahoga Falls CSD and peer 2700 BUDWORK reports

N/A= not available

Based on total General Fund expenditures in **Table 4-4**, CFCSD spent more per square foot than two of the three peers, but less than the peer average in FY 2003-04. In addition, the District's General Fund expenditures per square foot were 23 percent higher when compared to AS&U. The higher General Fund expenditures per square foot are primarily due to high purchased service costs, which are attributed to the repairs and capital improvements scheduled and subsequently completed in the *Facility Study*. According to the Director of Business Affairs, the District spends approximately \$300,000 annually for regular repairs and maintenance. This appears reasonable because the *Facility Study* projects approximately \$930,000 each year in capital improvements and repairs beginning in FY 2003-04, and the District spent approximately \$1.2 million in total purchased services in FY 2003-04. According to the Director of Business Affairs, the District has appropriations of \$356,000 in repairs and maintenance for FY 2005-06. As a result, the District appears to have ceased spending on the projects in the *Facility Study* due to its financial condition. Nevertheless, purchasing a computerized work order system (see **R4.2**), implementing a formal preventative maintenance (PM) program (see **R4.3**), and developing a comprehensive facility master plan (see **R4.4**) could help the District effectively plan, control and manage its purchased service expenditures.

Table 4-5 compares FY 2003-04 CFCS D expenditures per square foot to the peers for all funds.

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

	CFCS D	Boardman CSD	Lakewood CSD	Stow-Munroe Falls CSD	Peer Average	34 th Annual AS&U Median >3500 Students
Salaries and Benefits	\$ 2.96	\$ 3.14	\$ 2.95	\$ 3.33	\$ 3.14	\$2.39
Purchased Services	\$ 1.19	\$ 0.48	\$ 0.81	\$ 0.53	\$ 0.61	\$0.14
Utilities	\$ 0.89	\$ 1.16	\$ 1.11	\$ 1.65	\$ 1.31	\$1.37
Supplies/Materials	\$ 0.17	\$ 0.26	\$ 0.27	\$ 0.37	\$ 0.30	\$0.25
Capital Outlay	\$ 0.04	\$ 0.07	\$ 0.08	\$ 0.12	\$ 0.09	N/A
Other	\$ 0.10	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00	\$0.14
Total Expenditures per Square Foot	\$ 5.34	\$ 5.11	\$ 5.22	\$ 6.01	\$ 5.45	\$ 4.29

Source: Cuyahoga Falls CSD and peer 2700 BUDWORK

N/A= not available

Similar to **Table 4-4**, **Table 4-5** shows that the District's total expenditures per square foot were higher than two peers and the AS&U median for school districts with less than 3,500 students, mainly due to the higher purchased service expenditures per square foot.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the District's facility operations:

- Building Capacity and Utilization:** As previously stated, the District closed Sill Middle School and Newbury Elementary School prior to the start of FY 2005-06 in response to its current financial condition. Using the suggested methodology for establishing capacity from *Defining Capacity* by DeJong and Associates, the Auditor of States' Office (AOS) determined that the overall building utilization rate for the District is 88 percent. This accounts for the two school closures and is based on the District's enrollment and floor plans. Additionally, there does not appear to be enough excess capacity at the remaining schools to allow for another building closure. Furthermore, the District's enrollment is projected to remain fairly constant through 2012, increasing by only 1.2 percent from FY 2005-06 to FY 2011-12. When compared to actual enrollment, the District's prior enrollment projections appear reliable. More specifically, the variances between the actual and projected enrollment for both FY 2003-04 and FY 2004-05 were less than one percent.

- **Supplies and Materials:** The District's supply and material expenditures per square foot in FY 2003-04 were lower than each peer and the AS&U median. Additionally, although the District budgeted a 16.6 percent increase in supplies and materials for FY 2004-05, the budgeted expenditures per square foot are still lower than each peer and the AS&U median. According to the Director of Business Affairs, the low cost in supplies and materials is due to bulk purchasing.
- **Utility Costs:** CFCSD utility costs per square foot are well below the peer and AS&U median, partially due to the District only paying for 10 months of utility bills in FY 2003-04. When including the full utility costs for FY 2003-04, the District's utility costs per square foot increases to \$1.06, which is still lower than each peer and AS&U median. According to the District, the City of Cuyahoga Falls supplies electricity, sewer and water to the District. However, the City of Cuyahoga Falls only charges the District for sewer, and the electricity rates are lower than other local providers in the area. Also, the Director of Business Affairs indicated that the District has realized significant savings through brokered natural gas purchasing. Furthermore, the District has implemented a centralized environmental control and monitoring system as part of an energy efficiency initiative to help control utility costs.

Assessments Not Yielding Recommendations

During the course of this audit, several areas were reviewed that yielded no recommendations. These areas are highlighted below:

- **Maintenance Staffing:** Although CFCSD maintains slightly fewer square feet per maintenance FTE when compared to the peer average, the District maintains 28 percent more square feet per maintenance FTE when compared to the AS&U median. If the District decides to lease and maintain Sill Middle School, the square footage per maintenance FTE would increase to 119,340, closer to the peer average of approximately 120,000 square feet per maintenance FTE. Additionally, when excluding purchased services related to capital improvements scheduled in the *Facility Study*, the District's purchased service expenditures per square foot are \$0.30. Considering that this is 51 percent lower than the peer average, CFCSD is not contracting for routine maintenance services at the same level as the peers. This could contribute to the District's slightly lower square footage per maintenance FTE, assuming that the majority of the peers' purchased services expenditures are for routine maintenance services and not for capital improvements. Furthermore, the District's current maintenance staffing levels should enable CFCSD to develop and carry-out an effective preventative maintenance program (see R4.3).
- **Building Leases:** In general, the District's lease agreements include fees commensurate with the use and maintenance of the buildings. Where appropriate, the District includes

provisions for the additional cost of staff and utilities based on building use by the tenants. By projecting expenditures for FY 2004-05 based on actual expenditures as of March 7, 2005, the District's General Fund operating costs related to the two closed buildings (Schnee and Bode) were offset by the General Fund lease and rental revenues. The District has entered into lease agreements with the County Educational Service Center (ESC) and a private school for Newberry Elementary beginning in FY 2005-06. These agreements will result in at least \$78,000 in additional revenues for the District, which offsets the staffing costs for cleaning and maintenance. In addition, the District has signed a preliminary agreement with a developer to sponsor a community/conversion school and has leased space to SprintCom Incorporated as an antenna placement site.

As the future use of Sill Middle School is being considered, CFCSO needs to determine whether selling or leasing this building will be more cost-effective and manageable for the District. Overall, CFCSO should continue to evaluate its educational needs against its capacity and operational expense to determine the most effective use for its closed buildings.

- **Overtime:** Cuyahoga Falls CSD's overtime, as a percentage of total salary costs, was 7.6 percent in FY 2003-04, which was higher than the peer average of 4.6 percent. According to the Director of Business Affairs, as of January 1, 2005, all overtime was prohibited, except for weekend building checks. This contributed to reducing overtime to 6.2 percent of salaries in FY 2004-05. At the end of FY 2004-05, the District took additional steps to reduce overtime. Specifically, the District negotiated with the collective bargaining unit to reduce weekend building checks and suspend the one hour of overtime offered to affected custodians when building activities exceeded 10 per week. As the strict controls over overtime were taken during FY 2004-05 and the changes in the collective bargaining agreement became effective at the beginning of FY 2005-06, the District should realize the full annual impact of these actions in FY 2005-06.

Recommendations

Custodian Staffing

- R4.1** Based on NCES guidelines, and given the District's financial condition, it should consider eliminating the vacant cleaner position (1.0 FTE). If the District decides to sell and not clean or maintain Sill Middle School, it should consider reducing a total of 3.0 FTE custodians (1.0 FTE vacant position and 2.0 FTE filled positions). Alternatively, if the District decides to clean and maintain Sill Middle School via lease agreements, it should ensure that the related staffing and operational costs are offset by charging the appropriate fees and maximizing the use of the facility.

Table 4-2 shows that CFCSD's custodians clean an average of 26,578 square feet per FTE, after accounting for the staffing reductions in FY 2005-06. This is higher than the peer average of 23,138, AS&U national median of 25,444, and AS&U median for districts with more than 3,500 students of 20,311. However, it is lower than Lakewood CSD (31,122) and the normal cleaning guidelines for school facilities published in NCES' *Planning Guide for Maintaining School Facilities* of 28,000 to 31,000 square feet per custodian. Assuming that the District will clean and maintain Sill Middle School, it could eliminate the open cleaner position (1.0 FTE) to operate with a total of 34.5 custodial FTEs, thereby operating within the range of NCES' square footage guidelines (29,403). However, if the District will not be responsible for cleaning or maintaining Sill Middle School, it could reduce an additional 2.0 currently filled FTE custodians to fall within the lower range of NCES' square footage guidelines (29,031). On the other hand, if the District decides to lease Sill Middle School and provide custodial and maintenance services, it could generate additional revenues to offset the associated staffing and operational costs.

Financial Implication: Based on the entry-level salary for a cleaner, the District would avoid approximately \$35,000 in salaries and benefits by not filling the vacant cleaner position. However, since the District's five-year forecast is based on current staffing levels, this cost avoidance will not be included in the AOS recovery plan (see **financial systems**). Assuming that the District either leases or sells Sill Middle School, it could realize a net financial benefit of approximately \$70,000 annually. This is based on the average salary and benefits of current staff at the lower-end of the District's pay-scale and assumes staffing reductions or charge-backs equivalent to 2.0 FTEs.

Work Order Systems

R4.2 At a minimum, the District should consistently track labor and supply costs within its current work order tracking system. However, the District should consider purchasing a work order software system to more efficiently manage work requests and provide the information necessary to manage and plan for the District's preventive and daily maintenance needs. Tracking labor and supply costs would ensure that related costs are accurately captured per building and activity. If building leases are handled through the work order system, this would also help capture all applicable charges in lease agreements. Furthermore, tracking the labor costs and hours could help measure staff performance.

CFCSD's Custodial/Maintenance Supervisor developed a tracking system using spreadsheets that include the following fields: the date submitted; work order number; building; description of work; priority; employee assigned; date assigned; and completion date. Work orders are entered into the spreadsheet once they are submitted and approved. The work order is assigned based on priority and availability of staff, and monitored throughout its life cycle. While the District's work order process effectively tracks the status of work orders, labor and supply costs are not consistently tracked. Without a comprehensive work order system that routinely identifies supply and labor costs for each job, the District cannot fully determine the yearly cost related to the work orders by building or activity, and cannot adequately gauge the productivity and performance of assigned personnel.

The *Planning Guide for Maintaining School Facilities* states that work order systems, both manual and automated, should account for the date the request was received and approved, job priority, completion dates, staff assigned, and the cost of supplies and labor. A basic work order system can be a manual, paper-based, tracking tool. More complex, but perhaps more efficient systems, are computerized and manage work requests to meet the basic information needs of the district. A computerized maintenance management system (CMMS) should:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to track work order progress through completion;
- Allow the requesting party to provide feedback on the quality and timeliness of the work; and
- Allow labor and parts costs to be captured on a per building or per task basis.

According to the *Planning Guide*, a CMMS is necessary when staff members are responsible for managing more than 500,000 square feet of facilities.

Financial Implication: Although the actual cost will depend on the features and warranties of the various software programs, the District could expect to pay approximately \$3,000 annually for a CMMS, based on costs obtained for two different work order software packages.

Preventive Maintenance

R4.3 In conjunction with the purchase of a computerized work order system, the District should also implement a formal preventive maintenance (PM) program that addresses all routine, cyclical and planned building maintenance functions. The implementation of a formal PM program will help the District anticipate needed facility and equipment repairs and replacements. This could, in turn, potentially minimize costs in the long-term. In addition, the improved record keeping associated with an electronic work order system and the development of formal budget procedures (see district-wide processes section) will help in formalizing the preventive maintenance program and make future preventative maintenance costs more predictable.

Cuyahoga Falls CSD does not have a formal PM schedule, although the maintenance supervisor creates daily maintenance schedules. Records of work orders completed and maintenance performed are maintained in spreadsheets. Work order requests determine the maintenance tasks to complete. Once prioritized by the maintenance supervisor, work order requests are assigned to the maintenance staff based on priority and staff availability. However, staff has indicated that maintenance is largely performed after breakdowns.

According to the *Planning Guide for Maintaining School Facilities*, “A good maintenance program is built on a foundation of preventive maintenance.” In addition, the guide warns that continual emergency repairs will cost more in the long term than a PM program. An effective PM plan will help prevent sudden and unexpected equipment failures, and inhibit the accumulation of damage and repair tasks. The *Planning Guide* also indicates that ideally, preventative maintenance scheduling is handled by a CMMS (see **R4.2**). According to the *Planning Guide*, effective facilities maintenance 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.

The absence of formal budgeting procedures (see **district-wide processes** section) and a formal preventative maintenance program could prevent the District from effectively

maintaining its capital and equipment, and avoiding unexpected equipment failures and significant long-term repair costs.

Facility and Capital Improvement Planning

R4.4 Cuyahoga Falls CSD should develop a comprehensive facility master plan through the following methods:

- **Updating the *School Facility Study* to reflect the repairs that have been completed, newly identified repair needs, and funding needs and sources to assist in forecasting;**
- **Updating its enrollment projections to reflect changes in demographics, community growth, housing trends, economic growth, and competition from other educational institutions; and**
- **Updating the building capacities where necessary and using updated enrollment projections to periodically measure building utilization rates.**

The facility master plan should also include a formal preventive maintenance plan to support capital improvement planning and replacement decisions (see R4.3). The District should work with a cross-section of school personnel, parents, students, and community members to update these items and develop a comprehensive facility master plan to reflect CFCSD's overall goals and objectives.

CFCSD has developed reports which are components of a master plan that include the following:

- *Cuyahoga Falls City School District Enrollment Projections* completed by DeJong and Associates, Inc. in 2002; and
- *Cuyahoga Falls City Schools School Facility Study* completed in 2003.

Both of these reports need to be updated, but contain projections relevant to the current period. While the enrollment projections appear reliable, they were developed in 2002 and have not been updated even though the number of students leaving the District via open enrollment has been steadily increasing (see **financial systems** for open enrollment). The *School Facility Study* functions as the District's capital improvement plan and identifies capital improvement projects for each of the District's school buildings with a timeline for completion of each project. However, the District does not identify funding sources for each improvement. The timelines within the *School Facility Study* ranges from FY 2003-04 through FY 2007-08 with anticipated capital costs of \$4.6

million. Some of the capital projects have been completed. However, the Director of Business Affairs states that because of the District's financial condition, most projects are on hold.

CFCSD's short-term planning is outlined within the *Financial Recovery Plan* and the *School Consolidation Report Cost Analysis 2004-2005*, in an effort to reduce current deficits. The short-term plan includes the closing of two schools. Without an up-to-date master plan that encompasses a formal preventative maintenance program, however, the District may have difficulty determining the appropriate level of funding to ensure preventive maintenance and capital improvement needs are met. Furthermore, the District could have difficulty determining whether leasing and maintaining vacant schools is more cost-effective than selling them and reducing the exposure related to maintaining an aging infrastructure.

Creating a Successful Facility Master Plan by Dr. William DeJong and Carolyn Staskiewicz, states that a facility master plan is a district-wide plan for a school district's facilities. The plan should clearly state what buildings are going to be kept, which should be discontinued, which are going to be renovated, and what new buildings are going to be built. There needs to be an opportunity for the community to come together to determine how educational facilities can be an impetus for change. It requires the collaboration of educators, administrators, policy makers, community members and facility experts. In addition, the plan should include the following:

- Historical and projected student enrollment figures;
- Demographic profile of the community/school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Educational programs;
- Academic achievement; and
- Financial and tax information.

Also, according to the *Planning Guide for Maintaining Schools Facilities*, the master plan should be developed on a foundation of sound data and community input. It should be a road map for addressing the district's facility needs. The desired educational program should be the driving force behind the planning process. As a road map, the facility master plan should specify the projects that have been identified, the timing and sequencing of the projects, their estimated cost, and funding. A district-wide facility master plan is typically a 10-year plan that is an important factor in determining and securing financing; and providing the macro-scope of projects. A facility master plan should be updated periodically to incorporate improvements that have been made, changes in demographics or other educational directions.

Having a comprehensive facility master plan ensures that goals and objectives for district facilities are carried out; allows improvement proposals to be tested against a set of policies; and schedules public improvements that require more than one year to construct. It also provides an opportunity for long-range financial planning and management, and offers an opportunity for school personnel, parents, students, and community members to participate in decision making that contributes to better overall management of the District.

Financial Implications Summary

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

Financial Implications Summary

Recommendation	Estimated Annual Cost Savings	Estimated Annual Implementation Costs
R4.1 Reduce custodian positions if Sill Middle School is sold, or charge back staffing and operational costs if Sill Middle School is leased	\$70,000	
R4.2 Purchase a computerized work order system		\$3,000
Total	\$70,000	\$3,000

Transportation

Background

This section of the performance audit analyzes the Cuyahoga Falls City School District's (CFCSD or the District) transportation operations. In addition to comparing CFCSD's transportation operations to the peers originally selected for this performance audit (Boardman LSD, Plain LSD and Stow-Munroe Falls CSD – Group A peers), certain aspects of the District's transportation services are also compared to Barberton CSD, Coventry LSD and Mogadore LSD (Group B peers). The Group A peers serve significantly more riders over more square miles and with significantly larger bus fleets than CFCSD. With this in mind, the Group B peers were selected as additional peers on the basis of their square mileage and the size of their bus fleets. Additionally, in order to compare operations and costs more locally, the Group B peers are comprised entirely of school districts within Summit County.

According to the Ohio Department of Education (ODE), pupil transportation services must be provided to students in grades K-8 who live more than two miles from their school. Unlike the Cuyahoga Falls City School District, many school districts also transport high school students and students who live closer than two miles from their school, but these services are optional and at the discretion of the District. As stipulated by CFCSD's Board of Education (the Board), the District's policy is to provide pupil transportation services to students in grades K-5 who reside one or more miles from school, and to students in grades 6-8 who reside 1.75 or more miles from school. A number of hazards exist which, pursuant to OAC 3301-83-20(I), have resulted in the District transporting students above recognized State minimum standards. According to the Transportation Supervisor, these hazards include heavy traffic volume, four-lane highways, river crossing, narrow roads lacking sidewalks, overpasses and underpasses, as well as railroad crossings.

Table 5-1 compares regular and special needs riders transported by CFCSD and the peers.

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

	Cuyahoga Falls CSD	Boardman LSD	Plain LSD	Stow-Munroe Falls CSD	Peer Average
Fall Enrollment (K-12)	5,329	4,865	6,126	5,988	5,660
Type-I Active Buses	18	59	52	56	56
Type-I Regular Needs	1,249	5,127	6,314	4,209	5,217
• Public Riders	686	4,497	5,430	3,789	4,572
• Non-Public Riders	560	630	884	402	639
• Community School Riders	3	0	0	18	6
Type-I Special Needs	203	84	29	74	62
Total Type-I Riders	1,452	5,211	6,343	4,283	5,279
• Per Active Bus	80.7	88.3	122.0	76.5	94.3
• As a Percentage of Enrollment	27.2%	107.1%	103.5%	71.5%	93.3%
• Public and Special Needs Riders as a Percentage of Enrollment	16.7%	94.2%	89.1%	64.5%	81.9%
Payment-in-Lieu Riders	58	9	63	84	52

Source: District T-1 and T-2 Forms and the Ohio Department of Education

As indicated in **Table 5-1**, CFCSD provided Type-I pupil transportation services to 1,249 regular needs and 203 special needs riders in FY 2003-04. Type-I services pertain to those provided on District-owned yellow buses and comprise the majority of transportation-related costs for which school districts are reimbursed by ODE. While the District significantly exceeds the peer average in special needs riders (and accompanying expenditures in **Table 5-2**), it falls well below the peer average in both the total and public/special riders as a percentage of enrollment. This can be attributed to CFCSD's policy that excludes transporting high school students and students in grades 6-8 who reside less than 1.75 miles from their assigned school. Additionally, CFCSD has more school buildings and public sites than two peers, while its square mileage is much smaller than each peer (see **Table 5-2** and the **facilities** section). Therefore, a higher percentage of CFCSD's students may live within one mile of their assigned school. Since CFCSD's policy precludes transportation of these students, with the exception of those affected by adverse safety conditions, this could further contribute to the lower percentage of enrollment being transported by the District.

In FY 2003-04, CFCSD spent approximately \$1,112,500 providing Type-I pupil transportation services (see **Table 5-2**). The District spent an additional \$41,836 for non-Type-I services, including those contracted with other districts (\$1,970), provided on public transit and/or taxis (\$4,565), offered as payment-in-lieu of transportation (\$7,224), provided on Board-owned vehicles other than yellow buses (\$465) as well as in privately owned vehicles (\$27,612). Of CFCSD's \$1,154,303 in total transportation expenditures, nearly 70 percent (\$764,616) was reimbursed by the Ohio Department of Education (ODE).

Operational Statistics

Table 5-2 summarizes key FY 2003-04 Type-I operating statistics and ratios for CFCSD and the peers.

Table 5-2: Key Operating Statistics & Ratios

	Cuyahoga Falls CSD	Boardman LSD	Plain LSD	Stow-Munroe Falls CSD	Peer Average
District Square Miles	8.0	25.0	30.0	22.0	25.7
RIDERS TRANSPORTED					
Regular Needs	1,249	5,127	6,314	4,209	5,217
Special Needs	203	84	29	74	62
Total	1,452	5,211	6,343	4,283	5,279
ANNUAL MILES TRAVELED					
Regular Needs ¹	95,220	507,960	718,380	472,860	566,400
Special Needs ¹	79,380	64,620	44,460	103,320	70,800
Non-Routine	52,996	70,188	88,612	56,122	71,641
Total	227,596	642,768	851,452	632,302	708,841
SITES & BUS TYPES					
Public Sites	17	7	17	9	11
Non-Public Sites	13	11	12	20	14
Active Buses	18	59	52	56	56
Spare Buses	3	12	11	15	13
TYPE-I SERVICE EXPENDITURES					
Regular Needs	\$573,661	\$1,835,360	\$1,919,852	\$2,259,606	\$2,004,939
Special Needs	\$538,806	\$193,070	\$206,203	\$448,521	\$282,597
Total	\$1,112,467	\$2,028,430	\$2,126,055	\$2,708,127	\$2,287,536
STATE REIMBURSEMENTS					
Regular Needs	\$537,974	\$1,044,825	\$1,431,063	\$762,082	\$1,079,323
Special Needs	\$226,642	\$92,894	\$79,619	\$162,712	\$111,742
Total	\$764,616	\$1,137,719	\$1,510,682	\$924,794	\$1,191,065
% of Expenditures	68.7%	56.1%	71.1%	34.1%	52.1%
TYPE-I OPERATING RATIOS					
Regular Needs					
Cost per Student	\$459	\$358	\$304	\$537	\$384
Cost per Mile	\$6.02	\$3.61	\$2.67	\$4.78	\$3.54
Cost per Bus ²	\$27,317	\$25,850	\$30,474	\$31,825	\$29,057
Students per Active Bus	69	87	121	75	93
Special Needs					
Cost per Student	\$2,654	\$2,298	\$7,110	\$6,061	\$4,558

Source: CFCSD and the peers, as well as the Ohio Department of Education

Note 1: Type-I services include transportation provided on district-owned yellow buses.

¹ Calculated by multiplying reported daily miles by 180 school days.

² Includes spare buses because these contribute to overall operating costs.

Table 5-2 shows that CFCSD's regular needs expenditures per student and mile are considerably higher than the peer averages. This is partially due to over-reporting expenditures (see **R5.1**), and to CFCSD transporting the lowest number of students per active bus (see **R5.2**). Although CFCSD is approximately one-third the size of the peers, it transports 26 percent fewer students per bus when compared to the peer average. This is further supported by a detailed review of the District's expenditures by category, which reveals that its personnel expenditures per Type-I rider, bus and mile are higher than the peers. The higher personnel expenditures per bus and mile are also attributed to CFCSD exceeding the peer average median hourly wages negotiated in the collective bargaining agreements for classified transportation positions (e.g., bus drivers, special needs monitors, and mechanics). Furthermore, CFCSD has 10 steps in its transportation salary schedule. While this is equal to Stow-Munroe Falls CSD and the mechanics salary schedule at Boardman LSD, it is more than Plain LSD (4 steps), and the salary schedule for bus drivers and monitors at Boardman LSD (8 steps). This contributes to the higher median salaries at CFCSD. See the **human resources** section of this performance audit for a detailed assessment of District-wide salaries.

Table 5-2 also shows that CFCSD operates six active buses per spare bus, which is higher than the peer average of 4.3 active buses per spare bus. Although potentially affected by over-reporting expenditures (see **R5.1**), CFCSD's reimbursement percentage is the second-highest when compared to the peers. Furthermore, CFCSD's special needs costs per student are significantly lower than the peer average.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the District's transportation operations:

- **Data Reporting:** The District took action to rectify its reporting problems in FY 2004-05. As a result, it has better data to help manage its transportation operations and identify potential efficiency improvements.
- **Special Needs Transportation:** CFCSD is transporting twice the number of Type-I riders per special needs bus when compared to the peer averages (see **Table 5-3B**). As a result, CFCSD's total special needs transportation expenditures per student are approximately 45 percent lower than both peer averages. Additionally, the District's special needs monitor salaries per student are 64 and 39 percent lower than Group A and B averages, respectively. CFCSD's *Model Procedures*, and accompanying practices for IEP-development comply with Ohio Administrative Code (OAC) 3301-51-10. Along with the riders per special needs bus and expenditure ratios, this is a further indication that the District is providing transportation services to special needs riders in an effective and efficient manner.

- **Payment-in-lieu of Transportation:** According to ODE, transportation services must be provided to community (i.e., charter) school students and non-public school students on the same basis that it is provided to public school students. However, as stipulated in Ohio Revised Code (ORC) § 3327.01, a district's board of education is not required to provide transportation where it is impractical to do so by school conveyance (i.e., district-owned yellow buses). Once a determination of impracticality has been made, the board must offer payment-in-lieu of transportation to the pupil's parent/guardian [ORC § 3327.02(C)].

CFCSO's payment-in-lieu of transportation expenditures fell below the Group A peer average, in total and per payment-in-lieu of rider. Additionally, CFCSO's payment-in-lieu of transportation riders as a percentage of non-public/community school riders is the second highest (10.3 percent) when compared to the Group A peers, and higher than the Group A peer average (8.1 percent). When compared to the Group B peer average, CFCSO has more payment-in-lieu of transportation riders at nearly the same cost per rider. Therefore, the District is using payment-in-lieu of transportation as an efficient and effective alternative to providing transportation.

Assessments not Yielding Recommendations

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

- **State Reimbursements:** CFCSO receives nearly \$0.70 for every dollar it spends providing Type-I pupil transportation services, which can be attributed, in part, to the District transporting significantly fewer students over a smaller jurisdiction and with a smaller fleet. This reimbursement percentage significantly exceeds the peer average. However, the District over-reported T-1 ridership and expenditures (see **R5.1**). As a result, CFCSO's reimbursement as a percentage of total expenditures is likely to change as these errors are corrected.
- **Contractually-Guaranteed Minimum Work Hours:** Similar to Boardman LSD and Stow-Munroe Falls CSD, CFCSO bus drivers are contractually guaranteed a minimum of two hours pay per run. In addition, unlike the peers, the District specifically stipulates within the collective bargaining agreement that employees may be required to work the entire two hours. This contract provision is in line with peers and enables CFCSO to effectively maximize employee productivity.
- **Maintenance and Repairs:** CFCSO's total maintenance and repair expenditures (including mechanics' salaries) per bus and mile exceed the Group A peer average. However, this is partially due to the District including non-routine expenditures in its T-

forms. When including the non-routine miles to be consistent with the inclusion of non-routine expenditures, the District's total expenditures per mile decreases to \$0.59, which is still higher than two peers. This appears to be due to the higher median hourly wage for mechanics at CFCSD (see **human resources**). Furthermore, when compared to the Group B peers, CFCSD's total maintenance and repair expenditures (including mechanics' salaries) per bus and per mile are the second lowest, and 18.5 percent and 52.5 percent lower than the Group B peer averages, respectively.

- **Bus Insurance:** The large variance in fleet size has resulted in the District paying more for bus insurance than the Group A peers. When compared to districts in Summit County with fleet sizes more similar to CFCSD, the District's bus insurance expenditures are in line. In addition, in FY 2004-05, bus insurance expenditures were reported at \$18,000, approximately 37 percent less than the previous year. Similar to Mogadore CSD and Stow-Munroe Falls CSD, the District has been a member of the Ohio Schools Council (the Council) – a jointly-governed organization established under ORC Chapter 167 in 1986 – for about 10 years. The Council negotiates on behalf of its members and other not-for-profit entities to contract for property, fleet and casualty insurance, supplies, books, buses, natural gas, and electrical energy.
- **State Minimum Standards and District Policy:** As stated previously, the District's policy is to provide pupil transportation services to students in grades K-5 who reside one or more miles from school, and to students in grades 6-8 who reside 1.75 or more miles from school. A number of hazards exist which, pursuant to OAC 3301-83-20(I), has resulted in the District transporting students above recognized State minimum standards. Specifically, these hazards include heavy traffic volume, overpasses and underpasses, as well as railroad crossings. However, the number transported above State minimum standards is offset, in part, by the fact that the District does not transport high school students or students in grades 6-8 who live less than 1.75 miles from their assigned school. Consequently, the District already transports a significantly lower percentage of its students when compared to peers (see **Table 5-1**). It should also be noted that the District receives a higher percentage of State reimbursement when compared to peers. However, this may be attributed to misreported ridership and expenditure data (see **R5.1**).
- **Spare Buses:** The District operates with a lower percentage of spares when compared to Group A and B peers in FY 2003-04. In FY 2004-05, however, the District operated with a higher percentage of spare buses when compared to the Group A average, but a similar percentage when compared to the Group B peer average (see **Table 5-3A**). Assuming CFCSD reduces the size of its fleet by 2 active buses from FY 2005-06 levels (see **R5.2**) and based on the number of spares used for FY 2005-06 as provided by the Director of Business Affairs, its percentage of spare buses would increase to 15 percent. This is in-line with the Group A peers, and lower than the Group B peers and ODE's benchmark of approximately 1 in 4 buses being typically reserved as a spare.

Recommendations

Data Reporting

- R5.1 CFCSD should establish formal standard operating procedures (SOPs) for filling out District T-forms. This will help to ensure that reports are accurate, comply with ODE instructions, and are completed in a timely manner. Moreover, formal SOPs will help to ensure that the District receives the appropriate level of State reimbursement.**

The District indicates that it does not follow formal standard operating procedures (SOPs) for completing T-forms. Rather, an informal process exists whereby the Transportation Supervisor works collaboratively with the treasurer and the director of business affairs to compile and submit the information to the Ohio Department of Education (ODE). During field work, the District indicated that it overstated both ridership (T-1 Form) and transportation-related expenditures (T-2 Form). Specifically, the District indicates that it included students who are eligible to receive Type-I pupil transportation service, rather than those who actually receive service, as instructed by ODE. Moreover, CFCSD reported expenditures related to the provision of non-routine transportation services, which are non-reimbursable and should, therefore, not be reported. As a result, CFCSD's ridership levels and expenditures are overstated.

CFCSD's over-reporting of transportation data on its T-forms is illustrated by the large discrepancy between the expenditures reported in the T-2 forms and the transportation expenditures reported in the uniform school accounting system (USAS). More specifically, the District's reported expenditures in USAS are 22 percent lower than the expenditures reported on the T-2 forms for FY 2003-04. In contrast, the peer average transportation expenditures reported in USAS are only 4 percent higher than those reported on the T-2 forms.

The District recently revised its T-2 Form for FY 2004-05 to exclude non-routine related expenditures. As a result, FY 2004-05 data will also be used, where possible and necessary, in assessing the District's transportation operations. Nevertheless, without formal SOPs that detail the process for completing, reviewing, and submitting T-forms, the District cannot effectively ensure the accuracy of its data and risks submitting incorrect information, which can potentially affect reimbursement amounts or skew State reimbursement formulas.

Fleet Size

R5.2 In order to bring Type-I (regular needs) ridership levels more in line with Group A and Group B peers, CFCSD should eliminate 2 of its older, higher-mileage active buses by staggering its bell schedules and using its routing software to optimize routing efficiency. Accordingly, the District should reduce 2 regular bus driver positions. In addition to reducing personnel and variable expenditures such as bus insurance, eliminating 2 buses from the fleet would enable CFCSD to avoid future bus replacement costs (see R5.3). Along with taking measures to reduce sick leave usage (see human resources), reducing two buses could also help reduce the use of substitutes.

Although the District uses routing software to generate routing sheets and maps, CFCSD is transporting a low number of students per bus, which contributes to its high transportation cost per rider. **Table 5-3A** compares CFCSD's fleet size, staffing, and related ratios to the Group A and Group B peer averages.

Table 5-3A: Overall Bus Fleet and Staffing Comparison

	Cuyahoga Falls CSD		Group A Peer Average	Group B Peer Average
	FY 2003-04	FY 2004-05 ¹	FY 2004-05	FY 2004-05
Regular Bus Drivers	18.0	18.0	59.3	13.7
Type-I Expenditures	\$1,112,467 ²	\$980,090 ¹	\$2,514,200	\$549,367
Buses	21	22	67	17
• Active	18	18	57	14
• Spare	3	4	10	3
Type-I Riders	1,452 ²	876	5,236	1,070
Type-I Expenditures per Rider	\$766	\$1,119	\$480	\$513
Type-I Riders per Active Bus	80.7	48.7	91.9	76.4
Spare Buses as a Percentage of Fleet Size	14.3%	18.2%	14.9%	17.6%
Regular Driver Per Active Bus	1.0	1.0	1.0	1.0

Source: Ohio Department of Education

¹ CFCSD recently revised its T-2 Form for FY 2004-05 to exclude non-reimbursable expenditures.

² Due to T-Form reporting errors in FY 2003-04, CFCSD's Type-I expenditures and ridership figures are overstated.

During FY 2004-05, CFCSD transported 876 Type-I riders on 18 active buses (48.7 riders per active bus), a total ridership decrease of almost 40 percent over the previous fiscal year. This is partially due to over-stating ridership for FY 2003-04 (see R5.1). As shown in **Table 5-3A**, CFCSD transports significantly fewer Type-I riders on its active buses, compared to both the Group A and B peer averages. As a result, the District's Type-I expenditures per rider double the Group A and B peer averages for FY 2004-05.

Similar to Group A and Group B peer averages, CFCSD employs 1 regular bus driver per active bus.

In order to analyze CFCSD's fleet size in more detail, and in consideration of the District's relatively high number of special needs riders, **Table 5-3B** compares CFCSD's Type-I ridership separately on regular and special needs buses to the peers.

Table 5-3B: Regular and Special Needs Bus Fleet Comparison

FY 2004-05	Cuyahoga Falls CSD	Group A Peer Average	Group B Peer Average
REGULAR NEEDS FLEET SIZE			
Active Regular Needs Buses	11	52	12
Type-I Riders on Regular Needs Buses	684	5,173	1,048
Type-I Riders per Active Regular Bus	62.2	99.5	87.3
SPECIAL NEEDS FLEET SIZE			
Active Special Needs Buses ¹	7 ²	4.7	1.7
Type-I Riders on Special Needs Buses ³	192	63.0	21.3
Type-I Riders per Active Special Needs Bus	27.4	13.4	12.5

Source: Ohio Department of Education

¹ Includes buses with a special needs ridership exceeding 50 percent of the total ridership in FY 2004-05.

² Includes one special needs bus with no reported riders on the FY 2004-05 T-form.

³ While the majority of these students are special needs riders, CFCSD, Plain LSD, Stow-Munroe Falls CSD, Coventry LSD and Mogadore LSD transported 20, 4, 13, 6 and 2 regular needs riders on these buses, respectively.

Table 5-3B shows that CFCSD is transporting twice the number of Type-I riders per special needs bus when compared to the peer average, contributing to its lower special needs costs per student (see *Noteworthy Accomplishments*). However, the District is transporting 37 percent fewer Type-I riders per active regular needs bus. Consequently, CFCSD's total Type-I expenditures per rider (see **Table 5-3A**) and regular needs expenditures per rider (see **Table 5-2**) are significantly higher than the peers. In short, the ratios in **Tables 5-3A** and **5-3B** indicate the potential to eliminate regular needs buses.

Because bell schedules impact the number of runs and the ability to maximize riders per bus, **Table 5-4** compares CFCSD's bell schedules to the Group A peers. As indicated in **Tables 5-3A** and **5-3B**, the Group A peers transport more riders per bus than the Group B peers.

Table 5-4: Bell Schedules for CFCSD and Peers

	Cuyahoga Falls CSD		Boardman LSD		Plain LSD		Stow-Munroe Falls CSD	
	Sites	Times	Sites	Times	Sites	Times	Sites	Times
Elementary	6	8:35-3:00	2 1 1	7:45-2:10 7:50-2:08 8:00-2:10	3 3	8:30-2:30 9:30-3:30	6	9:00-3:30
Middle	2	8:25-3:10	1 1	8:40-3:33 8:45-3:35	2	8:50-3:50	1	8:00-3:00
High	1	7:55-2:55	1	7:49-3:00	1	8:00-3:00	1	7:30-2:30
Other					2 ¹ 1 ²	8:00-3:00 9:30-3:30	1 ³	8:15-2:45

Source: CFCSD and peer schools

¹ Pleasant View School for the Arts, and Glen Oak Career Center

² Little Eagle Kindergarten Center

³ Lakeview Intermediate

Table 5-4 shows that Boardman LSD and Plain LSD have a more staggered bell schedule when compared to CFCSD. More specifically, Boardman LSD and Plain LSD have multiple bell schedules for their elementary schools, while CFCSD has the same bell schedule for each elementary school. In addition, Boardman LSD's two middle schools have different bell schedules, while CFCSD's two middle schools have the same bell schedule. Staggering bell schedules could enable each bus to complete more runs, and accordingly, enable CFCSD to operate with fewer buses and increase the average number of riders transported per bus. Boardman LSD and Plain LSD transported 78 and 121 Type-I riders per total active bus, respectively; and 83.1 and 127.9 Type-I riders per regular needs active bus, respectively, in FY 2004-05. These ratios are much higher than CFCSD's ratios of 48.7 Type-I riders per total active bus and 62.2 riders per regular needs active bus in FY 2004-05. According to the CFCSD certificated contract, teachers starting and ending times have to be between 7pm to 4pm. As a result, this provides flexibility in changing the bell schedules to operate with fewer buses.

During the course of this performance audit, the District made some changes to its bus fleet. Specifically, CFCSD purchased two new buses at the end of FY 2004-05, and indicated that it sold two other buses during FY 2004-05. For FY 2005-06, the District added a bus driver to operate with 19 active buses, as reflected in the FY 2005-06 T-1 report submitted to ODE as of February 1, 2006. According to the Director of Business Affairs, the increase of one bus and one bus driver was due to the closing of two schools (Sill and Newberry) at the end of FY 2004-05, which led to an increase in students requiring transportation to other schools. According to the FY 2005-06 T-1 report, the District is transporting 1,195 Type-I riders for FY 2005-06, or 319 more riders than FY 2004-05, partially due to the closing of two schools. Based on the number of riders reported per bus on the T-1 report, the District is transporting 62.9 Type-I riders per bus, comprising 76.8 riders per regular needs bus and 32.8 riders per special needs bus. Consequently, the District increased its riders per bus and improved efficiency when

compared to FY 2004-05. However, these operating ratios are still lower than both Group A and B averages, which indicates the potential to reduce the bus fleet.

Based on FY 2005-06 data, if the District reduced two regular needs active buses, it would transport 70.3 total Type-I riders per active bus, which would still be lower than both Group A and B averages (91.9 and 76.4). Additionally, the District would transport 90.7 Type-I riders per regular needs active bus. While this would be slightly higher than the Group B average (87.3), it would be lower than the Group A average (99.5). Although the District should review its level of non-routine transportation services (see **R5.4**), reducing 2 regular needs active buses should not have a significant impact on the District's ability to provide non-routine transportation services. More specifically, the number of non-routine miles per bus would increase to only 210 additional annual miles per bus with two fewer active buses, based on the non-routine miles reported for FY 2004-05.

Financial Implication: Based on FY 2004-05 average salaries and fringe benefits for the lower-salaried bus drivers, the District could achieve annual savings of approximately \$35,000 by reducing 2 regular bus driver positions. Additionally, CFCSD can achieve approximately \$1,500 in annual cost savings for bus insurance by reducing 2 buses, based on the cost per bus in FY 2004-05. In total, the District would save approximately \$36,500 annually by reducing 2 buses. In conjunction with reducing sick leave usage, the District could also be able to reduce the use of substitute bus drivers by reducing 2 active buses. See the **human resources** section for the financial impact of reducing sick leave usage and corresponding substitute costs. See **R5.3** for the financial impact of avoiding replacement costs by reducing 2 buses.

Bus Replacement Planning

R5.3 CFCSD 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, CFCSD will be able to plan for future costs while maintaining its fleet.

Pursuant to Ohio Revised Code (ORC) § 3327.08:

“Boards of education of city school districts, local school districts, exempted village school districts, cooperative education school districts, and joint vocational school districts, as well as governing boards of educational service centers (ESCs) may purchase – on individual contract – school buses and other equipment used in transporting children to and from school and to other functions as authorized by the boards, or the boards, at their discretion, may purchase the buses and equipment through any system of centralized purchasing established by the Ohio Department of Education (ODE) for that purpose, provided that State subsidy payments shall be based on the amount of the lowest price available to the boards by either method of purchase. No board shall be deprived of any form of State assistance in the purchase of buses and equipment by reason of purchases of buses and equipment on an individual contract. The purchase of school buses shall be made only after competitive bidding in accordance with ORC § 3313.46.”

In addition, as stipulated in ORC § 3317.07, school districts are entitled to a State subsidy for the purchase of school buses. The amount of this subsidy is determined in accordance with Ohio Administrative Code (OAC) 3301-85-01.

Table 5-5 summarizes CFCS and peer bus replacement subsidies received from ODE since FY 2001-02.

Table 5-5: CFCS Actual Bus Replacement Subsidies FY 2002-05

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	Average Annual Change
Statewide Total	\$27,551,459	\$24,839,989	\$12,383,972	\$12,383,972	(18.4%)
Cuyahoga Falls CSD	\$16,841	\$12,658	\$7,704	\$5,327	(22.8%)
GROUP A PEERS					
Boardman LSD	\$75,311	\$71,658	\$33,368	\$34,708	(18.0%)
Plain LSD	\$121,601	\$108,876	\$50,592	\$50,056	(19.6%)
Stow-Munroe Falls CSD	\$74,577	\$67,958	\$17,438	\$33,797	(18.2%)
Peer Average	<i>\$90,496</i>	<i>\$82,831</i>	<i>\$33,799</i>	<i>\$39,520</i>	<i>(18.8%)</i>
GROUP B PEERS					
Barberton CSD	\$25,439	\$23,834	\$12,365	\$10,751	(19.2%)
Coventry LSD	\$30,495	\$29,460	\$14,643	\$12,004	(20.2%)
Mogadore LSD	\$7,167	\$6,025	\$3,967	\$1,709	(25.4%)
Peer Average	<i>\$21,034</i>	<i>\$19,773</i>	<i>\$10,325</i>	<i>\$8,155</i>	<i>(20.4%)</i>

Source: Ohio Department of Education

Note: Figures are rounded to the nearest \$1.

Statewide, ODE bus replacement subsidies have decreased significantly (55.1 percent) since FY 2001-02. This has negatively impacted the amount of subsidies that school districts receive annually. Compared to peer averages, for example, CFCS receives significantly less in bus replacement subsidies (partially due to its smaller fleet size) and

has experienced the highest average annual percentage decrease (22.8 percent) since FY 2001-02, with the exception of Mogadore LSD.

Table 5-6 projects CFCSD's bus replacement subsidies over the next five years and assumes the current average annual percentage decrease (22.8 percent) remains constant.

Table 5-6: CFCSD Five-Year Bus Replacement Subsidy Forecast

	Actual FY 2004-05	Projected FY 2005-06	Projected FY 2006-07	Projected FY 2007-08	Projected FY 2008-09	Projected FY 2009-10
Bus Replacement Subsidy	\$5,327	\$4,112	\$3,174	\$2,450	\$1,891	\$1,460

Source: Auditor of State of Ohio

Assuming recent trends remain constant, the District's share of bus replacement costs will decrease significantly over the next five years. This, in conjunction with declining enrollment, increases the need for formal bus replacement planning. According to ODE, District enrollment in grades K-8 has decreased at an average annual rate of 1.1 percent – or about 46 students per year, since 1995. Future decreases in enrollment could correspondingly decrease ridership, enabling CFCSD to reduce the size of its fleet (see **R5.2**).

According to ODE, it typically costs about \$60,000 to purchase a new school bus. Therefore, in FY 2005-06, the District's projected bus replacement subsidy (\$4,112) will comprise less than 7 percent of the total cost necessary to replace *one* bus. The National Association of State Directors of Pupil Transportation Services (NASDPTS) believes that the timely replacement of school buses must be a planned process and that funding availability is likely to be the single most important consideration in determining the replacement schedule.

CFCSD indicates that its replacement plan is *ad hoc*, rather than formal; subject to the availability of financial resources. Typically, however, the District tries to purchase two buses each year – as it did in FY 2004-05 – constituting a fleet replacement cycle of 12 years, at an annual cost of \$120,000.

According to the International City/County Management Association (ICMA), a formal vehicle replacement plan should stipulate those criteria to be considered when making a replacement decision (e.g., minimum age and mileage requirements). The American Public Works Association (APWA) recommends that equipment be replaced at the most economical point in its life-cycle, referring to the length of time over which average total unit cost is lowest. According to the APWA, numerous criteria should be considered in order to have the most economical replacement policy, such as the total cost of maintenance and depreciation, the environment in which the equipment operates, fuel costs, condition, suitability, safety, downtime, and new technology.

Although there are no minimum State standards for the replacement of school buses, NASDPTS recommends that diesel buses be replaced after 12-15 years of service or after 250,000 miles. Regardless of age and engine type (e.g., diesel or gasoline), school districts can continue to use buses that pass State inspections and do not chronically inflate maintenance and repairs costs.

In FY 2004-05, CFCSD's fleet traveled a total of 208,254 annual miles. Including 22 total buses, this represents an annual average of about 9,500 miles per bus. **Table 5-7** forecasts when District buses will reach NASDPTS-established benchmarks for age and mileage.

Table 5-7: CFCSD Bus Replacement Age & Mileage Forecast

Model Year	Current Odometer (As of FY 2004-05)	Projected Replacement Year	
		250,000 Miles	15 Years-Old
1990	198,229	FY 2010-11	FY 2004-05
1992	178,147	FY 2011-12	FY 2006-07
1993	149,493	FY 2014-15	FY 2007-08
1992	134,551	FY 2016-17	FY 2006-07
1993	129,463	FY 2016-17	FY 2007-08
1993	115,375	FY 2018-19	FY 2007-08
1996	103,598	FY 2019-20	FY 2010-11
1996	102,795	FY 2019-20	FY 2010-11
1999	85,372	FY 2021-22	FY 2013-14
1999	80,154	FY 2021-22	FY 2013-14
2000	75,683	FY 2022-23	FY 2014-15
1998	73,248	FY 2022-23	FY 2012-13
2001	72,902	FY 2022-23	FY 2015-16
2000	67,504	FY 2023-24	FY 2014-15
2001	58,633	FY 2024-25	FY 2015-16
2000	58,355	FY 2024-25	FY 2014-15
2000	53,495	FY 2024-25	FY 2014-15
2001	44,984	FY 2025-26	FY 2015-16
2001	42,300	FY 2025-26	FY 2015-16
2004	32,682	FY 2026-27	FY 2018-19
2006	3,736	FY 2029-30	FY 2020-21
2006	1,990	FY 2030-31	FY 2020-21

Source: Cuyahoga Falls CSD

Note 1: Excluding one bus, which is currently out-of-service and not listed in this table, all CFCSD buses require diesel fuel.

Note 2: The transportation supervisor provided odometer readings for 23 buses. The District indicated that two buses were sold, leaving a total of 22 buses for FY 2004-05.

As indicated by the shaded areas in **Table 5-7**, the District will have 6 buses meeting the NASDPTS replacement benchmarks for age, while no bus will meet the mileage benchmark during the next five years. Assuming CFCSD decides not to eliminate buses

and replaces these buses in accordance with established benchmarks, it will incur a total cost of \$360,000, which can be offset, as least in part, with available ODE subsidies.

Table 5-8 combines information from the three preceding tables to illustrate the District's five-year bus replacement schedule, with accompanying costs and expected subsidies. This schedule assumes that CFCSD makes no fleet reductions and strictly follows NASDPTS-established age and mileage benchmarks for replacement.

Table 5-8: CFCSD's Current Five-Year Bus Replacement Schedule

Assumes No Fleet Reductions	FY 2005-06 ¹	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Number of Buses to be Replaced	1.0	2.0	3.0	--	--
Replacement Cost	\$60,000	\$120,000	\$180,000	--	--
Projected Bus Subsidy	\$4,112	\$3,174	\$2,450	\$1,891	\$3,351 ²
Projected District Cost	\$55,888	\$116,826	\$177,550	--	--

Source: Auditor of State of Ohio

¹ Assumed the District would replace this bus in FY 2005-06, although it reached 15 years of age during FY 2004-05.

² Includes FY 2008-09 bus subsidy of \$1,891 and projected FY2009-10 bus subsidy of \$1,460

Assuming the District makes no changes to its fleet size and only follows the age criteria from NASDPTS, it can expect to pay at least \$350,000 for bus replacements over the next 5 years – an average annual cost of \$70,000. This also assumes that historical trends in ODE bus subsidies remain constant. In order to forecast conservatively, this is a reasonable assumption.

Although 6 buses meet the age criteria for replacement, no bus meets the mileage criteria over the next five years. Therefore, in addition to reducing its older buses (see **R5.2**), the District can avoid replacing buses over the next five years based on the mileage criteria, and by rotating its remaining buses and using its newer buses on longer routes.

Financial Implication: If the District reduces its fleet size by 2 buses, it can avoid \$120,000 in total one-time replacement costs. Averaged over 5 years, this represents an annual cost avoidance of \$24,000. However, the District does not specify the number of buses it will replace in each year of the forecast period. See the **financial systems** section for the effect of avoiding replacement costs on the General Fund forecast.

Non-Routine Use of School Buses

R5.4 In order to minimize non-reimbursable expenditures, CFCSD should closely review its non-routine transportation services to identify methods to potentially reduce its level of non-routine services. This would be particularly important as the District takes measures to optimize ridership (see **R5.2**). In addition, similar to Boardman

LSD, CFCSD should adopt a Board policy regarding reimbursement for non-routine transportation to include within its collective bargaining agreement.

According to Anderson's 2003-04 Handbook of Ohio School Law, school buses may be used for certain purposes other than the daily transportation of students to and from school. Traditionally, districts use school buses to transport athletic teams, band groups, and other school groups to contests or functions in which the team or group participates. Another traditional use of school buses is for field trips; transporting students to museums, places of historical interest, or other educational trips. There are limitations, however, to a district's discretion as to the non-routine use of school buses. Specifically, non-routine trips must be considered as part of the school's program or as part of a school-sponsored program. In addition, except for field trips on regular school days (for which no transportation charge may be imposed), district boards are required to recover the operational costs of the non-routine use of school buses, including reimbursements to cover driver salaries and benefits [Ohio Administrative Code (OAC) 3301-83-16(B)].

Table 5-9 compares CFCSD's non-routine miles with those of the peers.

Table 5-9: FY 2003-04 Non-Routine Mile Comparison

	Cuyahoga Falls CSD	Boardman LSD	Plain LSD	Stow- Munroe Falls CSD	Peer Average
Total Buses	21	71	63	71	69
Total Annual Miles	227,596	642,768	851,452	632,302	708,841
Non-Routine Miles	52,996	70,188	88,612	56,122	71,641
• Percentage of Total Annual Miles	23.3%	10.9%	10.4%	8.9%	10.1%
• Non-Routine Miles per Bus	2,524	989	1,407	790	1,038

Source: Ohio Department of Education

Note: Expenditures associated with non-routine transportation are non-reimbursable.

CFCSD provides a significantly higher level of (non-reimbursable) non-routine transportation service, compared to the peers. According to ODE, however, non-routine service typically comprises 10 percent of annual miles. Moreover, CFCSD does not effectively seek reimbursement from the appropriate educational groups and/or activity funds (e.g., boosters, athletic department, etc.) to cover the actual cost of non-routine transportation. Unlike CFCSD, Boardman LSD specifically stipulates in Board policy and within its collective bargaining agreement that "expenses incurred on extra-curricular/field trips...shall be borne by the group sponsoring the trip and paid for by the group during the trip. Meals shall be reimbursed by the group within one week after submission of a receipt..."

By traveling more non-routine miles, and in the absence of a Board policy and accompanying contractual language that formally specifies how non-routine

transportation services are to be reimbursed, the District is not in the best position to effectively offset non-reimbursable expenditures. This is especially important, considering the District's relatively high level of non-routine transportation service.

R5.5 CFCSD should follow established Board policies to “seek advantages in savings that may accrue...through joint agreements.” Although CFCSD maintains competitive fuel pricing, it should seek competitive bids or issue RFPs to multiple vendors for the procurement of fuel and actively compare prices to determine whether it should consider becoming a member of other fuel purchasing consortiums (e.g., Ohio Department of Administrative Services). The District should do likewise when purchasing transportation-related supplies. Upon vendor selection, the District should formalize its agreement via a contract to minimize risk and better ensure mutual adherence to established expectations for service. See the district-wide processes section for additional information on a formalized RFP process.

CFCSD is a member of various consortiums for items that include tires and tubes, towels and tissues, oil, lamps, fuel, and office supplies. These purchasing groups include the following:

- Community University Education (CUE);
- Ohio Schools Council (OSC); and
- Lake Erie Educational Media Consortium (LEEMC).

The District attempts to minimize its fuel-related costs by maintaining a centralized fuel tank (10,000 gallons) onsite, purchasing fuel in bulk, and submitting appropriate documentation for refunds. **Table 5-10** compares CFCSD's Type-I fuel expenditure ratios to Group A and Group B peer averages. **Table 5-11** compares CFCSD's fuel costs per gallon to the Ohio Department of Administrative Services (DAS) cooperative fuel purchasing program for the months of August and September 2005.

Table 5-10: FY 2003-04 Type-I Fuel Expenditure Comparison

	Cuyahoga Falls CSD	Group A Peer Average ¹	Group B Peer Average ²
Buses ³	21.0	69.0	19.0
Routine Miles ⁴	174,600	637,200	137,100
Fuel Expenditures	\$46,706	\$149,885	\$35,636
Per Bus	\$2,224	\$2,172	\$1,876
Per Routine Mile	\$0.27	\$0.24	\$0.26

Source: Ohio Department of Education

¹ Group A includes Boardman LSD, Plain LSD, and Stow-Munroe Falls CSD.

² Group B includes Barberton CSD, Coventry LSD, and Mogadore LSD.

³ Includes spare buses because these contribute to overall operating expenditures.

⁴ Excludes non-routine miles because related expenditures should not be reported.

Table 5-11: CFCSD and DAS Fuel Comparison

Date	Number of Gallons	Type of Fuel	CFCSD (Cost per gallon) ¹	DAS (Cost per gallon) ²	Difference
August					
8/1/05	4,500	Diesel	\$2.03	\$2.16	(\$0.13)
8/1/05	1,500	Unleaded	\$1.99	\$2.11	(\$0.12)
Average	3,000	N/A	\$2.01	\$2.14	(\$0.13)
September					
9/23/05	1,401	Unleaded	\$2.39	\$2.49	(\$0.10)
9/23/05	5,007	Diesel	\$2.54	\$2.53	\$0.01
Average	3,204	N/A	\$2.47	\$2.51	(\$0.04)

Source: CFCSD and DAS

¹ Includes State Road Tax

² Includes State Road Tax and DAS delivery charge

As indicated in **Table 5-10**, CFCSD's fuel expenditures per bus and mile are slightly higher than both averages and could be attributable to over-reporting expenditures (see **R5.1**). By including the non-routine miles to correspond with the inclusion of non-routine expenditures, the District's total fuel expenditures per mile decrease to \$0.21, which is lower than both averages. In addition, **Table 5-11** shows that CFCSD maintains competitive fuel pricing when compared to the State cooperative purchasing program, paying between \$0.04 and \$0.13 less per gallon for diesel and unleaded fuel. Nevertheless, according to the Transportation Supervisor, CFCSD does not regularly solicit competitive bids or issue requests for proposals (RFPs) for fuel procurement. Rather, the District relies on a single, local vendor to fill all fuel-related orders.

Absent competitive bids or RFPs, CFCSD's fuel procurement practice appears to contradict Board policy – as it relates to soliciting bids (Policy #6320), which states that, "In order to promote efficiency and economy in the operation of the District, the Board requires that...quantity purchases [be made] on a bid basis to procure the lowest cost consistent with good quality." The District's current fuel procurement practice also appears to contradict Board Policy #6440, which explicitly stipulates the following:

"The Board of Education recognizes the advantages of centralized purchasing in that volume buying tends to maximize value for each dollar spent. The Board, therefore, encourages the administration to seek advantages in savings that may accrue to this District through joint agreements for the purchase of supplies, equipment, or services with the governing bodies of other governmental units.

"The Board authorizes the Superintendent to negotiate such joint purchase agreements for services, supplies, and equipment which may be determined to be required from time to time by the Board and which the Board may otherwise lawfully purchase for itself, with governmental contracting units as may be appropriate in accordance with State law, the policies of this Board, and the dictates of sound purchasing procedures."

While CFCSD's current fuel costs per mile, when adjusted for non-routine expenditures, are lower than Group A and B peer averages, and fuel costs per gallon are lower than DAS, actively soliciting competitive bids and/or issuing RFPs for fuel would ensure that the District continues to receive the "best" price for fuel.

Table 5-12 compares CFCSD's transportation-related supply expenditures to those of Group A and Group B peer averages.

Table 5-12: FY 2003-04 Transportation Supply Expenditure Comparison

	Cuyahoga Falls CSD	Group A Peer Average ¹	Group B Peer Average ²
Type-I Special Needs Riders	203	62	44
Buses ³	21.0	69.0	19.0
Maintenance Supplies	\$38,499	\$10,752	\$5,346
Per Bus	\$1,833	\$156	\$281
Percent Allocated to Special Needs	40.4%	7.5%	20.1%
Tires & Tubes	\$5,148	\$23,920	\$6,157
Per Bus	\$245	\$347	\$324
Percent Allocated to Special Needs	40.0%	7.2%	23.4%
Total Supplies Expenditures	\$43,647	\$34,672	\$11,503
Per Bus	\$2,078	\$502	\$605
Percent Allocated to Special Needs	40.4%	7.3%	21.8%

Source: Ohio Department of Education

¹ Group A includes Boardman LSD, Plain LSD, and Stow-Munroe Falls CSD.

² Group B includes Barberton CSD, Coventry LSD, and Mogadore LSD.

³ Includes active and spare buses as they contribute to overall operating costs.

Table 5-12 shows that CFCSD exceeded both the Group A and Group B peer average in total transportation-related supplies expenditures by \$8,975 and \$32,144, respectively, in FY 2003-04. In addition, the District's supply expenditures per bus were \$2,078, higher than the Group A and B averages of \$502 and \$605, respectively, in FY 2003-04. However, these higher ratios are partially due to the District over-reporting expenditures (see **R5.1**). CFCSD also indicates that an uncommonly high number of buses required fuel pump repairs in FY 2003-04. Additionally, the District provides a higher level of Type-I special needs service, compared to peers. Approximately 40 percent of CFCSD's supply expenditures are attributable to special needs, much higher than both Group A and B peer averages of 7.3 and 21.8 percent, respectively. While the District cannot arbitrarily decrease the number of special needs riders it transports as a means of reducing operational costs, actively soliciting competitive bids and/or issuing requests for proposals (RFPs) for supplies would ensure that it minimizes transportation-related supply expenditures. In addition, the District should develop a formal bus replacement plan to help eliminate problem buses and increase riders per bus to decrease the size of its fleet (see **R5.3** and **R5.2**).

R5.6 The District should ensure that bus drivers are conducting formal daily bus inspections. This will help to minimize the number of violations identified by the Ohio State Highway Patrol.

As stipulated in OAC 3301-83-22, school buses and other vehicles used to transport school children shall be maintained in safe operating condition through a systematic preventative maintenance program. Specifically, as outlined in OAC 3301-83-11(B), bus drivers are responsible for completing and documenting daily, pre-trip inspections of school buses prior to transporting pupils. Furthermore, it is the responsibility of school bus owners (i.e., school districts) to provide each driver with all inspection forms for inspection and documentation purposes.

Cuyahoga Falls CSD employs two full-time mechanics who perform repairs and monitor school bus maintenance electronically, using a spreadsheet. In addition, the District maintains schedules of all routine maintenance and repairs to be performed on a monthly and annual basis. Finally, the District formally requires its drivers to conduct bus inspections and make reports on a daily basis. In accordance with OAC 3301-83-11(B), inspections are made on a number of areas, including warning lights, doors, engine performance, fuel, mileage, and tires.

Pursuant to ORC § 4511.761, all school buses must be inspected annually by the Ohio State Highway Patrol, in accordance with that agency's standards. **Table 5-13** shows CFCSO's bus inspection performance over the past three years, while **Table 5-14** compares CFCSO's 2004 bus inspection performance with those of the peers.

Table 5-13: CFCSO Bus Inspection Performance Comparison 2002-04

	2002	2003	2004	Three-Year Change
Inspections Performed ¹	49	46	45	(8.2%)
Violations Found	29	25	28	(3.4%)
• As a Percentage of Inspections	59.2%	54.3%	62.2%	3.0%

Source: Ohio State Highway Patrol

¹ Includes new and annual inspections, spot inspections, and re-inspections as necessary.

Table 5-14: Bus Inspection Performance Comparison – 2004

	Cuyahoga Falls CSD	Boardman LSD	Plain LSD	Stow-Munroe Falls CSD	Peer Average
Buses Maintained	21	71	63	71	69
Inspections Performed ¹	45	121	92	113	109
Violations Found	28	19	33	82	45
• As a Percentage of Inspections	62.2%	15.7%	35.9%	72.6%	41.3%

Source: Ohio State Highway Patrol

¹ Includes new and annual inspections, spot inspections, and re-inspections as necessary.

As shown in **Table 5-13**, CFCS D's percentage of bus inspections resulting in violations has increased by three percent since 2002. In addition, the violations as a percentage of inspections are much higher than the peer average in 2004. However, a review of bus inspection reports from 2002-04 indicates that many violations (e.g., lights out, loose seats, decals on window that obstruct driver view, leaks, emergency instructional decals missing, loose hand rails, lifts that do not deploy, etc.) are minor and can be avoided by ensuring that bus drivers strictly follow formal daily inspection sheets.

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

Recommendation	Estimated Annual Cost Savings
R5.2 Reduce 2 buses	\$36,500
Total	\$36,500

Note: See the **financial systems** section for the impact on the General Fund as a result of not replacing 5 buses.

District-Wide Processes

Background

This section of the performance audit focuses on District-wide processes of the Cuyahoga Falls City School District (CFCSD or the District), which involve the Board of Education (BOE or the Board) and administration. The objective of this section is to analyze strategic planning, bylaws and general policies, the budgeting process, financial reporting and monitoring, and the procurement process. Information from sources such as the Government Finance Officers Association (GFOA) and the Voinovich Center for Leadership and Public Affairs were used for comparison purposes and to identify suggested industry practices.

The Board is responsible for setting policy, establishing direction and continuing supervisory responsibility by acting on all contracts, payment of monies, employment, program quality, and development of effective educational programs. In addition, the Board is responsible for engaging annually in a long-range planning process that identifies specific goals and objectives. The Superintendent is the chief executive officer of the District, and defines and establishes those administrative positions required to implement the educational system and program of learning established by the Board. The Treasurer provides leadership and supervision for the District's fiscal management system.

The District has contracted with North East Ohio Learning Association (NEOLA) for the past 10 years, to update its policies based on legislative changes. The administrative staff reviews; the Board approves; and NEOLA updates all District policies, including Board bylaws.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of District-wide processes:

- **Financial Forecasting:** In an effort to better ensure fiscal accountability, CFCSD established a Financial Forecasting Advisory Committee. The Board approved the formation of the committee on April 6, 2005. The goal of the committee is to increase fiscal accountability and community awareness on the District's financial forecasting processes. The committee is comprised of five community business members with a background in finance and/or law, two BOE members, the treasurer, and superintendent. The advisory committee's roles include the following:

- Share business and financial “best practices” from the private sector;
 - Review annually the district’s forecasting and financial projections; and
 - Make reports to the Board of Education at public Board meetings.
- **BOE Communication:** The District has increased communication and financial information provided to the BOE, thereby enabling the Board to understand the District’s financial condition. This, in turn, will allow the BOE to effectively work with District officials to improve CFCSD’s financial condition.
 - **Planning:** Although a comprehensive strategic plan is not yet fully developed, the District is in the process of establishing a plan for excellence (PFE) (see **R6.1** for more information).

Assessments Not Yielding Recommendations

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

- **District Bylaws:** The District’s bylaws and policies clearly define the responsibility of the Board, the treasurer and the superintendent. Additionally, CFCSD has effectively updated its bylaws and policies to enable the Board to effectively monitor operational and financial conditions.
- **Warehouse:** The District has a centralized warehouse that is used to house supplies and equipment, which also serves as the District’s bus garage. The facility is operated by a warehouse manager who is responsible for all aspects of acquiring and distributing supplies and materials. The District uses the warehouse for bulk purchasing and ordering through co-ops. For instance, the District is able to purchase cases of paper for \$19.35 a case. Each case consists of 10 500-sheet reams. There are 880 cases to a truckload and the District purchases approximately three truckloads per year. According to the Treasurer, the cost was \$19.10 per case for FY 2005-06. By comparison, office supply companies in the area charge around \$21.00 per case. Additionally, the District’s utility costs are low (see the **facilities** section).

Recommendations

Strategic Planning

R6.1 CFCSD should follow through on developing its plan for excellence (PFE), and linking it to the continuous improvement plan (CIP). Doing so should help the District establish a comprehensive strategic plan, which should be updated annually. The strategic plan should serve as the foundation for the District's financial, capital (see the facilities section for capital improvement planning) and educational plans, and annual budgets. In developing a strategic plan, the District should ensure that the needs of its students are adequately addressed and that the plan provides both sufficient direction and detail to effectively guide operations. A comprehensive strategic plan will help the District identify its educational and operational goals, and set a plan in motion to help achieve those goals.

Currently, CFCSD does not have a comprehensive strategic plan. According to the District, a comprehensive strategic plan has not been developed and implemented since 1998 due to significant administrative turnover, especially in the superintendent position. Over the past eight years, the District has had five superintendents. Additionally, over the past four years, the District has had five treasurers (including interim treasurers). The current Superintendent and Treasurer have been employed by the District since January 2005 and March 2005, respectively.

Without a comprehensive strategic plan, CFCSD cannot effectively anticipate the effects of its decisions on overall financial conditions, nor can it ensure that those decisions are meeting the needs of its students. However, the District does have a continuous improvement plan (CIP) and is in the beginning phases of developing the PFE. The CIP is designed to align District and building goals for overall improvement. The plan consists of three specific and focused tactics, and one building specific tactic designed to permit the individual school staffs to focus on areas unique to the needs of their building. The three District-wide tactics are: becoming standards based, data collection and utilization, and collaboration and communication. In addition, the PFE will include the following:

- A district vision, mission, and beliefs;
- An analysis of the district's needs and strengths;
- District goals;
- Performance results indicators that verify achievement and plan goals;
- Strategies that target the performance results indicators, along with process indicators that verify effective implementation; and
- An action plan for carrying out the strategies.

The District held its first organizational meeting on September 27, 2005. The steering committee will be responsible for reviewing and updating the current mission statement, and establishing the belief statements to drive the subcommittees in their efforts to provide the strategies for the overall plan. The primary goal of the plan is to reconnect the District with the community. The subcommittees represent areas that consist of the following:

- Organization, Governance & Finance;
- Family, Business and Community Involvement;
- Teaching, Learning and Pupil Services; and
- Enrollment/EMIS, Facilities & Personnel.

The District plans on using the PFE to align the goals of the building CIPs with the community and the District needs. In addition, the PFE will help the District identify issues, develop strategies for implementation, and coordinate implementation between the BOE, administration, and staff.

GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. While there is not a single best approach, a sound strategic planning process will include the following steps:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues;
- Agree on a small number of broad goals;
- Develop strategies to achieve broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan;
- Implement the plan;
- Monitor progress; and
- Reassess the strategic plan

GFOA also states that strategic planning is a comprehensive and systematic management tool designed to help school districts assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission.

Financial Reporting and Monitoring

R6.2 CFCS D should periodically offer Board members training on the District’s bylaws and policies, particularly in regards to financial reporting and monitoring. This would provide BOE members with the necessary background to help understand key information provided by the administration, thereby ensuring accountability for the District’s operational and financial condition. This training would also ensure that the BOE understands the types of financial information and reports it should be requesting to review. Finally, such training would enable the Board to be more proactive in its monitoring role rather than merely relying on the District to provide the appropriate information. The District should determine whether Board members require additional training on school district finances in order to fully understand CFCS D’s current and projected financial condition.

Although the Treasure provides various financial reports to the BOE, the Treasurer should consider providing the BOE with information on how District revenues and expenditures compare to similar districts. In addition, the District should continue working with the Financial Advisory Committee in order to increase fiscal accountability and community awareness.

According to Board bylaw #6210, Fiscal Planning:

“The Board of Education shall collect and assemble the information necessary to discharge its responsibility for the fiscal management of the School District and to plan for the financial needs of the educational program. The Board will strive toward maintaining both short and long range projections of District financial requirements...In addition, the Board directs the Treasurer/CFO to report to the Board any serious financial implications that emerge from the District's ongoing fiscal planning.”

Board bylaw #6232, Appropriations Implementation, states the following:

“...Expenditure and financial reports, and budget comparison reports shall be submitted monthly to the Board to keep members informed as to the status of the appropriations and overall financial condition of the District.

If, during the fiscal year, it appears to the Treasurer that actual revenues are less than estimated revenues, including the available equity upon which the appropriations from the fund were based, the Superintendent shall present to the Board recommended amendments to the General Appropriations Act that will prevent expenditures from exceeding revenues. Such recommendations shall be in

accordance with requirements of the law and provisions of negotiated agreements.”

As indicated by the above bylaws, the District has policies governing financial management and reporting, including the role of the BOE. However, in the past, the BOE President indicated that the Board was not provided with sufficient financial information, when compared to current practices. This indicates that the BOE may not have been fully aware of its role as defined in the bylaws, and/or did not fully understand District finances sufficiently to request and review the appropriate information. Additionally, the District’s former financial consultant indicated that the BOE, in the past, did not question CFCSD’s financial updates and that the District was not recording encumbrances, which misrepresented the financial condition. These issues collectively contributed to the District’s current financial difficulties.

The BOE has begun receiving more financial information from the current treasurer, including the following reports:

- Cash balance;
- Bank reconciliation;
- State Foundation (SF-3) report;
- Investment schedule; and
- Year-to-date revenue and expenditure reports.

Additionally, the District is currently communicating more effectively with the BOE by meeting with them twice a year to review the financial forecast and by providing weekly budget reports. The Idaho State Legislature’s Office of Performance Evaluations indicates that school districts can enhance the usefulness of financial information by providing the following:

- More comparative information about district revenues and expenditures;
- Information on how district revenues and expenditures compare to similar districts;
- Information on historical revenue and expenditure patterns; and
- Publishing a narrative summary to help readers better understand key information and trends.

Budgeting

R6.3 CFCSD should establish a formal budget and related processes that mirror GFOA-recommended practices. The budget should include a set of recommended actions regarding programs and services to be funded, identify funding requirements and

sources of funds, and be consistent with policies and goals set by the Board. In order to implement an effective budgeting process, the District should develop budget guidelines and instructions, a comprehensive budget calendar, and mechanisms to identify stakeholder concerns. An effective process should also include mechanisms to detect and correct deviations from the budget.

The budget should continue to be periodically evaluated to assess the financial performance of the District's programs and services, which is especially important based on the District's current and future financial condition (see financial systems). Lastly, CFCSO should monitor and evaluate external factors that may affect budget and financial performance, such as levies, lawsuits and tax abatements.

The District does not have formal policies and procedures to guide its budgeting process. The budgeting process normally consists of the cabinet members within their own departments submitting a budget request based on their needs. The superintendent determines the final line-items, establishes priorities for spending, and then submits the budget to the BOE for its approval. The budget is based on historical spending and any additional needs. In addition, the District does not specify when budget tasks should be completed.

The lack of a formal budgeting process, coupled with the significant turnover in superintendent and treasurer positions (see **R6.1**), could foster inconsistencies in budgeting practices and in the level of involvement from key District personnel in the budgeting process. For instance, in the past, District managers were excluded from the budget process. Moreover, the lack of a formal budgeting process could prevent the District from effectively budgeting its resources for current and future needs. For example, the FY 2003-04 financial audit of CFCSO reported that expenditures exceeded appropriations in numerous funds, with the largest variance in the Title VI-B Fund (expenditures exceeded appropriations by \$506,192).

According to GFOA in its publication *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, the budget is the single most important document routinely prepared by governments. A proposed budget should consist of a set of recommended actions regarding programs and services to be funded, including service level, quality, and goals to be achieved. It should identify funding requirements and sources of funds, and should be consistent with policies and goals set by the Board. The adopted budget should clearly present the financial, operating and capital plan and should include all operations and funds. GFOA also recommends numerous elements for incorporation in the budget process that are encompassed within four general principles: establish broad goals, develop approaches, develop the budget, and evaluate performance. Some of the key elements include the following:

- Develop mechanisms to identify stakeholder concerns, needs and priorities, such as through public hearings, surveys, meetings of leading citizens and citizen interest groups, government strategic planning processes, meetings with government employees, and workshops involving government administrative staff and/or the legislative body;
- Develop budget guidelines and instructions to help ensure the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body;
- Develop a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks; and
- Monitor, measure, and assess performance.

Key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals.

Procurement

R6.4 CFCSD should develop policies and procedures within a comprehensive purchasing manual (see R6.5) that outline the request for proposal (RFP) and request for qualifications (RFQ) process to ensure accountability for the purchase of goods and services. Accordingly, the District should implement a formal process for developing and evaluating RFPs and RFQs. The District should also work with its legal counsel to develop appropriate RFP and RFQ language and identify key items to include, such as terms, conditions, evaluation process, performance expectations and reporting requirements. In addition, the District should ensure compliance with ORC § 3313.46 when soliciting bids or price quotes from potential vendors for goods and services exceeding \$25,000. The District should also follow these processes when renewing, updating, or expanding a service currently provided within the District.

According to the business manager, the District requests price quotes for most of its goods and services. The District also requires competitive bidding for any purchase over \$25,000, in accordance with ORC § 3313.46. However, CFCSD does not have a formal purchasing manual (see R6.6), or a formal process for developing RFPs or RFQs, which could potentially expose it to increased liability, poor workmanship, and unfinished jobs.

According to the Voinovich Center for Leadership and Public Affairs' *Contract Management Manual* (2001) for county departments of job and family services, a team

should be formed to conduct advanced planning for an RFP, and a team leader should be identified to manage the effort of creating an RFP and determining the evaluation process. In creating the evaluation criteria, the team should identify the significant points in the RFP to evaluate and assign relative weights to each point. The team needs to also develop a system of scoring the proposals. Additionally, a team should be identified to evaluate the proposal submissions, which may be the same team that conducted the advanced planning. Furthermore, one person should be appointed as the contact for potential vendors to ensure consistency in responses.

The *Contract Management Manual* recommends numerous elements to incorporate in an RFP, including the following:

- Time table for the RFP process;
- Request that vendors submit a budget for the project or service;
- Detailed description of the services that will be performed under the contract;
- Vendor disclosures and a conflict of interest statement;
- Disclaimer indicating that the contracts resulting from the proposals are contingent on the availability of funds;
- Proposal delivery date, time and address;
- Description of the evaluation process for proposals;
- Terms and conditions;
- Vendor project requirements and qualifications;
- Project deliverables, including performance expectations; and
- Reporting requirements

In order to aid in the evaluation process, the *Contract Management Manual* provides the following sample evaluation criteria:

- Responsiveness to all items listed in the RFP;
- Relevance of services to be provided;
- Clarity and measurability of proposal to provide services;
- Continuous improvement strategy;
- Corporate capabilities; and
- Budget and cost-effectiveness.

In addition, according to the Texas Education Agency, a RFQ specifies the terms, conditions, work history, evaluation criteria and scope of the work to be provided.

Lastly, AOS sampled contracts to determine whether the District followed its process and complied with ORC § 3313.46 for purchases exceeding \$25,000. Of the 14 contracts selected, the District followed proper policies and procedures, in accordance with ORC §

3313.46, for 13 of those contracts. The District did not have a contract with the vendor that made repairs due to damage from a fire. The costs for this vendor's services totaled approximately \$85,000. Although the District indicated that the majority of the costs were covered by insurance, failure to implement a contract for this services appears to result in noncompliance with ORC § 3313.46.

R6.5 The District should develop a comprehensive purchasing manual, updated frequently and distributed to administrators, principals and supervisors. This manual should serve as a guide for the procurement process. Once the purchasing manual is completed, reviewed by legal counsel, and determined sufficient by the Board, CFCS D should train personnel on all procurement controls, tasks and processes. Having a comprehensive purchasing manual eliminates any ambiguous responsibilities and inconsistencies in processes. In addition, the District needs to stress the importance of filling out a purchase requisition and make sure that purchase orders (P.O.s) are checked against the availability of funds before the purchase is approved.

Although CFCS D has a purchasing policy for quotations and bids, the District does not have a comprehensive purchasing manual. This has partially contributed to the District purchasing items without having the funds available to pay for those purchases.

According to the District's warehouse manager, the District did not previously enforce the purchase order process when ordering supplies. As a result, the FY 2003-04 financial audit reported that 25 percent of the transactions tested (for a total of approximately \$49,000) were not certified by the Treasurer/CFO prior to incurring the obligation. Additionally, during testing of accounts payable, 62 checks representing payment of 209 invoices were not certified prior to incurring the obligation (approximately \$500,000). Nevertheless, the warehouse manager indicated that the new treasurer supports and enforces the purchase order process, which allows the District to have better control over its inventory.

According to the *Financial Accountability Systems Resource Guide* published by the Texas Education Agency, a good purchasing manual establishes rules for making school district purchases. It provides guidance to school district employees at the campus and departmental levels in requisitioning purchases and often is used to acquaint vendors and suppliers with the school district's policies and procedures. Internally, the manual helps in training school district personnel in purchasing policies and procedures. Finally, it promotes consistency in purchasing applications throughout the school district.

According to the *Financial Accountability Systems Resource Guide*, a school district's purchasing manual typically will address the following items:

- Purchasing goals and objectives;
- Statutes, regulations and board policies applicable to purchasing;
- Purchasing authority;
- Requisition and purchase order processing;
- Competitive procurement requirements and procedures;
- Vendor selection and relations;
- Receiving;
- Distribution; and
- Disposal of obsolete and surplus property.

In the absence of a comprehensive purchasing manual, District personnel may not be fully aware of their responsibilities and the process in general, which could subsequently create inconsistencies greater risk in the purchasing process.

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Cuyahoga Falls City Schools
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Dr. Edwin S. Holland
Superintendent

Jeanne Jobe
Administrative Assistant

March 20, 2006

Auditor of State
Honorable Betty D. Montgomery
88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Dear Auditor Montgomery:

As you know, in February 2005, Cuyahoga Falls City Schools discovered, with the assistance of a budgeting and forecasting consultant, a projected deficit of \$4.7 million for June 2005 and an anticipated deficit of more than \$10 million by June 2006. As a result, the school district was placed in fiscal watch, a performance audit of the district was to be conducted by the Auditor of State's office, and the district developed its recovery plan, Project Recovery. Project Recovery was designed to reduce expenditures and improve effective and efficient utilization of resources, both staff and capital, without compromising the district's academic programming. As recognized in the final report of the Auditor of State's performance audit, the district has made great strides through Project Recovery to control expenditures in all areas; and with the support of staff, students, and the community, the district is on its way to financial stability.

With the impending deficit, Project Recovery immediately reduced school district costs; closed two school buildings; reduced 91 employee positions; negotiated contract concessions including health care benefits with three union contracts; and rallied the community to support an additional operating levy. These local efforts were all implemented prior to the start of the 2005-06 school year and prior to the start of the performance audit.

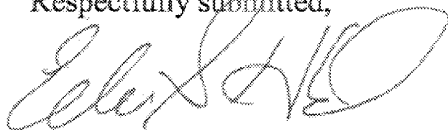
The Auditor of State's performance audit began field work April 25, 2005, with completion expected in September 2005. However, as a result of the excessive increase in the number of public school districts under fiscal watch due to the inadequate funding of public schools, the auditor's workload caused a prolonged audit. The Cuyahoga Falls City Schools Board of Education received the final draft of the performance audit during the post-audit conference March 7, 2006, nearly six months after the projected completion date.

Cuyahoga Falls City Schools is appreciative of the performance audit and recognizes its findings and recommendations. The audit team was very thorough in addressing the areas of financial systems, human resources, facilities, and transportation. Though the audit data collection ended by September 2005, the report did include some of the budget and staffing reductions for the 2005-06 school year. The final report does acknowledge the significant accomplishments of the district's Project Recovery plan and the progress the district has made toward financial stability.

The audit's key recommendations are well founded and many have been implemented. Several recommendations involving further reductions of staff must be further analyzed to determine the cost savings benefit versus the impact on our educational program. Recommendations for the transportation department, facilities, and human resources are excellent suggestions for improvement of operations in all of these areas. The overall performance audit report provides the district with a baseline comparison to peer districts and will serve as a tool for the district's financial stability and improvement goals.

We want to thank Mate Rogonjic and the audit team for their professionalism, attention to detail, and their openness to discuss the report areas. They took extra time to truly understand each department operation and to address our questions. Thank you for this opportunity.

Respectfully submitted,



Dr. Edwin S. Holland
Superintendent of Schools

CC: Kathryn Sines, Treasurer
Curt Grimes, BOE President