



Mary Taylor, CPA
Auditor of State

LEDGEMONT LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

SEPTEMBER 15, 2009



Mary Taylor, CPA
Auditor of State

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

In accordance with House Bill 119, a performance audit was conducted in the Ledgemont Local School District. The functional areas assessed during the audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

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

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology for the performance audit; a summary of the recommendations and noteworthy accomplishments; the District's financial outlook; and a summary of financial implications. This report has been provided to the District and its contents discussed with the appropriate elected officials and administrators. The District has been encouraged to use the results of the performance audit as a resource for 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. This performance audit is also accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2009

Executive Summary

Project History

In accordance with Ohio House Bill 119, the Auditor of State (AOS) conducted a performance audit of Ledgemont Local School District (Ledgemont LSD or the District). Based on a review of Ledgemont LSD's information and discussions with the District, the following functional areas were included in the performance audit:

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

District Overview

Ledgemont LSD operates under a locally elected Board of Education consisting of five members, who are responsible for providing public education to students. Each member is elected to a four-year term. Ledgemont LSD operates two educational facilities, one elementary/middle school (kindergarten through 8th grade) and one high school (9th through 12th grade). For FY 2008-09, the District employed 72.2 FTEs, consisting of 5.5 FTE administrators¹, 46.8 FTE education personnel, 6.0 FTE office/clerical staff, and 13.9 FTE operations and other staff, and served approximately 556 students in kindergarten through 12th grade.

Based on the FY 2007-08 Ohio Department of Education (ODE) Local Report Card, Ledgemont LSD met 22 of 30 academic performance indicators, achieved a performance index score of 93.9 out of 120, and was designated as an effective district. Additionally, the District spent \$8,497 per student in the General Fund in FY 2007-08. By comparison, the ten peer districts spent an average of \$8,734 per student in the General Fund, met 29.5 academic performance indicators, and achieved a performance index score of 104.7 in FY 2007-08. The District's lower expenditures per student are mainly driven by its lower revenues per student. Specifically, the District received an average of \$8,639 per student in FY 2007-08, compared to the peer average of \$9,100. Of the three areas comprising total revenues, the District's revenues per student were higher only in local revenues (property and income tax). However, the income tax levy expired on December 31, 2008, and voters rejected a 1.25 percent income tax levy proposal in November 2008 and again in May 2009. When excluding the revenues from the prior income tax levy, the

¹ During the course of the audit, the District appointed a new Superintendent. Information in the audit report attributed to "the Superintendent" was provided by the prior Superintendent.

District's revised ratio of property and income tax revenues per student falls to \$3,204, which is lower than the peer average of \$3,815. See **R2.9** for strategies that can help the District maximize receipts in the "other revenues" area.

The District's property tax rates equate to 20 effective mills in the agricultural and residential property class. According to *Property Taxation and School Funding* (Ohio Department of Taxation, 2008), no further reductions are made to effective rates once they reach 20 mills, which allows such districts to receive the full revenue growth from increases in taxable values on those mills. In tax year 2007, 396 of the 614 school districts in Ohio were at the 20 mill floor in at least one of the two classes of real property. Of the 396 districts, 283 school districts had either emergency levies or income taxes², with 42 of the 283 districts having both.

The District ended FY 2007-08 with a General Fund balance of approximately \$141,000. However, the District's forecast anticipates that its financial condition will decline substantially, beginning in FY 2008-09. More specifically, the District projects that its ending fund balance will decline to approximately \$41,000 in FY 2008-09, excluding the impact of a potential replacement income tax levy. Ledgemont LSD further projects that it will encounter negative fund balances of approximately \$821,000 in FY 2009-10, \$2.0 million in FY 2010-11, \$3.5 million in FY 2011-12, and \$5.1 million in FY 2012-13. Ledgemont LSD placed a 1.25 percent income tax levy proposal on the ballot in November 2008. This levy would have replaced the 0.75 percent income tax levy, and was projected to eliminate the aforementioned deficit balances. However, the voters defeated the income tax levy. During the course of this performance audit, the District again placed a 1.25 percent income tax levy proposal on the ballot in May 2009, which was also defeated. Lastly, on February 23, 2009, Ledgemont LSD was placed in fiscal caution due to the projected deficits in the five-year forecast submitted to ODE.

Subsequent Events

House Bill 1, enacted during the latter stages of this performance audit, alters the funding formula for school districts. The respective sections of the performance audit include a discussion of the key provisions that can impact the related assessments and recommendations (see **R2.2**, **R3.3**, **R3.9**, and **R5.1**). Nevertheless, Ledgemont LSD is encouraged to review the provisions in House Bill 1 to determine the extent to which they impact the assessments and recommendations contained in this performance audit, as well as its funding and operations in general.

² When emergency levies are restricted to a specific dollar amount for the duration of the levy, they are not counted toward the 20 mill floor. Similarly, income tax levies do not affect the calculation of the 20 mill floor.

Objectives

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The overall objective of this performance audit is to assist the District in identifying strategies to reduce expenditures and, in turn, help improve its financial standing. The major assessments conducted in this performance audit include the following:

- **Financial Systems:** includes evaluations of Ledgemont LSD's five-year financial forecast; financial management, policies and reporting; performance measurement; strategic planning; revenues and expenditures; financial citations; and establishment of an audit committee;
- **Human Resources:** includes analyses of District-wide staffing and salary levels, collective bargaining agreements, benefit costs, employee communication, substitute tracking, and special education spending levels;³
- **Facilities:** includes assessments of custodial, maintenance, and grounds staffing levels, facility related expenditures, benchmarking and performance standards, employee training, energy management, facility management, planning, and preventive maintenance practices, building utilization, and customer satisfaction; and
- **Transportation:** includes evaluation of policies and procedures, operating and financial indicators, operating efficiency, data reporting, fuel purchasing, fleet maintenance, and special needs transportation.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The ensuing recommendations comprise options that Ledgemont LSD can consider to help improve its financial condition and operations.

³ The lack of documentation from the District prevented an assessment of sick leave use.

Scope and Methodology

The performance audit of Ledgemont LSD was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives.

Audit work was conducted between December 2008 and May 2009. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Ledgemont LSD, peer school districts, and other relevant sources. While the collective tests of the District's Educational Management Information System (EMIS) staffing and student data revealed that the data is sufficiently reliable for assessment purposes, Ledgemont LSD noted that it had concerns with its EMIS data (see the **human resources** section). The transportation cost data is of indeterminate reliability and other reporting errors were identified, which were either corrected or do not materially impact the audit conclusions (see the **transportation** section). Additionally, due to data limitations, the square footage for the bus garage and press box were provided by the Maintenance Supervisor, but not corroborated. Peer school district data and other information used for comparison purposes were not tested for reliability, although the information was reviewed for reasonableness.

AOS developed a composite of 10 selected school districts, which were used for peer comparisons. ODE classified these ten districts in the same demographical grouping as Ledgemont LSD (rural/small town – moderate to high median income). In addition, these ten school districts were meeting a high number of performance standards as measured by the Ohio school proficiency tests, at a relatively low cost per pupil. The selected school districts were Wayne Local School District (Warren County), Miller City-New Cleveland Local School District (Putnam County), Russia Local School District (Shelby County), Pettisville Local School District (Fulton County), New Bremen Local School District (Auglaize County), Fort Loramie Local School District (Shelby County), Kalida Local School District (Putnam County), Highland Local School District (Medina County), Anna Local School District (Shelby County), and Berlin-Milan Local School District (Erie County). Furthermore, Bloomfield Mesopotamia Local School District (Trumbull County), Madison Local School District (Lake County), Perry Local School District (Lake County), Grand Valley Local School District (Ashtabula County), and Geneva Area City School District (Ashtabula County) were used for salary comparisons in the transportation section, due to their close proximity to Ledgemont LSD.

External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants (AICPA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), the National Center for Education Statistics (NCES), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

The performance audit process involved significant information sharing with Ledgemont LSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held during the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, Ledgemont LSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments.

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

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes Ledgemont LSD's noteworthy accomplishments identified throughout the course of the audit. Additional detail pertaining to these accomplishments is presented in each section of the report.

- **Financial Systems:** Tables 2-2 and 2-3 show that the District's total per pupil spending levels are lower than the peer averages. In the General Fund, the District's expenditures per student were 2.7 percent lower than the peer average in FY 2007-08. Likewise, the District's operating expenditures per student in governmental funds were 4.2 percent lower than the peer average in FY 2007-08. Furthermore, **Table 2-1** shows that the District reduced total expenditures by 0.5 percent from FY 2005-06 to FY 2006-07, and by 5.0 percent from FY 2006-07 to FY 2007-08.⁴
- **Human Resources:** The District's premium costs for medical and prescription, dental, vision and life insurance are low, based on comparisons to industry benchmarks. This can be attributed, in part, to participation in a consortium for medical, prescription, dental, and vision insurance. Additionally, Ledgemont LSD negotiated to provide no increase to base wages in FY 2006-07, a two percent increase in FY 2007-08, and a one percent increase in FY 2008-09. The limited salary increases are further evident by the fact that the District's average salary in FY 2007-08 was 10.7 percent lower than the peer average.

⁴ During the concluding phase of this performance audit, Ledgemont LSD provided a report that depicted actual financial activity for FY 2008-09, which showed that total expenditures increased by 6.5 percent when compared to FY 2007-08. This is due, in part, to increased purchased service costs. In prior discussions about the projected purchased service costs, the Treasurer indicated that the large increase in purchased services was due to an increase in special education costs (see the **human resources** section for further discussion).

By limiting salary increases, the District has shown an effort to improve its financial condition.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide Ledgemont LSD with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report. In addition to the recommendations, the sections of the report note assessments conducted in the performance audit that did not warrant recommendations.

In the area of financial systems, Ledgemont LSD should:

- Analyze and use **Table 2-7** to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and taking other appropriate actions to avoid projected operating deficits throughout the forecast period. For instance, in addition to the recommendations in this performance audit that identify a potential for sharing services, the District should consider the feasibility of partnering with other districts to share applicable services. Furthermore, the Treasurer should update **Table 2-7** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures. Lastly, Ledgemont LSD should regularly discuss options for reducing costs and/or increasing revenues with stakeholders to help determine long-term strategies for addressing the projected deficits.
- Develop policies and procedures that address the process to be used in preparing the five-year financial forecast, including the participation of District administrators, level of note disclosures and supporting materials, and timeframes for presenting the forecast to the Board. Accordingly, the Treasurer should consider presenting more detailed information and explanatory comments to help support and communicate the significant assumptions used in deriving the projections. In addition, the District should review and consider implementing the recommended strategies to strengthen the reliability of the five-year forecast. In particular, the District should comply with the textbook and instructional materials spending requirements, and show compliance in the forecast.
- Develop a comprehensive strategic plan that incorporates meaningful goals, measurable objectives, and related performance measures and timeframes. The strategic plan should link to the five-year financial forecast and budget. Subsequently, the District should formally track progress and update the plan on a regular basis. Along with the

development of performance measures for the strategic plan, the District should establish and track performance measures for its various departments and operations.

- Appoint an audit committee. An audit committee would help ensure the District adheres to a sound system of internal controls and addresses past audit citations.
- Pursue various options for increasing other revenues including reviewing its fees for non-routine transportation services, and identifying potential strategies for increasing donations and contributions from outside organizations. The District should also review its mix of investments and ensure the Board is provided with monthly investment reports. This will help ensure that monies are invested appropriately and are earning a competitive rate of return.

In the area of human resources, Ledgemont LSD should:

- Conduct a comprehensive review of its Education Management Information System (EMIS) reporting process and develop strategies to improve data accuracy. These strategies should include developing formal policies and procedures for gathering EMIS information, and for requiring the building secretaries and the Elementary/Middle School Associate Principal (EMIS Coordinator) to crosscheck information against other sources (e.g., payroll records and the EMIS manual) and prior year EMIS reports. The Superintendent and Treasurer should ensure that policies and procedures are being followed and the information has been properly reviewed for accuracy before authorizing its submission to ODE. In addition, the District should encourage employees that are responsible for EMIS reporting to become certified by the Ohio Association of EMIS Professionals (OAEP). Upon taking measures to ensure data reliability, Ledgemont LSD should compare its staffing levels to peer districts and other benchmarks to identify potential staffing reductions.
- Consider reducing its central-based administrative/clerical staffing level by 1.0 FTE. However, the District should verify the accuracy of the reported staffing levels prior to implementing this recommendation.
- If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular education teacher staffing levels. For instance, the District could reduce its regular education teacher staffing by up to 9 FTEs and still employ more teachers than required by State minimum standards. However, it should weigh decisions to reduce teacher staffing levels against the impact the reductions may have on the quality of education and course offerings. Likewise, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure proposed reductions will still allow for compliance with the new requirements. Further, the District should

verify the accuracy of the reported regular education teacher staffing levels prior to implementing this recommendation. Lastly, the District should assess the feasibility of reducing education service personnel staffing, based on State minimum requirements and after verifying the accuracy of staffing data.

- Negotiate to increase contribution rates for all full-time employees receiving healthcare benefits to 15 percent of the monthly premiums (including dental and vision). In addition, for classified part-time employees, the District should negotiate a pro-rated insurance contribution system based on the number of hours worked per day, which is similar to the certificated staff.
- Consider negotiating to reduce the number of sick days accrued and paid at retirement for certificated and classified staff, and the number of holiday and vacation days for classified staff, based on comparisons to State minimum requirements. In addition, the District should eliminate the minimum hours paid language in the classified agreement.
- Conduct a comprehensive review of its special education program to identify strategies for improving overall cost-effectiveness⁵. In doing so, Ledgemont LSD should conduct a cost benefit analysis of several options, such as bringing its special education program in-house, transferring programs to another ESC, partnering with other districts to share certain services, and using other external providers. The District should formally communicate the results of the cost-benefit analysis so that its residents understand the rationale for hiring more staff, if that proves to be more cost-effective. As the District assesses the cost-effectiveness of providing services in-house, it should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements for special education. If the District determines that continuing to use the Geauga County Education Service Center (GCESC) is the most cost-effective option, it should regularly compare the cost of GCESC's services to other neighboring educational service centers and/or private service providers.

⁵ The Special Education Director (Elementary/Middle School Associate Principal) noted that one reason for the high purchased service costs is the high number of autistic students educated by the District. The autistic portion of purchased services was \$271,781, or 34.8 percent of total purchased service costs.

In the area of facilities, Ledgemont LSD should:

- Evaluate the efficiency and effectiveness of facility operations by regularly tracking and reporting key performance measures, such as cost per square foot and cost per student for major object codes (i.e., staffing, benefits, purchased services, utilities, supplies, etc.), the number of square feet cleaned and maintained per FTE, and acres maintained per FTE.
- Develop formal energy management procedures and guidelines, consistent with its energy conservation policy. Subsequently, the District should distribute and discuss the procedures and guidelines with staff and students to educate and train them about energy conservation, and ensure implementation of the appropriate energy management practices. In addition, the District should consider assigning an employee to monitor energy consumption. Lastly, the District should consider conducting an energy audit to identify building-level inefficiencies, and focus first on implementing low-cost improvements.
- Develop and adopt a forecast methodology for projecting student enrollment (e.g., 5 to 10-year projections), and begin using this methodology to prepare enrollment projections. This effort can be aided by reviewing the enrollment projections created in 2001. Once the methodology and accompanying projections have been developed, the District should review and update the projections on a yearly basis and compare them to building capacities to address potential capacity issues, and if necessary, determine possible building additions, closures, or reconfigurations.
- Initiate an audit of its facilities and establish a formal preventive maintenance plan. The audit should track building conditions and relevant data should be updated on an annual basis to help the District target its resources to critical areas. Additionally, the District should incorporate the activities in a formal preventive maintenance plan into an electronic work order system.
- Consider purchasing a computerized maintenance management system (CMMS). In doing so, the District should ensure it chooses a CMMS that has the ability to track pertinent information (e.g., labor and supply costs) and that the vendor provides employees with appropriate training to fully and efficiently use all functions. However, if the District chooses to retain the manual work order request process, it should expand it to include industry recommended elements and track all requests for management purposes.

In the area of transportation, Ledgemont LSD should:

- Establish formal procedures to ensure T-reports are accurately prepared, reviewed, and reconciled before submission to ODE. Improving the report review process should help ensure that the District receives the appropriate State reimbursement for its transportation services in the future, and uses accurate data for decision-making.
- Based on its financial condition (see **financial systems**), the District should review the current level of transportation services in relation to State minimum requirements and the new funding provisions in House Bill 1, and by considering relevant factors like costs and student safety. This should include a review of transportation services to students who live less than one mile from their school and not using cluster stops for the majority of its routes. If the District modifies its practices, it should update the transportation policy accordingly. If the District maintains current operations, it should consider clarifying its policy to be more consistent with actual service levels. Additionally, the District should post policies on its website to provide access to students, parents, and the community.
- Review its fees for non-routine transportation services to determine the extent to which they cover the actual cost of non-routine services. Subsequently, Ledgemont LSD should annually review the fee structure to ensure the fees continue to cover all non-routine transportation costs.
- Consider surveying parents on an annual basis to determine who will require transportation services. Doing so would help the District develop efficient routes.
- Determine whether some students are impractical to transport, based on provisions in State law. After making this determination, the District should pursue making payments-in-lieu of transportation.
- Develop a bus replacement plan, and update it annually. The plan should include the number of buses to be replaced each fiscal year and criteria for their replacement, such as age, mileage, safety inspection results, maintenance costs, and estimated cost at the time of replacement.
- Use requests for proposals (RFP) when contracting out its maintenance services. The RFPs should include essential elements that should also be included in the final contract. Once a provider is chosen through the RFP process, the District should develop a formal maintenance contract that addresses key points, including performance requirements (e.g., passage of State inspections), a preventive maintenance plan that defines service levels in accordance with industry standards, and inspection and audit provisions. The District should also include purchasing controls in the contract. Furthermore, the District

should continue to explore the potential for contracting or pooling services with a neighboring district and it should complete a cost benefit analysis to determine the feasibility of bringing the maintenance operation back in-house. Finally, the District should eliminate at least one spare bus.

Financial Outlook

Table 2-7 in the **financial systems** section presents the framework for a financial recovery plan for Ledgemont LSD that demonstrates the impact of the performance audit recommendations on the District's financial condition. With the inclusion of the financial implications from the performance audit recommendations, adjustments to the District's original projections, and revenue from passage of an income tax replacement levy, **Table 2-7** in the **financial systems** section shows that the District will still likely experience deficit ending fund balances for each year of the forecast period. As a result, it will be necessary for the District to consider other options for addressing the projected deficits or enact changes that go beyond the targeted savings identified in the performance audit recommendations [e.g., requiring more than a 15 percent employee contribution for health insurance (**R3.5**), reducing more than 9 regular education teacher FTEs (**R3.3**), etc.]. However, the outcomes in **Table 2-7** are contingent upon the attainment of District and AOS revised projections, the timing of implementation of the performance audit recommendations, and the actual impact of those recommendations. See **R2.10** in the **financial systems** section for additional discussion.

Prior to the adoption of final strategies for addressing the financial difficulties, the District is encouraged to discuss all potential options with stakeholders to obtain their input and expectations. Furthermore, enhancing the reliability of the five-year forecast (**R2.2** and **R2.3**), developing a strategic plan (**R2.8**), and creating policies and procedures for gathering and reporting data (**R3.1** and **R5.4**) would help ensure that potential options are based on defined goals and objectives, and accurate information.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1: Summary of Financial Implications

	Estimated Annual Cost Savings	Estimated Annual Costs	Estimated One-Time Costs
R3.2 Consider reducing staffing by 1.0 central-based administrator FTE	\$25,000		
R3.3 Consider reducing staffing by 9.0 FTE regular education teachers	\$392,000		
R3.7 Implement an automated substitute calling system	\$3,000	\$480	\$900
R3.9 Improve overall cost effectiveness of special education program	\$104,000		
R4.2 Improve energy management	\$6,900		
R4.6 Consider the purchase of a computerized maintenance management system		\$400	
R5.6 Reduce maintenance and repair costs	\$21,800		
Total Not Subject to Negotiations	\$552,700	\$880	\$900
R3.5 Increase contributions to 15 percent for healthcare	\$43,200		
Total Subject to Negotiations	\$43,200		
Total All Recommendations	\$595,900	\$880	\$900

Source: AOS Recommendations

Note: **R3.5** would not be subject to collective bargaining negotiations for administrative staff.

Financial Systems

Background

This section of the performance audit focuses on Ledgesmont Local School District's (Ledgesmont LSD or the District) financial systems, including an assessment of Ledgesmont LSD's five-year forecast. The District's operations were evaluated against ten selected peer school districts (peer average)¹, recommended or leading practices, and operational standards from applicable sources, including the Government Finance Officers Association (GFOA) and the American Institute of Certified Public Accountants (AICPA).

Financial History and Condition

The Ohio Revised Code (ORC) § 3316.03 allows the Auditor of State (AOS) to place a school district in fiscal watch or fiscal emergency if certain conditions are met. ORC § 3316.03 also authorizes the Ohio Department of Education (ODE) to place a school district in fiscal caution if it identifies fiscal practices or budgetary conditions that if left uncorrected, could lead to fiscal watch or emergency conditions. If fiscal caution is declared, the district is given 60 days to provide a written proposal to ODE that outlines a plan to correct the practices or conditions that led to the declaration.

On February 23, 2009, Ledgesmont LSD was placed in fiscal caution due to the projected deficits in the five-year forecast submitted to ODE. The District has until April 23, 2009 to submit a fiscal caution proposal to ODE.²

Ledgesmont LSD is funded at the local level through a variety of levies, including the following:

- 51.2 operating mills for the General Fund (20.0 effective mills for agricultural and residential) that generate approximately \$2.4 million in revenues; and
- A seven-year 0.75 percent income tax levy that expired December 31, 2008 (projected to generate approximately \$588,000 in FY 2008-09).

The District ended FY 2007-08 with a General Fund balance of approximately \$141,000. However, the District's forecast anticipates that its financial condition will decline substantially, beginning in FY 2008-09. More specifically, the District projects that its ending fund balance will decline to approximately \$41,000 in FY 2008-09. Ledgesmont LSD further projects that it

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

² The Ohio Department of Education granted the District a thirty day extension. The District has until May 23, 2009 to submit a financial recovery proposal.

will encounter negative fund balances of approximately \$821,000 in FY 2009-10, \$2.0 million in FY 2010-11, \$3.5 million in FY 2011-12, and \$5.1 million in FY 2012-13. Ledgemont LSD placed a 1.25 percent income tax levy proposal on the ballot in November 2008 to eliminate the projected deficits. This levy would have replaced the 0.75 percent income tax levy and was projected to generate approximately \$1.2 million annually. However, the voters defeated the income tax levy. During the course of this performance audit, the District again placed a 1.25 percent income tax levy proposal on the ballot in May 2009, which was also defeated.

Table 2-1 presents historical and projected revenues and expenditures, as of November 2008. This forecast was used as the starting point for assessing the District's financial condition.

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

	Actual FY 2005-06	Actual FY 2006-07	Actual FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13
Real Estate Property Tax	\$1,856	\$1,894	\$1,892	\$2,007	\$2,058	\$2,109	\$2,162	\$2,216
Tangible Personal Property Tax	\$263	\$187	\$183	\$82	\$0	\$0	\$0	\$0
Income Tax	\$604	\$656	\$719	\$588	\$0	\$0	\$0	\$0
Unrestricted Grants-in-Aid	\$2,248	\$2,214	\$2,226	\$2,321	\$2,367	\$2,415	\$2,415	\$2,415
Restricted Grants-in-Aid	\$67	\$106	\$66	\$75	\$75	\$75	\$75	\$75
Property Tax Allocation	\$230	\$321	\$365	\$463	\$554	\$558	\$564	\$564
Other Revenues	\$261	\$227	\$83	\$263	\$270	\$272	\$281	\$281
Total Operating Revenues	\$5,529	\$5,605	\$5,534	\$5,799	\$5,324	\$5,429	\$5,497	\$5,551
Personal Services	\$2,829	\$2,785	\$2,582	\$2,681	\$2,838	\$3,062	\$3,169	\$3,280
Fringe Benefits	\$956	\$1,038	\$1,012	\$1,060	\$1,269	\$1,357	\$1,464	\$1,580
Purchased Services	\$1,728	\$1,706	\$1,571	\$1,811	\$1,847	\$1,884	\$1,922	\$1,960
Supplies, Materials & Textbooks	\$214	\$168	\$211	\$215	\$220	\$224	\$228	\$233
Capital Outlay	\$11	\$12	\$6	\$28	\$72	\$32	\$34	\$34
Other Expenditures	\$73	\$72	\$110	\$80	\$110	\$80	\$110	\$110
Total Operating Expenditures	\$5,811	\$5,781	\$5,492	\$5,875	\$6,356	\$6,639	\$6,927	\$7,197
Net Transfers/ Advances	(\$10)	(\$5)	(\$11)	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Other Financing Sources	\$2	\$0	\$60	\$0	\$0	\$0	\$0	\$0
Net Financing	(\$8)	(\$5)	\$49	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Result of Operations (Net)	(\$290)	(\$181)	\$91	(\$86)	(\$1,042)	(\$1,220)	(\$1,440)	(\$1,656)
Beginning Cash Balance	\$787	\$497	\$316	\$408	\$321	(\$721)	(\$1,941)	(\$3,381)
Ending Cash Balance	\$497	\$316	\$408	\$321	(\$721)	(\$1,941)	(\$3,381)	(\$5,037)
Encumbrances	\$131	\$118	\$267	\$280	\$100	\$100	\$100	\$100
Ending Fund Balance	\$366	\$198	\$141	\$41	(\$821)	(\$2,041)	(\$3,481)	(\$5,137)
Income Tax Replacement	\$0	\$0	\$0	\$252	\$1,185	\$1,217	\$1,250	\$1,275
Cumulative Balance of Replacement Levies	\$0	\$0	\$0	\$252	\$1,437	\$2,654	\$3,903	\$5,178
Unreserved Fund Balance	\$366	\$198	\$141	\$293	\$616	\$613	\$422	\$41

Source: Ledgemont LSD

Note: Totals may vary from actuals due to rounding

By its nature, forecasting requires estimates of future events; therefore, differences between projected and actual results are expected. In total, the revenues shown in **Table 2-1** appear

overstated, while the expenditures appear understated (see **R2.2**). As a result, certain assumptions were revised and included in the adjusted forecast presented in **Table 2-7**.

Revenue and Expenditure Comparisons

Table 2-2 compares Ledgesmont LSD's General Fund revenues by source and expenditures by object to the peer average for FY 2007-08. The data is presented on a per student basis to account for differences in student population size.

Table 2-2: Revenues by Source, Expenditures by Object in FY 2007-08

	Ledgesmont LSD	Peer Average
Property & Income Tax	\$4,315	\$3,851
Intergovernmental Revenues	\$4,109	\$4,410
Other Revenues	\$214	\$840
Total Revenue	\$8,639	\$9,100
Wages	\$3,987	\$5,135
Fringe Benefits	\$1,563	\$1,782
Purchased Service	\$2,425	\$976
Supplies & Textbooks	\$326	\$361
Capital Outlays	\$9	\$103
Debt Service	\$0	\$24
Miscellaneous	\$170	\$230
Other Financing Uses	\$17	\$124
Total Expenditures	\$8,497	\$8,734

Source: Ledgesmont LSD and peer 4502s

Note: Totals may vary from actuals due to rounding

Table 2-2 shows the District's total revenues are lower than the peer average by \$461 per student, attributed to the lower intergovernmental revenues and other revenues. The lower other revenues are primarily due to lower tuition and investment revenues (see **R2.9** for additional analysis). As previously stated, the income tax levy expired on December 31, 2008, and voters rejected a 1.25 percent income tax levy proposal in November 2008 and again in May 2009. When excluding the revenues from the prior income tax levy reflected in **Table 2-2**, the District's revised ratio of property and income tax revenues per student falls to \$3,204, which is lower than the peer average of \$3,815.

The District's property tax rates equate to 20 effective mills in the agricultural and residential property class. According to *Property Taxation and School Funding* (Ohio Department of Taxation, 2008), no further reductions are made to effective rates once they reach 20 mills,

which allows such districts to receive the full revenue growth from increases in taxable values on those mills. In tax year 2007, 396 of the 614 school districts in Ohio were at the 20 mill floor in at least one of the two classes of real property. Of the 396 districts, 283 school districts had either emergency levies or income taxes, with 42 of the 283 districts having both. When emergency levies are restricted to a specific dollar amount for the duration of the levy, they are not counted toward the 20 mill floor. Similarly, income tax levies do not affect the calculation of the 20 mill floor. *Property Taxation and School Funding* further notes the following: “It is important to understand the “all or nothing” growth impact of being at the 20-mill floor. A district that is above the 20-mill floor...gets **no growth** from reappraisal or update on its outside mills. A district at the 20-mill floor gets **full growth** from reappraisal or update on its 20 mills of outside levies.”

Table 2-2 also shows that in total, the District spent \$237 less per student when compared to the peer average. However, Ledgemont LSD spent \$1,449 more per student on purchased services when compared to the peer average. The higher costs are attributed to the District contracting with the Geauga County Education Service Center for special education services and tuition costs for students attending other school districts through open enrollment and community schools. See **Table 2-3** for additional discussion of the District’s special education costs.

Table 2-3 shows the governmental fund expenditures per pupil posted to various Uniform School Accounting System (USAS) function codes for Ledgemont LSD and the peer average. The function codes report expenditures by their nature or purpose. In addition, **Table 2-3** shows the corresponding percentage of operational expenditures by function for all funds that are classified as governmental funds.

Table 2-3: Governmental Expenditures by Function in FY 2007-08

USAS Function Classification	Ledgemont LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$5,682	63.4%	\$5,434	58.3%
Regular Instruction	\$3,277	36.5%	\$4,459	47.9%
Special Instruction	\$1,630	18.2%	\$724	7.9%
Vocational Education	\$206	2.3%	\$186	1.9%
Other Instruction	\$568	6.3%	\$64	0.7%
Support Service Expenditures:	\$3,062	34.2%	\$3,465	36.9%
Pupil Support Services	\$161	1.8%	\$405	4.5%
Instructional Support Services	\$179	2.0%	\$361	3.9%
Board of Education	\$28	0.3%	\$56	0.6%
Administration	\$690	7.7%	\$802	8.5%
Fiscal Services	\$392	4.4%	\$276	3.0%
Business Services	\$0	0.0%	\$17	0.2%
Plant Operation & Maintenance	\$837	9.3%	\$1,001	10.4%
Pupil Transportation	\$753	8.4%	\$466	5.0%
Central Support Services	\$21	0.2%	\$81	0.9%
Non-Instructional Expenditures	\$9	0.1%	\$3	0.0%
Extracurricular Activities Expenditures	\$214	2.4%	\$453	4.8%
Total Governmental Fund Operational Expenditures	\$8,967	100.0%	\$9,356	100.0%
Facilities Acquisition	\$0	0.0%	\$571	5.0%
Payment of Debt	\$0	0.0%	\$554	5.4%
Total Governmental Fund Expenditures	\$8,967	100.0%	\$10,480	100.0%

Source: Ledgemont LSD and peer 4502s

Note: Totals may vary from actuals due to rounding

As shown in **Table 2-3**, the District allocates a higher percentage of its expenditures to instruction. In addition, Ledgemont LSD's total governmental fund operating expenditures and total governmental fund expenditures were below the peer averages on a per pupil basis for FY 2007-08. Explanations for areas where the District's expenditures exceeded the peer average include the following:

- **Special Instruction** - The District spent \$906 more per student than the peer average in special instruction in FY 2007-08. Special education students comprise a higher percentage of the total enrollment at Ledgemont LSD, which contributes to the higher costs per student. However, the contract with the Geauga County Education Service Center to provide services for the special education program also contributes to the higher costs. In FY 2007-08, the District spent approximately \$569,000 on contracted special education services. See the **human resource** section for additional information on the District's special education programs.
- **Vocational Education** – The District spent \$20 more per student than the peer average in vocational education in FY 2007-08. In FY 2007-08, Ledgemont LSD spent

approximately \$134,000 on vocational education, of which 98 percent consisted of wages and benefits for teachers. However, the District's average vocational education salary is 17.5 percent lower than the peer average in FY 2007-08. In addition, increasing employee contribution levels for health insurance would reduce vocational education expenditures (see the **human resources** section). Furthermore, the vocational education costs only represent 2.3 percent of the District's total operating expenditures. Therefore, no further analysis was completed.

- **Other Instruction** – The District spent \$504 more per student than the peer average on other instruction in FY 2007-08. This line-item accounts for tuition payments associated with District students attending other school districts through open enrollment and District students attending community schools. The District's open enrollment and community schools tuition payments account for approximately 92 percent of the District's total other instruction expenditures.
- **Fiscal Services** – Ledgemont LSD spent \$116 more per student than the peer average on fiscal services in FY 2007-08. The higher expenditures are primarily due to County auditor and Treasurer fees.
- **Pupil Transportation** – The District spent \$287 more per student than the peer average on pupil transportation services in FY 2007-08. The higher expenditures are primarily due to the District's bus driver longevity, benefit costs, and maintenance and repair costs. See the **human resource** and **transportation** sections for additional information.
- **Non-Instructional Service Expenditures** – Ledgemont LSD spent \$6 more per student than the peer average on non-instructional services in FY 2007-08. The expenditures in this line-item are for the District's food service operations. Despite the higher per student expenditures, the District's food service program generates sufficient revenue to cover its operating costs.

Audit Objectives for the Financial Systems Section

The following is a list of the questions used to evaluate the financial systems functions at Ledgemont LSD:

- What has been Ledgemont LSD's financial history?
- Does the District have comprehensive financial policies and procedures to ensure effective and efficient management?
- Does the five-year financial forecast reasonably and logically project the future financial position of the District?
- Does the District have an effective system of communicating its financial data?
- Does the District maintain a performance measurement system?
- Has the District developed a strategic plan that meets leading practices?
- How do the District's revenues and expenditures compare with the peer districts?
- Has the District established an audit committee and does it follow leading or recommended practices?
- Has the District addressed past financial audit citations?

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified the District's expenditure levels as a noteworthy accomplishment. Specifically, although Ledgemont LSD can implement some measures to reduce costs (see the **human resources**, **facilities** and **transportation** sections), **Tables 2-2** and **2-3** show that the District's total per pupil spending levels are lower than the peer averages. In the General Fund, the District's expenditures per student were 2.7 percent lower than the peer average in FY 2007-08. Likewise, the District's operating expenditures per student in governmental funds were 4.2 percent lower than the peer average in FY 2007-08. Furthermore, **Table 2-1** shows that the District reduced total expenditures by 0.5 percent from FY 2005-06 to FY 2006-07, and by 5.0 percent from FY 2006-07 to FY 2007-08.³

³ During the concluding phase of this performance audit, Ledgemont LSD provided a report that depicted actual financial activity for FY 2008-09, which showed that total expenditures increased by 6.5 percent when compared to FY 2007-08. This is due, in part, to increased purchased service costs. In prior discussions about the projected purchased service costs, the Treasurer indicated that the large increase in purchased services was due to an increase in special education costs (see the **human resources** section for further discussion).

Recommendations

Financial Planning

R2.1 Ledgesmont LSD should develop policies and procedures that address the process to be used in preparing the five-year financial forecast, including the participation of District administrators, level of note disclosures and supporting materials, and timeframes for presenting the forecast to the Board. Accordingly, the Treasurer should consider presenting more detailed information and explanatory comments to help support and communicate the significant assumptions used in deriving the projections. Doing so would help the Board and public better understand the underlying elements of the District's projected financial condition, including the forecast methodology and assumptions.

Ledgesmont LSD does not have a Board policy or formal procedures that address the process to be used in preparing the financial forecast, the specific roles of administrators, the level of note disclosures and supporting materials to be used in developing the forecast, and when the forecast should be presented to the Board. In actual practice, the Treasurer prepares the forecast based on discussions with the Superintendent and a review of historical information, trend analyses, and information obtained from outside sources, such as the Geauga County Auditor's Office (County Auditor) and the Ohio Department of Education (ODE). According to the Treasurer, the District's forecast and finances are presented to the Board and the public through community forum meetings at least twice a year.⁴ In addition, the Treasurer noted that he provides the Board with check registers, bank reconciliations, financial summary reports, and an appropriations summary report on a monthly basis.

Although the District's forecast includes assumptions to help explain the relevant historical information and forecast projections, the notes to the forecast omit disclosure concerning issues that have a significant impact on Ledgesmont LSD, such as the following:

- The timeframes and impacts of scheduled property reappraisals and updates;
- Historical and projected enrollment;
- Historical and projected staffing levels and the number of anticipated retirements during the forecast period (see **R2.3**);
- Historical and projected cost of living adjustments and specific percentages used to project salary schedule step increases (see **R2.3**);

⁴ The Treasurer noted the most recent community forum meeting was held in February 2009.

- Historical and projected information supporting assumptions for health insurance (see **R2.3**);
- Current and projected information regarding technology, building, and equipment needs;
- Current and projected information on set-aside requirements (see **R2.3**); and
- Explanations when projected amounts deviate from legislation and historical trends.

According to the *Audit and Accounting Guide for Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2008), financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods, and practices to be employed. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- The use of careful judgment to identify the assumptions that appear significant to the forecast. The assumptions disclosed include ones that have a reasonable potential for variation that may significantly impact the projections (i.e., sensitive assumptions), assumptions that are expected to differ significantly from current conditions and are not reasonably apparent, and other matters deemed critical to the forecast or its interpretation.
- Key factors should be identified as a basis for assumptions. Assumptions used in preparing financial forecasts should be appropriate, reasonable, and well-supported.
- The process used to develop financial forecasts should provide adequate documentation of the financial forecasts and the process used to develop them. Documentation involves recording the underlying assumptions and summarizing the supporting evidence for the assumptions.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at the appropriate levels of authority.

By not having a policy and formal procedures that govern the process used to develop the District's forecast and not including relevant disclosures within the assumptions, Ledgemont LSD increases the risk of not developing a sound financial forecast (see **R2.2**

and R2.3) and not effectively communicating its projections to the public and other stakeholders.

R2.2 The District should ensure the revenue projections account for existing legislation, historical trends, changes in operations, and applicable external sources (i.e., County Auditor and ODE). The District should add notes in the forecast to fully explain any deviations from these sources (see R2.1).

As a component of the performance audit, the District's revenue projections (see **Table 2-1**), including the underlying assumptions and supporting documentation, were reviewed for overall reasonableness. Based on this review that included factors like historical trends, legislation, and information from outside sources, AOS determined that the District's projections for tangible property tax and property tax allocation appear reasonable. However, the District's projections for real estate property taxes, State funding (unrestricted and restricted grants-in-aid), and other revenues warranted further review, which is summarized by the following:

- **Real Estate Property Taxes:** **Table 2-1** shows the District projects real estate property taxes to increase approximately 6.1 percent in FY 2008-09, and then increase 2.5 percent throughout the remainder of the forecast period. The Treasurer indicated that the 2.5 percent growth rate is based on the assumptions that the economy will improve, the District's assessed valuations will increase, and growth in the community will occur. According to the Treasurer, the FY 2008-09 projection is based on information obtained from the Geauga County Auditor. However, the District's projection for FY 2008-09 does not appear reasonable as it is 12.8 percent higher than the Geauga County Auditor's certificate of estimated resources, and 8.7 percent higher than the actual receipts as of March 19, 2009 (\$1,847,293).

In addition, the projected increase of 2.5 percent annually from FY 2009-10 through FY 2012-13 appear slightly aggressive based on recent trends. Specifically, the District's real estate taxes increased only 2.1 percent in FY 2006-07 and declined 0.1 percent in FY 2007-08. Additionally, real estate revenues are estimated to decline 0.2 percent based on actual receipts received through March 19, 2009. This is despite the property tax update that took place in CY 2008, which would impact FY 2008-09 collections. According to *Gauga County's 2008 Real Estate Report* (Gauga County Auditor, 2008), "Based on our analysis and the analysis of the Ohio Department of Taxation we have come to the conclusion that the property values set in 2005 have met the goals and standards sought by the Ohio Department of Taxation for the 2008 triennial update. The property values that were put in place in 2005 will remain until 2011 when the next county-wide reappraisal will occur." The District's actual receipts as of

March 19, 2009 are in line with the actual collections from FY 2005-06 to FY 2007-08. Furthermore, the District's methodology does not account for the property reappraisal that is scheduled to take place in CY 2011 (impacting FY 2011-12). The last property reappraisal resulted in a 10.7 percent increase in property tax collections for FY 2005-06. However, based on the declining economy, the District may not experience such an increase for FY 2011-12.

- **State Funding (Unrestricted and Restricted Grants-in-Aid):** The District projected state funding to increase 4.53 percent in FY 2008-09, 1.95 percent in FY 2009-10 and FY 2010-11, and then remain constant at the FY 2010-11 level for the remainder of the forecast period. While the District's forecast notes indicate that the FY 2008-09 projection is based on information provided by the State, the projection for FY 2008-09 (approximately \$2.4 million) is higher than the SF-3 simulation report published by ODE (\$2.2 million). In addition, ODE's simulation report is consistent with the District's actual SF-3 report (as of May 5, 2009), as it is only 0.2 percent lower than the actual SF-3 report. Conversely, the District's State funding projections thereafter appear reasonable, based on trends in per pupil funding levels and enrollment, and the uncertainty of funding levels after FY 2008-09.
- **All Other Revenue:** Other revenues consist of tuition, interest, transportation fees, materials and supplies, grants, and other miscellaneous income. **Table 2-1** shows the District projects other revenues to increase substantially in FY 2008-09 and then increase slightly for the remainder of the forecast period. The District's forecast notes indicate that all other operating revenues are projected based on historical patterns. In FY 2006-07, the District received approximately \$112,000 in tuition payments, which represents approximately 50 percent of total all other operating revenues in FY 2006-07. However, in FY 2007-08, the tuition revenue declined to approximately \$2,000, which resulted in total all other revenues declining to approximately \$83,000. The Elementary/Middle School Associate Principal indicated that prior to FY 2007-08, the District was running a county high school program that resulted in the District receiving large tuition revenue. However, the District stopped operating the program at the end of FY 2006-07. As a result, it does not appear that the District will continue to receive large tuition payments throughout the forecast period. For instance, based on the District's year-to-date receipts through March 19, 2009, Ledgemont LSD has only received approximately \$33,000 in total all other operating revenues, or 12.7 percent of the forecast projection. Since tuition payments historically comprised approximately half of the total all other operating revenues, the District's projections in FY 2008-09 through FY 2012-13 appear overstated.

Based on the issues outline above, the District's real estate projection will be adjusted in FY 2008-09 to equal the year-to-date receipts as of March 19, 2009⁵. Additionally, the real estate projections will be adjusted to reflect no growth, except for a 2.5 percent increase in FY 2011-12, which is the fiscal year that will be impacted by the scheduled property reappraisal. This is based on the aforementioned trends in real estate taxes, the current economic climate, and information from the County Auditor. Although the District's methodology for projecting tangible property taxes is reasonable, the projection will be adjusted in FY 2008-09 to equal the year-to-date receipts as of March 19, 2009. Furthermore, the FY 2008-09 State funding projection will be adjusted to equal the amount stated on ODE's simulation report, with the District's methodology applied for future years.

Due to the adjustments in the real estate projections, the District's FY 2009-10 through FY 2012-13 property tax allocation projections will be adjusted to reflect the historical relationship with real estate taxes. Specifically, property tax allocation represented approximately 12.7 percent of real estate taxes prior to receiving the tangible tax reimbursements. Lastly, other revenues will be adjusted to remain constant at the FY 2007-08 level, minus the \$6,800 received from a one-time sale of an asset. This is based on the reduction in the District's tuition payments and assumes no growth in interest income, based on the current economic climate and financial condition of the District. **Table 2-4** shows the impact these revisions will have on Ledgemont LSD's forecast.

⁵ Based on the collection cycle for real estate taxes and the preceding information from the County Auditor, the District should have received most, if not all, of taxes due by March 19, 2009. However, the potential exists for additional collections for the remainder of FY 2008-09, although they are likely immaterial.

Table 2-4: Impact of Forecast Adjustments

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
District Projections					
Real Estate Projections	\$2,007,338	\$2,057,521	\$2,108,959	\$2,161,683	\$2,215,725
Tangible Property Tax	\$82,304	\$0	\$0	\$0	\$0
State Funding¹	\$2,395,727	\$2,442,342	\$2,489,888	\$2,489,888	\$2,489,888
Property Tax Allocation	\$462,631	\$554,427	\$558,118	\$564,445	\$564,445
Other Revenue	\$262,656	\$270,232	\$271,642	\$280,773	\$280,773
Total	\$5,210,656	\$5,324,522	\$5,428,607	\$5,496,789	\$5,550,831
AOS Projections					
Real Estate Projections	\$1,847,293	\$1,847,293	\$1,847,293	\$1,893,475	\$1,893,475
Tangible Property Tax	\$116,228	\$0	\$0	\$0	\$0
State Funding¹	\$2,227,568	\$2,271,006	\$2,315,290	\$2,315,290	\$2,315,290
Property Tax Allocation	\$462,631	\$527,728	\$524,886	\$530,383	\$523,519
Other Revenue	\$76,587	\$76,587	\$76,587	\$76,587	\$76,587
Total	\$4,730,307	\$4,722,614	\$4,764,056	\$4,815,735	\$4,808,872
Difference Between AOS and District Projections	(\$480,349)	(\$601,908)	(\$664,551)	(\$681,054)	(\$741,959)

Source: AOS and District

¹Includes unrestricted and restricted grants-in-aid.

During the latter stages of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11. ODE developed simulation reports, as of August 18, depicting State funding levels for FYs 2009-10 and FY 2010-11 based on House Bill 1. In addition, the Legislative Services Commission's (LSC) reported projected stimulus funding that is not captured in the ODE simulations⁶. Based on ODE's simulation reports and the LSD information, the District's State funding levels will not change substantially when compared to the AOS revised projections. Specifically, **Table 2-4** shows the revised projections for State funding at approximately \$2.32 million in FYs 2009-10 and 2010-11, while ODE's simulation reports plus LSC's reported stimulus monies shows funding levels at approximately \$2.27 million in FY 2009-10 and \$2.22 million in FY 2010-11.

R2.3 Since employee salaries and wages represent 47 percent of the District's total expenditures, the Treasurer should consider plotting each employee based on the salary schedule for each year of the forecast to accurately account for step and horizontal increases. The Treasurer should disclose the methodology used to arrive at the projected numbers in the assumptions, including the methodology used to identify potential retirements and the related financial impact. The Treasurer

⁶ LSC notes that some of the projected stimulus funding would be provided to nonpublic schools, but it does not show the portion specifically allocated for Ledgemont LSD.

should also ensure that assumptions match the methodology used to calculate the projected figures. Additionally, the Treasurer should include separate assumptions for benefits (i.e., health insurance, Medicare, and worker's compensation) in the forecast notes to clearly disclose the forecast methodology. Ideally, the Treasurer should consider plotting each employee based on the type of healthcare plan (i.e., single or family) for each year of the forecast, which would be facilitated by plotting each employee according to the salary schedule as outlined above.

Lastly, the District should comply with the textbook and instructional materials spending requirements, and show compliance in the forecast. This will provide the Board with a more reliable assessment of the District's financial condition, which subsequently could impact the strategies for achieving financial recovery. This will also ensure the District provides students with regularly updated instructional materials. However, if the District determines that it cannot achieve the annual spending requirements, it should obtain approval from ODE to waive the requirements and update its projections accordingly.

As a component of the performance audit, the District's expenditure projections (see **Table 2-1**), including the underlying assumptions and supporting documentation, were reviewed for overall reasonableness. Based on the review of Ledgemont LSD's projected forecast expenditures, AOS determined that the District's projected figures appeared generally reasonable. However, the methodology for salaries and benefits, and the instructional material and capital outlay spending requirements stipulated in Ohio Revised Code (ORC) § 3315.17 and ORC § 3315.18 warranted further review, which are summarized by the following:

- **Personnel Services:** This line-item represents employee salaries and wages, including supplemental, substitute, severance, and overtime costs. **Table 2-1** shows that the District projects personnel services to increase 3.8 percent in FY 2008-09, 5.9 percent in FY 2009-10, 7.9 percent in FY 2010-11, and 3.5 percent each year thereafter to account for negotiated wage and salary schedule step increases. The higher growth rates in FY 2009-10 and FY 2010-11 are due to the District anticipating retirements, which would result in an increase in severance payments. The Treasurer indicated that the salary projections include a step increase of 3.2 percent and a negotiated wage increase (NWI) of 1 percent for all staff. The average NWI from FY 2006-07 to FY 2008-09 was 1 percent. In addition, a 3.2 percent increase appears reasonable and somewhat conservative based on the average step increase in the four certificated salary schedules over a 30 year career. Specifically, the average step increase assuming 30 years of service for the BA, BA+15, MA and MA+15 salary schedules equate to 1.9, 2.3, 2.8 and 3.0 percent, respectively. Certificated salaries comprised 75 percent of the total salary costs in the General Fund for FY 2007-08.

Based on the NWI for FY 2008-09, the aforementioned average step increases, historical trends, salaries reported by the District in EMIS for FY 2007-08 and FY 2008-09, and the year-to-date expenditures through March 19, 2009, the District's projection for FY 2008-09 appears reasonable. Similarly, the projected figures for salaries appear generally reasonable and somewhat conservative thereafter, based on historical trends. More specifically, from FY 2001-02 to FY 2007-08, total salaries declined in three of the six years. In addition, the average increase was 3.1 percent in the three years where salaries increased. By comparison, the District's projections from FY 2009-10 to FY 2012-13 amount to an average increase of 5.2 percent per year. However, the District did not include the following detail in the personnel services forecast assumptions:

- The Treasurer did not plot the actual salary costs by employee. Rather, the Treasurer stated that salaries were projected based on the previous year's salary with increases to account for negotiated wage and step schedule increases. However, the forecast notes do not explain the methodology used to determine those percentages.
- The Treasurer did not take into account the impact horizontal increases by certificated employees would have on the District's salary projections.
- Although the Treasurer considered future retirements in the District's salary projections, the forecast notes do not include the methodology used to determine the overall impact retirements will have on the District's salary costs. For instance, the notes do not state the number of anticipated retirements or if the District is planning on replacing those individuals with new employees.

Moreover, the projection of 3.5 percent increases in FY 2011-12 and FY 2013 are slightly below the Treasurer's stated combined increase of 4.2 percent for negotiated wages and step increases.

- **Benefits:** The District's fringe benefits consist of Board paid contributions to employee retirement systems, health insurance, Medicare, and workers' compensation. **Table 2-1** shows the District projects benefit costs to increase an average of 9.4 percent annually during the forecast period. Based on an average annual increase of 6.7 percent per year from FY 2001-02 to FY 2007-08, the projected figures appear conservative. However, excluding the decrease in benefits in FY 2007-08, the average increase from FY 2001-02 to FY 2006-07 equated to 8.5 percent. As a result, the projected figures for benefits appear reasonable. In addition, the District's FY 2008-09 benefit projection appears

reasonable based on the year-to-date expenditures through March 19, 2009 and the salary projections for FY 2008-09.

The District's forecast notes indicate that health insurance is based on actual costs for FY 2008-09 and past trends, but does not convey any information on past trends (see **R2.1**). Additionally, the District's forecast does not disclose the assumptions and methodology for non-retirement related benefits (i.e., Medicare and workers' compensation). As a result, the actual methodology used to project benefits is unclear.

- **Instructional and Capital Requirements:** The District's projections do not comply with requirements established by ORC § 3315.17 and 3315.18. Specifically, ORC § 3315.17 and 3315.18 establish additional accountability standards for school districts to maintain a minimum level of spending in relation to its state funding formula amount for textbooks and instructional materials, and capital outlay, respectively. These statutes establish the minimum spending threshold at three percent of the preceding years' state funding formula amount. As of FY 2006-07, the District had an accrued liability of \$295,668 for the textbook reserve and \$326,440 for capital outlay.

According to ORC § 3315.17 and 3315.18, a district in fiscal emergency status may deposit less than the set-aside requirements or make no deposit for that year. Additionally, a school district fiscal caution or watch status may apply to the Superintendent of Public Instruction for a waiver from the set-aside requirements for that year, allowing them to deposit less than the required amount or to make no deposit. The Superintendent may grant a waiver if the district demonstrates to the satisfaction of the Superintendent that compliance will create an undue financial hardship on the district. Furthermore, any school district, not more often than one fiscal year in every three consecutive fiscal years, may apply to the Superintendent of Public Instruction for a waiver from the annual set-aside requirements. The waiver would permit a school district to deposit an amount less than the annual set-aside requirement or make no deposit for that year. The Superintendent of Public Instruction may grant a waiver if the school district demonstrates to the satisfaction of the superintendent that compliance with the annual set-aside requirement for that fiscal year will necessitate the reduction or elimination of a program currently offered by the school district that is critical to the academic success of students of the school district and that no reasonable alternatives exist for spending reductions in other areas of operation within the school district that negate the necessity of the reduction or elimination of that program. According to the 2009 Ohio Compliance Supplement (OCS), a waiver is granted for only the requirement to set-aside current year revenue for textbooks and instructional materials and/or capital and maintenance. A waiver does not

eliminate the set-aside reserve or any accumulated/existing balance carried over from prior years. However, the annual set-asides waived need not be made up in future years.

The Treasurer indicated that the District has not applied to ODE to waive the set-aside spending requirements. Additionally, the Superintendent noted that due to the declining financial condition, the District prefers to pay its bills and continue making payroll, which limits its ability to fully expend the required set-aside amount. The Treasurer also noted that the District tries to use alternative methods to acquire updated textbooks and materials (e.g., buying textbooks at a discounted rate from other school districts).

Based on the above issues, a reserve balance line-item will be added to the District's forecast to ensure compliance with the set-aside requirements for textbooks and instructional materials, and capital outlay. Specifically, for FY 2008-09, the reserve balance will equal approximately \$1.0 million based on the District's reserve balances as of the end of FY 2006-07 and an additional \$380,000 in spending requirements for FY 2007-08 and 2008-09. The \$380,000 is based on the annual spending amounts shown in the FY 2006-07 financial audit⁷ of \$95,000 each for textbook and instructional materials, and capital acquisitions. The remaining years will be projected at \$190,000, the combined annual spending requirements from the FY 2006-07 financial audit, plus the prior year balance to capture the impact of including these requirements below the ending cash balance line-item. Furthermore, the set-aside projections assume no qualifying expenditures in the "supplies, materials, and textbook," and "capital outlay" line-items comprising the forecast. This is based on the District having only \$8,470 in qualifying expenditures for textbooks and \$4,318 in qualifying expenditures for capital outlay in FY 2006-07. However, if the District is able to increase the level of qualifying expenditures in these two line items, it could significantly reduce the AOS set-aside projections. **Table 2-5** shows the impact these revisions will have on Ledgemont LSD's forecast.

Table 2-5: Impact of Forecast Adjustments: Set-Asides

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
District Projections	\$0	\$0	\$0	\$0	\$0
AOS Projections	\$1,002,000	\$1,192,000	\$1,382,000	\$1,572,000	\$1,762,000
Difference	(\$1,002,000)	(\$1,192,000)	(\$1,382,000)	(\$1,572,000)	(\$1,762,000)

Source: AOS and District

⁷ The FY 2007-08 financial audit has not been released yet; therefore, AOS had to estimate the District's FY 2007-08 reserve balance.

*Financial Management, Policies and Reporting***R2.4 Ledgemont LSD should deposit all receipts within 24 hours of collection to ensure compliance with the ORC. If the receipts are less than \$1,000 and the District is unable to deposit them within 24 hours, it should ensure compliance with its policy and ORC by depositing receipts within three business days.**

ORC § 9.38 provides that public money must be deposited by a public official other than a state officer, employee or agent, with the Treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount received exceeds \$1,000. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the legislative body may adopt a policy permitting their money to be held past the next business day, but the deposit must be made no later than three business days after receiving it. Although the District has a Cash in School Buildings policy that sites ORC § 9.38, Ledgemont LSD has received financial audit citations in the past for not depositing money with the bank in a timely fashion. The Superintendent indicated that this was due to logistics. Specifically, the bank is 10 miles away and the District has decided to hold deposits until they reach \$2,000 to save on mileage reimbursement costs. However, by not depositing money with the financial institution on a daily basis, the District is subjecting these monies to greater risk that they could be lost or misappropriated and not complying with ORC § 9.38. In addition, the District is reducing its available cash, thus increasing the chances of overdrawing its bank accounts.

R2.5 The District should consider appointing an audit committee. An audit committee would help ensure the District adheres to a sound system of internal controls and addresses past audit citations.

Ledgemont LSD does not have an audit committee. The Treasurer indicated that the District relies on the financial auditors to serve as the District's audit committee. However, Ledgemont LSD received financial citations in FY 2004-05 regarding certification of funds, timely deposits, and bank reconciliations. In addition, the District was cited again in the FY 2005-06 and FY 2006-07 financial audits concerning timely deposits (see **R2.4** for a further assessment of timely deposits). Furthermore, the District did not meet its set-aside reserve requirements in FY 2006-07 (see **R2.3** for an additional assessment on set-asides). According to the *Benefits of a Government Audit Committee* (AICPA, 2008), an audit committee can assist in providing fiscal accountability shown through strong internal controls, appropriate financial reporting, and sound business practices.

R2.6 Ledgemont LSD should consider expanding its current financial policies to address stabilization of funds, use of one-time and unpredictable revenues, revenue diversification, and contingency planning. Addressing such areas would help guide decision-making. Additionally, the District should consider posting all policies on its website to increase accessibility and awareness for employees and stakeholders (see R2.7).

The Board has developed comprehensive financial policies to help guide the District's financial decision-making. However, the District does not place the policies on the website for public viewing and lacks certain policies recommended in *Recommended Budget Practices* (GFOA, 1998). A summary description of these policies includes the following:

- **Stabilization of funds:** A government should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The policies should establish how and when a government builds up stabilization funds and the purposes for which they may be used. Once developed, the policies should be identified in other government documents, including planning and management reports.
- **Use of one-time revenues:** A government should adopt policies limiting the use of one-time revenues for ongoing expenditures. One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process.
- **Revenue diversification:** A government should adopt policies that encourage a diversity of revenue sources. The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This assessment should review the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues.
- **Use of unpredictable revenues:** A government should adopt a policy on the collection and use of major revenue sources it considers unpredictable. A government should identify the expected or normal degree of volatility of the revenue source. For example, revenues from a particular source may fluctuate, but rarely, if ever, fall below some predictable minimum base. A government should decide, in advance, on a set of tentative actions to be taken if one or more of these sources generate revenues substantially higher or lower than projected.

- **Contingency planning:** A government should have policies to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events. This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts.

In the absence of policies that address these areas, the District increases the risk of making decisions that do not align with the Board's intent or that result in adverse consequences.

R2.7 Ledgesmont LSD should consider preparing and issuing its annual financial statements in the comprehensive annual financial report (CAFR) format. Similarly, the District should consider supplementing the annual financial statements with the "simpler" format of the popular annual financial report (PAFR). The District should also include these reports and other financial information on its website. By using its website, Ledgesmont LSD would be taking advantage of a relatively inexpensive method for helping stakeholders gain an understanding of the District's operations and financial condition.

Ledgesmont LSD is required by Ohio Administrative Code (OAC) § 117-2-03 to issue financial statements prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). The financial audit results for the last four fiscal years (FY 2003-04 through FY 2006-07) indicate that Ledgesmont LSD complies with this statute. However, the District does not make the financial statements, financial forecast, or budget information available on its website. Instead, the Treasurer noted that Ledgesmont LSD has an open door policy and that community members may view all financial statements at the District's offices. In addition, the Treasurer indicated that the District does not prepare a comprehensive annual financial report (CAFR) or a popular annual financial report (PAFR). Lastly, the Treasurer noted that he was unsure whether or not the reports would be fully utilized by the community.

Recommended Practices: Government Accounting, Auditing, and Financial Reporting (GFOA, 2006) indicates that state and local governments should not be satisfied with only issuing basic financial statements required by GAAP, but should instead publish a CAFR. The CAFR would expand the reporting model to include information on the operating environment, explanations for past spending decisions and future commitments, as well as budgetary statements and statistical information. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2001) encourages governments to supplement their annual financial reports with simpler, "popular" annual financial reports (PAFR) designed to assist those who need a less detailed overview of a government's financial activities. According to GFOA, the PAFR supplements the GAAP

basis financial statements and is used to describe a government entity's operations in a consolidated, aggregated or condensed format. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.

According to *Web Site Presentation of Official Financial Documents* (GFOA, 2009), governments should demonstrate accountability and transparency by making financial information of the highest quality readily accessible to citizens and other interested parties. A government's web site is especially well suited for this purpose. This publication notes that some benefits of using a government's web site to communicate financial information include heightened awareness, universal accessibility, increased potential for interaction with users, increased efficiency, and lower costs.

Strategic Planning

R2.8 Ledgemont LSD should develop a comprehensive strategic plan that incorporates meaningful goals, measurable objectives, and related performance measures and timeframes. The strategic plan should link to the five-year financial forecast and budget. Subsequently, the District should formally track progress and update the plan on a regular basis. Along with the development of performance measures for the strategic plan, the District should establish and track performance measures for its various departments and operations.

The District does not have a formal strategic plan. The Treasurer indicated that the District does not have the financial stability to develop formal goals. Based on the current financial condition, the Treasurer noted that the District has to be very flexible when it comes to setting and meeting educational and operational goals. However, the Elementary/Middle School Associate Principal indicated that in 2000, Ledgemont LSD's finance committee reviewed the curriculum and finances of the District. Based on that review, the committee developed two goals: to increase the District's academic scores by approximately 2.5 percent and to tie learning to real life. The goals are posted on the cafeteria wall and communicated to staff members during teacher meetings. However, the finance committee has not met since 2000.

In addition, the District does not complete performance measurement assessments on a consistent basis. While the Elementary/Middle School Associate Principal noted that the District uses national benchmarks to evaluate academic performance, it does not have documented performance standards to facilitate management decision-making or to determine appropriate staffing levels. For example, the District does not use performance measures to help manage the custodial and maintenance functions (see the **facilities** section).

According to the article *Recommended Budget Practice on the Establishment of Strategic Plans* (GFOA, 2005), governmental entities should use some form of strategic planning to provide long-term perspectives for service delivery and budgeting. GFOA also recommends that entities monitor progress towards planned goals at regular intervals. Organizations should develop systematic review processes to evaluate the extent to which strategic goals have been met. In the strategic planning process, GFOA recommends the development of measurable objectives and the inclusion of performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and would ideally include time frames. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and activities funded in the budget. GFOA divides performance measures into the following four basic types:

- **Input measures:** Input indicators measure the volume of resources, both monetary and non-monetary, that are used in delivering a program or service.
- **Output measures:** Output indicators report the quantity or volume of products and services provided by the program.
- **Effectiveness/Outcome measures:** Effectiveness indicators measure the results, accomplishments, or quality of the item or service provided.
- **Efficiency measures:** Efficiency indicators quantify the relationship between input and output, and can be expressed as productivity ratios or as unit cost ratios.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. Performance measures should also be reported in allocation decisions. GFOA encourages all governments to use performance measures as an integral part of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals, and objectives of each department.

By developing a comprehensive strategic plan, the District would be in a better position to address current and future needs. Moreover, developing a District-wide performance measurement system would assist Ledgemont LSD and its stakeholders in identifying financial and program results, evaluating and making decisions, and facilitating improvements.

Revenue Analysis

R2.9 Ledgemont LSD should pursue various options for increasing other revenues. Specifically, the District should review its fees for non-routine transportation services (see R5.2 in the transportation section), and identify potential strategies for increasing donations and contributions from outside organizations. It should also review its mix of investments and ensure the Board is provided with monthly investment reports. This will help ensure that monies are invested appropriately and are earning a competitive rate of return. Furthermore, taking steps to improve its overall financial condition, such as those identified throughout this performance audit, would help free up additional funds for investment purposes.

Table 2-6 compares Ledgemont LSD's other revenues on a per student basis to the peer average.

Table 2-6: FY 2007-08 Other Revenues per Pupil

	Ledgemont LSD	Peer Average	Difference
Tuition	\$4	\$475	(\$471)
Transportation Fees	\$19	\$5	\$14
Investment Earnings	\$66	\$187	(\$121)
Classroom Material/Supplies	\$17	\$48	(\$31)
Miscellaneous	\$6	\$60	(\$54)
Sale/Loss of Assets	\$11	\$6	\$5
Refunds	\$93	\$9	\$84
Total Other Revenues	\$214	\$840¹	(\$626)

Source: FY 2007-08 Ledgemont LSD and peer 4502s

Note: Totals may vary from actuals due to rounding.

¹ The peers total other revenues includes transfers-in (\$37) and advances-in (\$11) that Ledgemont LSD did not have in FY 2007-08.

As shown in **Table 2-6**, Ledgemont LSD's total other revenues per pupil are significantly lower than the peer average. A summary analysis of the revenue sources for this category includes the following:

- Tuition:* **Table 2-6** shows that Ledgemont LSD's tuition revenues were lower than the peer average by approximately \$471 per pupil. Ledgemont LSD's tuition receipts represent money received from other districts as payment for pupils attending special education programs and students attending the District through open enrollment, which are somewhat beyond the District's direct control. In addition, Ledgemont LSD's SF-3 report shows that the District had a negative adjustment for open enrollment of \$247,200 in FY 2007-08, which indicates that the District lost students through open enrollment. In contrast, the peer average open enrollment adjustment was a positive \$136,044.

- *Transportation Fees:* **Table 2-6** shows that Ledgesmont LSD's transportation fees were higher than the peer average by approximately \$14 per pupil. Transportation fees represent revenues for transporting pupils to and from school activities (non-routine transportation services). Ledgesmont LSD charges students approximately \$75 to participate in sports. According to the District's Elementary/Middle School Associate Principal, the District distributes \$35 to the Athletic Fund and \$40 to the General Fund to be used for transportation, but indicated that the \$40 fee does not cover the entire cost of non-routine services. In addition, the Treasurer noted that the District does not calculate the costs of providing non-routine transportation services and does not charge for non-routine trips. See **R5.2** in the **transportation** section for additional information.
- *Investment Earnings:* **Table 2-6** shows that Ledgesmont LSD's investment earnings were lower than the peer average by approximately \$121 per pupil. Ledgesmont LSD's Board policies state that the primary objective for investments is the preservation of capital in the overall portfolio. The Board policies allow for a variety of investments including U.S. Treasury and Agency securities and instrumentalities, repurchase agreements, certificates of deposit, and other relevant investments as stipulated in the ORC. The Board policy goes on to state that the District's investments are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issue, or class of securities. However, the Treasurer noted that the District's investments only consist of Chase's Public Funds account and the State Treasury Asset Reserve of Ohio (STAR Ohio). Lastly, the District's Board policy requires the Treasurer to submit a monthly investment report to the Board that summarizes recent market conditions, monthly transactions, and total monthly return. The Treasurer noted that the Board receives investment reports on a monthly basis; however, the Treasurer was unable to provide a copy of the investment reports. While the lower investment earnings per pupil can be due, in part, to the District having a lower surplus per pupil for investment purposes than the peers (see **Table 2-2**), reviewing the mix of investments and ensuring the Board is routinely informed of the investments would help maximize earnings.
- *Classroom Materials/Supplies:* **Table 2-6** shows that Ledgesmont LSD's classroom materials/supplies revenues were lower than the peer average by approximately \$31 per pupil. Ledgesmont LSD's classroom materials/supplies receipts consist of money received from pupils for classroom and band fees. The District received \$10,786 in class fees in FY 2007-08. Although the District received \$31 less per pupil in class fees, it received \$163 more in combined property/income tax revenues and intergovernmental revenues per pupil when compared to the peer average (see **Table 2-2**).

- *Miscellaneous:* **Table 2-6** shows that Ledgemont LSD's miscellaneous revenues were lower than the peer average by approximately \$54 per pupil. Ledgemont LSD's miscellaneous receipts consist of donations and contributions from outside organizations or individuals. The District received \$3,920 in miscellaneous revenue. According to the Uniform School Accounting System (USAS), miscellaneous income can consist of other sources of revenue, such as fines, commissions, rentals, and other miscellaneous income.
- *Sale/Loss of Assets:* **Table 2-6** shows that Ledgemont LSD's sale/loss of asset revenues were higher than the peer average by approximately \$5 per pupil. Ledgemont LSD's sale/loss of assets receipts consist of money received from the sale of property. The District received \$6,800 in FY 2007-08. The Treasurer thought that the proceeds were due to the District selling a bus.
- *Refunds:* **Table 2-6** shows that Ledgemont LSD's refund revenues were higher than the peer average by approximately \$84 per pupil. Refunds can be a function of overpayments in the prior year and therefore, not necessarily an active revenue generation activity.

Financial Outlook

R2.10 Ledgemont LSD should analyze and use **Table 2-7** to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and taking other appropriate actions to avoid projected operating deficits throughout the forecast period. For instance, in addition to the recommendations in this performance audit that identify a potential for sharing services, the District should consider the feasibility of partnering with other districts to share applicable services. Furthermore, the Treasurer should update **Table 2-7** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures. Lastly, Ledgemont LSD should regularly discuss options for reducing costs and/or increasing revenues with stakeholders to help determine long-term strategies for addressing the projected deficits.

Table 2-7 presents a revised forecast to demonstrate the impact of the performance audit recommendations will have on the District's financial condition. **Table 2-7** also includes the revised projections discussed throughout this section of the audit report.

In addition, **Table 2-7** adjusts the District's originally anticipated proceeds from an income tax levy because voters rejected the levy proposal in November 2008. Based on year-to-date activity, the income tax levy expiring on December 31, 2008, and follow-up with the Treasurer, the projected amount for FY 2008-09 within the income tax line-item

(\$588,005) appears reasonable. Likewise, the District's original income tax projections (line-item below the fund balance) in FY 2009-10 through the remainder of the forecast appeared reasonable because the difference in the old and proposed income tax rates aligned with the difference in annual collections. However, the income tax projections captured below the fund balance for FY 2008-09 appear overstated because they assume collections beginning January 2009, which will not occur because the levy attempt failed in November 2008. According to the Treasurer, the District is planning on placing another income tax levy on the ballot in May 2009. Therefore, **Table 2-7** assumes the placement of another 1.25 income tax levy and adjusts the income tax levy projections to account for the difference in timing, based on the District's methodology and information from the Ohio Department of Taxation. However, during the course of this performance audit, the District again placed a 1.25 percent income tax levy proposal on the ballot in May 2009, which was also defeated. If the District placed the same levy on the ballot at another time during calendar year 2009 and voters approve the levy, the projected collections would be the same as currently shown in **Table 2-7**.

The District will need to make difficult management decisions in order to avoid deficit balances during the forecast period. For example, the forecast shown in **Table 2-7** assumes the District will reduce regular teacher positions, which comprise approximately 66 percent of the total savings related to the performance audit recommendations. In addition, even when including the financial implications for all the performance audit recommendations and assuming the passage of another income tax levy, **Table 2-7** shows that the District is projected to experience a deficit ending fund balances for each year of the forecast period. As a result, it will be necessary for the District to consider other options for addressing the projected deficit.

The forecast projections in **Table 2-7** will depend, in part, on the attainment of the District and AOS revised projections. Therefore, monitoring the attainment of the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current information. For example, if the District was able to achieve its projections for real estate which appeared somewhat optimistic, and including the corresponding impact on property tax allocation and assuming implementation of all the performance audit recommendations, Ledgemont LSD's deficit in FY 2012-13 would decrease from approximately \$3.5 million to \$2.2 million. However, the District would still maintain deficit ending balances each forecast year. Furthermore, if the District is able to increase the level of qualifying expenditures in the "supplies, materials, and textbook," and "capital outlay" line-items, it could significantly reduce the AOS set-aside projections.

The projections will also depend upon timing related to implementing the performance audit recommendations and the actual impact of those recommendations. **Table 2-7** includes implementation of the performance audit recommendations beginning in FY

2009-10. In addition, the District may be able to realize greater savings from implementing the recommendations because AOS applies a generally conservative approach in estimating the financial implications. For example, if the District was able to achieve the higher cost saving estimate in **R3.9** by improving the cost-effectiveness of the special education program and reduced regular education teacher staffing levels to operate at State minimum requirements, it would reduce the projected deficit ending balances by an average of \$1.3 million per year from FY 2009-10 to FY 2012-13. However, the District would still maintain deficit ending balances each forecast year.

Lastly, during the latter stages of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11. Based on ODE simulation reports that show State funding levels resulting from House Bill 1 for FYs 2009-10 and 2010-11, and the projected stimulus funding reported by the Legislative Services Commission (LSC)⁸, the District's State funding levels will not change substantially when compared to the AOS revised projections. See **R2.2** for more information.

⁸ LSC notes that some of the projected stimulus funding would be provided to nonpublic schools, but it does not show the portion specifically allocated for Ledgemont LSD.

Table 2-7: Ledgemont LSD Financial Outlook (in 000's)

	Actual			Forecasted				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09 ¹	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Real Estate Property Tax	\$1,856	\$1,894	\$1,892	\$1,847	\$1,847	\$1,847	\$1,893	\$1,893
Tangible Personal Property	\$263	\$187	\$183	\$116	\$0	\$0	\$0	\$0
Income Tax	\$604	\$656	\$719	\$588	\$0	\$0	\$0	\$0
State Funding (Unrestricted and Restricted Grants)	\$2,315	\$2,320	\$2,292	\$2,228	\$2,271	\$2,315	\$2,315	\$2,315
Property Tax Allocation	\$230	\$321	\$365	\$463	\$528	\$525	\$530	\$524
Other Revenue	\$261	\$227	\$83	\$77	\$77	\$77	\$77	\$77
Total Operating Revenue	\$5,529	\$5,605	\$5,534	\$5,319	\$4,723	\$4,764	\$4,815	\$4,809
Personal Services	\$2,829	\$2,785	\$2,582	\$2,681	\$2,838	\$3,062	\$3,169	\$3,280
Fringe Benefits	\$956	\$1,038	\$1,012	\$1,060	\$1,269	\$1,357	\$1,464	\$1,580
Purchased Services	\$1,728	\$1,706	\$1,571	\$1,811	\$1,847	\$1,884	\$1,922	\$1,960
Supplies, Materials & Textbooks	\$214	\$168	\$211	\$215	\$220	\$224	\$228	\$233
Capital Outlay	\$11	\$12	\$6	\$28	\$72	\$32	\$34	\$34
Other Expenditures	\$73	\$72	\$110	\$80	\$110	\$80	\$110	\$110
Total Operating Expenditures	\$5,811	\$5,781	\$5,492	\$5,875	\$6,356	\$6,639	\$6,927	\$7,197
Net Transfers/Advances	(\$10)	(\$5)	(\$11)	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Other Financing Sources	\$2	\$0	\$60	\$0	\$0	\$0	\$0	\$0
Net Financing	(\$8)	(\$5)	\$49	(\$10)	(\$10)	(\$10)	(\$10)	(\$10)
Result of Operations (Net)	(\$290)	(\$181)	\$91	(\$566)	(\$1,643)	(\$1,885)	(\$2,122)	(\$2,398)
Beginning Cash Balance	\$787	\$497	\$316	\$408	(\$158)	(\$1,801)	(\$3,686)	(\$5,808)
Ending Cash Balance	\$497	\$316	\$408	(\$158) ¹	(\$1,801)	(\$3,686)	(\$5,808)	(\$8,206)
Encumbrances	\$131	\$118	\$267	\$280	\$100	\$100	\$100	\$100
Cumulative Balance of Income Tax Levy	\$0	\$0	\$0	\$0	\$296	\$1,481	\$2,698	\$3,948
Set-Aside Requirements – Cumulative Balance	\$0	\$0	\$0	\$1,002	\$1,192	\$1,382	\$1,572	\$1,762
Ending Fund Balance	\$366	\$198	\$141	(\$1,440) ¹	(\$2,797)	(\$3,687)	(\$4,782)	(\$6,120)
Cumulative Impact of Performance Audit	N/A	N/A	N/A	N/A	\$619	\$1,260	\$1,923	\$2,609
Ending Fund Balance	\$366	\$198	\$141	(\$1,440) ¹	(\$2,178)	(\$2,427)	(\$2,859)	(\$3,511)

Source: Ledgemont LSD

Note: The performance audit recommendations are increased each year based on the Treasurer's assumptions, AOS revised assumptions, or inflation.

¹ During the concluding phase of this performance audit, Ledgemont LSD provided a report that depicted actual financial activity for FY 2008-09, which showed that the District ended FY 2008-09 with a positive cash balance of \$263,291. However, when including actual encumbrances of \$312,493 and the projected set-aside requirements, the District still ended FY 2008-09 with a negative fund balance of approximately \$1.05 million and would be projected with negative ending fund balances thereafter with or without the performance audit recommendations.

Human Resources

Background

This section of the performance audit focuses on Ledgemont Local School District (Ledgemont LSD or the District) human resource operations. The District's operations were evaluated against ten selected peer school districts (peer average)¹, recommended or leading practices, and operational standards from applicable sources, including the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), and the State Employment Relations Board (SERB).

Organizational Structure and Function

Ledgemont LSD does not have a separate department dedicated to human resource functions. Instead, several positions perform various human resource duties throughout the District. For example, the Superintendent and building principals are responsible for administering the health insurance programs and negotiating collective bargaining agreements, while the Treasurer is responsible for approving payroll. Furthermore, each building principal is responsible for recruiting employees. The Elementary/Middle School Associate Principal is also responsible for administering the District's special education program, coordinating the Education Management Information System (EMIS), and assisting grades kindergarten through twelve with technology needs. Lastly, the Treasurer's assistant is responsible for processing payroll and reporting information through EMIS.

Staffing

Table 3-1 compares Ledgemont LSD's full-time equivalent (FTE) employees per 100 average daily membership (ADM) in FY 2007-08 and FY 2008-09 to the peer average for FY 2007-08.

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

Table 3-1: Staffing Comparison (FTEs per 100 Students)

	Ledgesmont LSD FY 2007-08	Ledgesmont LSD FY 2008-09	Peer Average FY 2007-08	FTE Difference for FY 2007-08 Comparison
Students Educated¹	575.48	555.95	1,091.00	(515.5)
Administrators	1.18	0.99 ²	0.71	0.47
Educational	7.82	8.42	6.87	0.95
Professional	0.09	0.00	0.10	(0.01)
Technical	0.00	0.00	0.36	(0.36)
Office/Clerical	1.18	1.08	1.20	(0.02)
Maintenance Workers	0.17	0.18	0.09	0.08
Custodians/Grounds Workers	1.04	0.72	0.66	0.38
Bus Drivers	1.18	1.04	0.98	0.20
Food Service Workers	0.54	0.56	0.69	(0.15)
All Other	0.00	0.00	0.21	(0.21)
Total FTEs	13.19	12.98	11.85	1.34

Source: Ledgesmont LSD and peer EMIS data

¹ Includes students receiving educational services from the district and excludes the percent of time students are receiving educational services outside the district.

² The Transportation Supervisor was not reported in EMIS for FY 2008-09 and therefore, the Administrator staffing classification does not reflect this position for Ledgesmont LSD (see **R3.1**).

Table 3-1 shows that Ledgesmont LSD's staffing levels per 100 ADM in both years exceed the peer average in the administrator, educational, maintenance worker, custodians/grounds, and bus driver classifications. The higher administrator staffing levels are attributed to the District's employment of more central-based administrators, including 1.5 FTEs performing duties that are more clerical in nature (see **R3.2**). Additionally, the higher educational staffing levels are attributed to the District's regular education teacher staffing levels (see **R3.3**). See the **facilities** and **transportation** sections for further assessments of maintenance workers, custodian/grounds, and bus driver staffing levels.

Negotiated Agreements

Ledgesmont LSD has collective bargaining agreements with the Ledgesmont Education Association (certificated staff) and the Ledgesmont Association of Support Staff (classified staff). The agreement with the Ledgesmont Education Association is effective from the first workday of the 2006 school year and remains in effect through August 31, 2009. The agreement with the Ledgesmont Association of Support Staff is effective July 1, 2006 through June 30, 2009. Since contractual and employment issues directly impact the operating budget, they were assessed and compared to Ohio law and industry benchmarks. See **R3.5** and **R3.6** for more information.

Audit Objectives for the Human Resources Section

The following is a list of the questions used to evaluate the human resources function at Ledgemont LSD:

- Is the District's current allocation of personnel efficient and comparable to the peers?
- Are the District's salaries in line with the peers?
- How does the cost of benefits offered by the District compare with industry benchmarks?
- Are the District's negotiated agreements in line with leading or recommended practices?
- Does the District employ effective communication procedures?
- How does the District track substitutes?
- How do the District's spending levels for special education compare to peer districts?

Additionally, the lack of documentation from the District prevented an assessment of sick leave use.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified the following noteworthy accomplishments:

- **Healthcare Premium Costs:** The District's premium costs for medical and prescription, dental, vision and life insurance are low, based on comparisons to industry benchmarks. This can be attributed, in part, to participation in a consortium for medical, prescription, dental, and vision insurance.
- **Salaries:** Ledgemont LSD has limited increases to salaries, which have a significant impact on the District's financial condition. Specifically, the District negotiated to provide no increase to base wages in FY 2006-07, a two percent increase in FY 2007-08, and a one percent increase in FY 2008-09. The limited salary increases are further evident by the fact that the District's average salary in FY 2007-08 was 10.7 percent lower than the peer average. By limiting salary increases, the District has shown an effort to improve its financial condition.

Recommendations

Staffing

R3.1 Ledgesmont LSD should conduct a comprehensive review of its Education Management Information System (EMIS) reporting process and develop strategies to improve data accuracy. These strategies should include developing formal policies and procedures for gathering EMIS information, and for requiring the building secretaries and the Elementary/Middle School Associate Principal (EMIS Coordinator) to crosscheck information against other sources (e.g., payroll records and the EMIS manual) and prior year EMIS reports. The Superintendent and Treasurer should ensure that policies and procedures are being followed and the information has been properly reviewed for accuracy before authorizing its submission to ODE. In addition, the District should encourage employees that are responsible for EMIS reporting to become certified by the Ohio Association of EMIS Professionals (OAEP).

Collectively, the above measures would better ensure the accuracy of the District's EMIS data, which subsequently will help ensure the District receives appropriate funding and makes reliable decisions. Upon taking measures to ensure data reliability, Ledgesmont LSD should compare its staffing levels to peer districts and other benchmarks to identify potential staffing reductions.

The District's building secretaries are responsible for entering student data into the EMIS system, while the Treasurer's assistant is responsible for entering staff data. Ledgesmont LSD does not have formal policies and procedures for preparing, reviewing, and reconciling the EMIS information prior to submission to ODE. The Elementary/Middle School Associate Principal is responsible for completing reviews, running error reports, and making corrections. The Elementary/Middle School Associate Principal noted that she receives regular EMIS training from the Lake Geauga Computer Association. However, she has not achieved Certified EMIS Professional status through the OAEP.

AOS identified a few errors in the District's EMIS information. For example, the District did not report its Transportation Coordinator in FY 2008-09 and inconsistently reported FTEs for bus drivers. For instance, three bus drivers working 5.75 hours per day were reported as 1.00 FTE, 0.75 FTE, and 0.59 FTE, respectively. However, the inconsistent FTEs for bus drivers did not impact the conclusions related to staffing levels in this performance audit (see the **transportation** section for more information). In general, the few identified errors were insignificant in nature, and the collective tests of the District's EMIS staffing and student data revealed that the data is sufficiently reliable for assessment purposes. However, during the course of the performance audit, the District

noted that it had concerns with its EMIS data. The Treasurer noted that the District was unsure if it coded its employees within the accurate classification. Additionally, the Elementary/Middle School Associate Principal noted that there may be errors in the calculations of a full-time equivalent.

ORC § 3301.0714 outlines the guidelines for the EMIS system and includes a requirement to report personnel and classroom enrollment data. According to ORC § 3301.0714, the total number of licensed and non-licensed employees and the full-time equivalent serving, by category, are required to be reported and maintained for each school district. Furthermore, the legislation indicates that data collected through the EMIS system is used for State and Federal reporting, funding and distribution of payments, an academic accountability system, and the generation of Statewide and district reports. The process for EMIS data submission requires data to be submitted in accordance with the process and requirements of the EMIS manual, which includes processes for ensuring the accuracy and completeness of the data before submission and through a data verification process. While districts are not required to use the State provided software, they are required to submit accurate data.

To help districts submit accurate EMIS data, ODE, OAEP, and the Ohio Education Data Systems Association provide various training opportunities and conferences each year. Further, OAEP offers Certified EMIS Professional and Master Certified EMIS Professional designations, which are earned after completing a regimented program of professional development and work experience. According to ODE, Certificated EMIS Professionals and Master Certified EMIS Professionals are committed to maintaining the highest standards possible regarding the maintenance and reporting of student, staff, and district data.

R3.2 Ledgemont LSD should consider reducing its central-based administrative/clerical staffing level by 1.0 FTE. However, the District should verify the accuracy of the reported staffing levels prior to implementing this recommendation (see R3.1).

As shown in **Table 3-1**, Ledgemont LSD employed 0.47 more administrator FTEs per 100 students for FY 2007-08 when compared to the peer average. This is due to employing more central-based administrators. Specifically, the District employed 0.95 central-based administrator FTEs per 100 students, compared to the peer average of 0.40. The District reduced its central-based administrator staffing levels by 1.27 FTEs (or 0.19 FTEs per 100 students) in FY 2008-09. The District reported 0.75 central-based administrator FTEs per 100 students in FY 2008-09, which is still higher than the peer average. The District's central-based administrators include the Superintendent, Treasurer, Supervisor/Manager, and two administrative assistants. The District's administrative assistants account for a total of 1.5 FTEs (or 0.27 FTEs per 100 students). These employees perform duties that are more clerical than managerial in nature.

However, moving these positions to the clerical category would still result in potential staffing reductions. Specifically, when excluding teaching aides from the office/clerical category, the District employs 0.72 clerical FTEs per 100 students for FY 2008-09, without including the 1.5 FTEs reported as central-based administrators. This is slightly above the peer average of 0.63 for FY 2007-08.

If the District eliminated 1.6 administrator FTEs, it would employ a total of 0.70 administrator FTEs per 100 students, which is similar to the peer average in FY 2007-08. However, in FY 2008-09, the District educated approximately 560 students, which is significantly lower than the peer average in FY 2007-08 (1,091). Because some administrative staff may be necessary regardless of the number of students (i.e., superintendents and treasurers), the District's lower student population could partially skew the administrative staffing comparison. Therefore, AOS excluded 2.0 administrator FTEs for the District and each peer to account for the likely employment of a full-time superintendent and treasurer. When doing so, Ledgemont LSD could still eliminate 1.0 administrator FTE to be comparable to the adjusted peer average number of administrator FTEs per 100 students. In order to further account for the disparity in the District's student population, this assessment excludes the Transportation Supervisor position, which the District omitted from its EMIS reports (see **R3.1**).

Financial Implication: If the District reduced staffing by 1.0 central-based administrator FTE, it can save approximately \$25,000 annually in salaries and benefits. To be most conservative, the savings is based on the average of the District's administrative assistant's salaries in FY 2008-09. It also is based on the ratio of benefits-to-salaries in FY 2007-08.

- R3.3** If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular education teacher staffing levels. For instance, the District could reduce its regular education teacher staffing by up to 9 FTEs and still employ more teachers than required by State minimum standards. However, it should weigh decisions to reduce teacher staffing levels against the impact the reductions may have on the quality of education and course offerings. Likewise, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure proposed reductions will still allow for compliance with the new requirements. Further, the District should verify the accuracy of the reported regular education teacher staffing levels prior to implementing this recommendation (see R3.1). Lastly, the District should assess the feasibility of reducing education service personnel staffing, based on State minimum requirements and after verifying the accuracy of staffing data.

Table 3-2 compares Ledgemont LSD's regular education staffing ratios and report card performance to the peer average.

Table 3-2: Regular Education Classroom Teacher Staffing Comparison

	Ledgemont LSD FY 2007-08	Ledgemont LSD FY 2008-09	Peer Average FY 2007-08
Regular Students per Regular Teacher	16.5	14.8	18.4
Total Students per Regular Teacher	18.9	17.0	20.5
Performance Indicators Met (out of 30)	22.0	N/A	29.5
Performance Index (out of 120)	93.9	N/A	104.7

Source: Ledgemont LSD and peer EMIS data as reported to ODE and ODE Local District Report Cards

Table 3-2 shows that Ledgemont LSD's student-to-teacher ratios in both years are lower than the peer average. **Table 3-2** also shows that the District met fewer performance indicators and achieved a lower performance index score on the State report card, when compared to the peer averages in FY 2007-08. Based on the number of regular education students, the District employs 6.5 more regular education teacher FTEs in FY 2008-09 than the peer average. Based on the number of total students, the District employs 5.6 more regular education teacher FTEs in FY 2008-09 than the peer average.

Pursuant to OAC § 3301-35-05, for every 25 regular education students, Ledgemont LSD is required to maintain at least one FTE classroom teacher on a District-wide basis. Based on the FY 2008-09 staffing levels and regular student population, the District could reduce approximately 13 regular education teacher FTEs. However, the overall average of 25:1 may be difficult to achieve, based on factors like specific grade and class sizes. If Ledgemont LSD maintained regular teacher staffing levels 20 percent above the State minimum requirements, the District would need to eliminate approximately 9 FTEs.

OAC § 3301-35-05(A)(4) requires that school districts employ a minimum of five FTE education service personnel for every 1,000 regular education students. ESP positions need to be assigned to at least five of the eight following areas: elementary art, music, and physical education teachers; visiting teachers; counselors; registered nurses; social workers; and library/media specialists. Based on the District's EMIS data for FY 2008-09 (see **R3.1**), the District complies with this requirement by employing 4.6 ESP FTEs. This equates to five positions, with each position dedicated to one of the five required areas. While the District employs approximately 2.0 FTEs above State minimum requirements of 5.0 FTEs per 1,000 regular students, it can only eliminate its current ESP positions to part-time status and/or consolidate positions (if possible) to ensure compliance with the requirement of assigning ESP staff to at least five of the eight aforementioned areas. Additionally, in contrast to the regular education teacher staffing levels, Ledgemont LSD's ESP staffing levels appear close to the peer average. More specifically, the District employs less than 0.4 more ESP FTEs in FY 2008-09 than the peer average, based on regular students and total students.

During the latter stages of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11 that accounts for teacher positions. For instance, to determine funding levels for “core” teacher positions, the legislation uses a ratio of 25 students per teacher in 4th through 12th grades, and 19 students per teacher in kindergarten through 3rd grades for FYs 2009-10 and 2010-11. The student-to-teacher ratio for kindergarten to 3rd grades declines to 1:17 for FYs 2011-12 and 2012-13, and further declines to 1:15 thereafter. The aforementioned student ratios are based on formula ADM. The legislation also indicates that funding levels for “specialist” teacher positions is based specialist teachers comprising 20 percent of core teachers in kindergarten through 8th grade, and 25 percent of core teachers for 9th grade through 12th grade. In addition, the legislation provides funding for the “licensed librarian and media specialist factor.” While the legislation addresses funding levels for counselor and nurse positions, it indicates that counselor and nurse positions will not be funded in FY 2009-10 and FY 2010-11. Furthermore, beginning in FY 2010-11, the legislation requires each school district to provide all-day kindergarten. However, school districts may apply for a waiver to this requirement and shall accommodate kindergarten students whose parents or guardians elect to enroll them for one-half of the minimum number of hours required each day for grades one to six. The District currently operates a half-time kindergarten program.

Financial Implication: By reducing a total of 9.0 regular education teachers, the District can save approximately \$392,000 in salaries and benefits. This is based on staff with the least seniority and the ratio of benefits-to-salaries in FY 2007-08.

R3.4 Ledgemont LSD should develop a staffing plan to address current and future staffing needs. Specifically, the District should consider establishing staffing allocations for both certificated and classified personnel. This would ensure the District complies with State minimum requirements, maintains adequate staffing to serve student needs, and allows for better allocation of its staffing resources each school year. Additionally, Ledgemont LSD should review R3.2, R3.3 and the other sections of this performance audit because they contain variables (e.g., workload measures) that should be considered when analyzing and planning staffing levels for the District’s specific operations.

According to the District’s principals, Ledgemont LSD does not have a formal, Board approved staffing plan. Instead, the administrative staff meets every spring and discusses staffing to potentially consolidate jobs. Without a formal plan that considers objective standards such as workload drivers, the District increases the risk of not meeting State minimum standards or maintaining inefficient staffing levels.

The Cincinnati City School District established a staffing plan that is closely linked with the concept of student based budgeting. The process for developing the staffing plan

begins in November, when the October ADM count is finalized and initial enrollment projections are developed. Following the determination of revenue, each school receives guidelines on how their buildings must be staffed in line with base staffing allocations. These guidelines change based on the availability of funds, state requirements, and contract language. Staffing levels for regular and special educational teachers, site-based administrators, and clerical support, and the salaries for each category are included on the staffing template. This information is used to determine how to allocate available resources. After required staff is funded, each school has the ability to choose how to use their additional funds on other classes.

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

Lastly, *Strategic Staffing Plans* (SHRM, 2002) notes that organizations should use plans and a system that will monitor and control the cost of engaging human capital. A strategic staffing plan forms an infrastructure to support effective decision making in an organization. Staffing plans tied to strategic plans and organizational needs can help organizations better meet the constraints of their operating environments.

Benefits

R3.5 The District should negotiate to increase contribution rates for all full-time employees receiving healthcare benefits to 15 percent of the monthly premiums (including dental and vision). If the District is unable to close the gap in its General Fund deficit (see the financial systems section), it could pursue a higher health premium contribution from its employees. In addition, for classified part-time employees, the District should negotiate a pro-rated insurance contribution system based on the number of hours worked per day, which is similar to the certificated staff. For example, part-time staff working 6 or more hours a day could contribute 25 percent and those working 4 hours a day could contribute 50 percent.

Ledgemont LSD offers medical, prescription, dental, and vision insurance to all employees through its membership in a health insurance consortium. The District also

provides group life insurance to its employees through the Minnesota Life Insurance Company of Columbus. District employees are provided coverage through single or family plans, through Anthem as a preferred provider organization (PPO). The Board pays the full premium for employees electing the single plan coverage. Certificated employees who elect the family plan coverage contribute \$85.00 per month while classified employees who elect family coverage contribute \$70.00 per month, for medical and prescription insurance. The District covers the full cost of vision and dental insurance for both single and family coverage. Additionally, part-time classified employees who work 20 hours or more per week are considered full-time for insurance purposes and receive full benefits. Any part-time classified employee working less than 20 hours a week may receive health insurance by paying 50 percent of the monthly premium for single or family coverage. Per the certificated agreement, part-time teachers, if they so elect in writing, may subscribe to the fringe benefit package by reimbursing the Board, prior to the payment that is due, for a prorated fraction of the premium costs equal to the difference between part-time and full-time work. Per the Elementary/Middle School Associate Principal, the certificated proration is based on the teacher's contract. If the teacher is a 50 percent teacher, the teacher pays 50 percent of the cost. If the teacher is a 66 percent teacher, the teacher pays 34 percent of the costs.

Table 3-3 compares Ledgemont LSD's employee contributions to data reported by the Kaiser Family Foundation's 2008 National Survey (Kaiser Survey) and the State Employment Relations Board 2007 Ohio Survey average for school districts (SERB).

Table 3-3: Monthly Healthcare Employee Contributions

Ledgemont LSD (FY 2008-09)	Kaiser Average	SERB Average
(Medical) Single: 0% Family: Certificated: \$85 (9.16%) Classified: \$70 (7.54%) Classified working less than 20 hours per week: 50% (Dental and Vision): 0%	(Medical) Single: 16% Family: 27% (Dental and Vision): Not Available	(Medical) Single: 12.5% Family: 14.2% (Dental) ¹ Single: 8.7% Family: 20.3% (Vision) ¹ Single: 15.7% Family: 22.4%

Source: Ledgemont LSD, Kaiser 2008 Survey, SERB 2007 Annual Report

¹ Dental and vision is based on school districts that separately report these benefits. SERB notes that for the overall statewide average, approximately 72 and 47 percent of respondents reported separate premiums for dental and vision, respectively.

Table 3-3 shows that Ledgemont LSD's full-time employee contributions are lower than the industry standards. Additionally, providing full healthcare benefits to part-time classified employees appears generous based on the requirements for certificated staff. In

addition, the Vermilion Local School District (Vermilion LSD) requires its classified staff members who elect to remain in the healthcare plan to pay the employee share at a pro-rated percentage based on the total number of hours worked per day. For example, beginning July 1, 2009, Vermilion LSD's part-time staff working 5 or more hours will contribute 25 percent, staff working 3 or more hours per day will contribute 50 percent, and employees working one or more hours will contribute 75 percent². Creating a pro-rated schedule that is more closely aligned with hours worked for a full-time schedule (e.g., 8 hours a day) would reduce its health care expenditures and offer the employees a more equitable contribution design.

Financial Implication: By requiring employees to contribute 15 percent for health, dental and vision insurance, the District can realize a savings of \$50,200³ per year. Assuming the District implements the staffing reductions identified in this performance audit, this would reduce the potential insurance savings to approximately \$43,200 per year. This is based on the staffing reductions comprising approximately 13.9 percent of the District's reported FTEs in EMIS (see **R3.1**). However, actual savings will depend upon the specific positions eliminated by the District and their respective insurance status. A financial implication for pro-rating the insurance contributions cannot be completed due to a lack of information provided by the District.

Negotiated Agreements

R3.6 The District should consider negotiating to reduce the number of sick days accrued and paid at retirement for certificated and classified staff, and the number of holiday and vacation days for classified staff. In addition, the District should eliminate the minimum hours paid language in the classified agreement.

As a component of the performance audit, certain provisions within the District's collective bargaining agreements were compared to State requirements and relevant standards. The following provisions were identified as comparable to these requirements and/or standards: certificated school year (number of contract days), teaching time (length of workday/workweek), personal leave, employee evaluations, board pension contributions, and negotiated wage increases. A summary analysis of the areas that exceeded these standards includes the following:

- **Sick Days Accrued and Severance Payout:** According to ORC § 3319.141, school employees can accrue up to 120 workdays of sick leave. However, more days can be approved by the local board of education. The District's certified and classified employees are allowed a maximum accumulation of 320 workdays.

² The hour-thresholds are from Vermilion LSD's collective bargaining agreement. Beginning July 1, 2009, all full-time classified staff working 7 or more hours per day will contribute 10 percent

³ This savings takes into consideration current employee contributions.

Because of this provision, employees are allowed to accumulate a larger amount of sick leave, which can result in higher severance payout upon employee retirement. Additionally, Ledgemont LSD's certified and classified employees, who retire meeting the State Teachers Retirement System (STRS) or School Employees' Retirement System (SERS) requirements, respectively, are entitled to 25 percent of their accrued, by unused sick leave, up to 80 days. By comparison, ORC § 124.39 stipulates that if an individual retires with ten or more years of service with the State, they are entitled to be paid 25 percent of the value of their accrued by unused sick leave, up to 30 days.

- **Number of Holidays:** According to ORC § 3319.087, 11 or 12 month employees are entitled to a minimum of 7 holidays and 9 and 10 month employees are entitled to 6 holidays. Ledgemont LSD's 12 month classified employees receive 12 holidays, while all other classified employees receive 9 holidays. Providing full-time employees with more holidays can reduce productivity since there are fewer workdays devoted to District operations.
- **Vacation Accrual:** Ledgemont LSD's classified employees are provided with more vacation than the minimum requirements stipulated in ORC § 3319.084. For example, an employee under contract for six months or more is provided five days of vacation per year at Ledgemont LSD. In contrast, ORC § 3319.084 does not require the District to provide five vacation days per year until employees have reached one year of service. Additionally, the District provides its employees with 20 days of vacation at 15 years of service while the ORC does not require 20 days of vacation until an employee has 20 years of service. Providing employees with more vacation time can reduce productivity or potentially increase the District's operating costs if substitutes and/or overtime are needed to cover the absence.
- **Minimum Hours Paid:** Ledgemont LSD's food service workers are guaranteed pay for a minimum of 3 hours per day and bus drivers are guaranteed pay for a minimum of 3.75 hours per day. According to the District's EMIS report for FY 2008-09, none of the food service workers and bus drivers works below the respective minimum hours. Nevertheless, guaranteeing a minimum number of hours paid per day has the potential of resulting in unnecessary payroll expenditures for the District, if the employees do not actually work the minimum number of hours.

Changing or eliminating the aspects listed above can be difficult for the District since it will have to negotiate with the bargaining members and agree upon acceptable provisions. However, if the District is able to renegotiate the aforementioned provisions, it would reduce costs and/or increase productivity.

Financial Implication: Potential savings for the above areas is not readily quantifiable. For example, the savings associated with a reduction in severance payouts will vary depending on the number and rate of pay for retirees in a given year, and related sick leave balances.

Technology

R3.7 Ledgemont LSD should consider purchasing and implementing an automated substitute calling system. This would provide the District with an efficient, cost-effective method for contacting substitute employees. In addition, an automated system could be used to help monitor sick leave usage.

Ledgemont LSD does not have an automated system to handle substitute placement. Rather, the District has a supplemental contract in which they pay an individual approximately \$3,000 a year to locate substitutes. According to the article *Education World, Sub-Searching Made Easier* (Educationworld.com 2005), school districts across the nation have begun to use automated substitute calling systems that are either web or phone-based. These systems automatically contact substitute(s) from a pre-established list of available certificated substitutes. Some systems allow district staff to record their own call-offs or report their own leave requests. Additionally, supervisors are able to print reports on employee leave use as needed.

Based on information from the aforementioned article and certain vendors, the following are benefits of an automated phone-based substitute calling system:

- Eliminates the labor-intensive task of calling substitutes manually;
- Provides greater control over employee absences and substitute placement;
- Links teachers to preferred substitutes or substitute groups;
- Allows teachers to call in at any time the system is activated;
- Allows privatization of each school's substitute lists;
- Tracks employee absenteeism and leave usage; and
- Process leave requests in a more efficient and cost effective manner by eliminating paperwork, reducing data entry, and allowing for better record keeping of employee time for payroll purposes.

Financial Implication: Based on a particular system, the initial costs of an automated substitute calling system would be approximately \$900 for software, training, and installation fees, along with an annual maintenance and support fee of \$480. However, the savings associated with eliminating the District's supplemental contract is approximately \$3,000 annually, for a net savings of \$1,620 the first year and \$2,520 each year thereafter.

Communication

R3.8 Ledgemont LSD should conduct annual surveys of its employees to solicit feedback, determine employee satisfaction, and assist the District in determining areas for improvement. The survey should cover all aspects of the District, such as work environment, quality of supervision, safety, opportunities for professional development, instructional programs, support programs/functions (facilities, transportation, food service, etc), and human resources issues (benefits, wages, contractual, etc.). Furthermore, the District should conduct exit interviews to obtain additional feedback on operations and job satisfaction.

Ledgemont LSD does not conduct staff surveys to evaluate work climate, job satisfaction, or to allow employee feedback, nor does it conduct exit interviews for individuals leaving the District. Ledgemont LSD communicates with staff through Board notices and discusses changes during teacher meetings. According to board policy, the Board of Education desires to keep open channels of communication with District staff, though the basic communication will go through the Superintendent.

According to *Soliciting Employee Feedback: Getting Results* (SHRM, 2002), an employer is only as good as its employees. Consequently, it is important to get their feedback and respond to their needs, their ideas, and their suggestions. Surveys are the most effective way to determine the thoughts of the work environment. By tuning into what employees are thinking, the employer has the opportunity to correct problems early and capitalize on success quickly. Also, annual surveys should be standard and should include all aspects of the organization. The best way to design an in-house survey is to break down the organization by category and then have a series of questions on each.

The presentation *Taking the Pulse: Engaging the Staff with Employee Opinion Surveys* (HR Solutions Inc, 2007) indicates that conducting regular employee surveys allows an agency to streamline communication, improve management credibility, identify employee perceptions of different management styles, improve the quality of supervision, identify cost saving opportunities, assess employee training needs, and help curb absenteeism. Furthermore, according to *Exit Interviews* (SHRM, 2002), exit interviews enable organizations to obtain candid information about their operations. This can help the organization identify specific conditions or patterns of management behavior which may have contributed to employees' decisions to leave.

Special Education

R3.9 The District should conduct a comprehensive review of its special education program to identify strategies for improving overall cost-effectiveness. In doing so, Ledgemont LSD should conduct a cost benefit analysis of several options, such as bringing its special education program in-house, transferring programs to another ESC, partnering with other districts to share certain services, and using other external providers. The District should formally communicate the results of the cost-benefit analysis so that its residents understand the rationale for hiring more staff, if that proves to be more cost-effective. As the District assesses the cost-effectiveness of providing services in-house, it should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements for special education. If the District determines that continuing to use the Geauga County Education Service Center (GCESC) is the most cost-effective option, it should regularly compare the cost of GCESC's services to other neighboring educational service centers and/or private service providers.

Table 3-4 compares Ledgemont LSD's costs per special education student to the peer average for FY 2007-08, based on ODE's Special Education Fiscal Accountability report.

Table 3-4: Special Education Comparison (FY 2007-08)

	Ledgemont LSD	Peer Average	Difference
Special Education Population			
Special Education Students	79	105	(26)
Special Education Students as Percent of Total Students	13.1%	8.7%	4.4%
Percent of Special Education Students Mainstreamed	88.6%	78.2%	10.4%
Special Education Expenditures per Special Education Student			
Direct Special Education Costs ¹ per Special Education Student	\$10,945	\$6,348	\$4,597
Support Service Portion per Special Education Student	\$3,117	\$2,804	\$313
Regular Instruction Portion per Special Education Student	\$3,698	\$3,327	\$370
Total Special Education Expenditures (Minus Transportation) per Special Education Student	\$17,759	\$12,479	\$5,281

Source: ODE Special Education Fiscal Accountability Report 2008

Note: Totals may vary from actuals due to rounding.

¹ Excludes Catastrophic Aid Payments and Speech Only Unit Allowances

As illustrated in **Table 3-4**, Ledgemont LSD is spending \$17,759 per special education student, which is \$5,281 (42 percent) more than the peer average. This is primarily due to direct special education costs, which includes personal services (\$82,341), retirement and other benefits (\$55,466), purchased services (\$780,892), and materials and supplies (\$1,991). The District's purchased service costs comprise the most significant portion, at 84.8 percent of the total direct special education costs. Specifically, the District's special education purchased service costs include specific learning disabilities (\$498,948 or 63.9

percent of total purchased service costs), other tuition costs (\$210,410 or 26.9 percent of total purchased service costs), and all other miscellaneous costs (\$71,532 or 9.2 percent of total purchased service costs). The Special Education Director (Elementary/Middle School Associate Principal) noted that one reason for the high purchased service costs is the high number of autistic students educated by the District⁴.

Ledgemont LSD contracts with GCESC for several special education services that include a program for preschool, emotionally disturbed, significantly impaired autistic students; and a program for students with multiple disabilities. The District meets with GCESC on an annual basis to discuss program needs and changes. Additionally, the Elementary/Middle School Associate Principal noted that although contracts may not specifically change each year, the billing from GCESC reflects changes in student enrollment and programs.

According to the Elementary/Middle School Associate Principal, Ledgemont LSD has considered multiple options for instructing its special education students. For example, the District has reviewed other Education Service Center (ESC) programs in the past. However, the District has never considered changing to another ESC, due to the difference in programs offered through GCESC and those offered elsewhere. Additionally, in previous years, the District discussed bringing the special education program in-house; however, this would require Ledgemont LSD to hire additional staff. The Elementary/Middle School Associate Principal stated that even if in the long run the District would save money, the previous superintendents have steered away from this because it is too hard to communicate increasing staff to the residents. Furthermore, the District considers partnering with neighboring districts. According to the Elementary/Middle School Associate Principal, the District sends students to Kenston Local School District for its visually impaired program, and students have attended Chardon Local School District in the past for the cognitively delayed program.

Although the District considers multiple options when determining the most appropriate education for its special needs students, it has not completed a cost benefit analysis to determine the most cost-effective method(s) of operating its special education program. In particular, the District has not fully studied the options of bringing the special education program in-house, transferring programs to another ESC, and/or partnering with other neighboring school districts via a cost-benefit analysis. This prevents Ledgemont LSD from determining the potential to reduce costs while still meeting the needs of its special education students.

Bringing special education programs in-house is an option that some school districts are considering in order to reduce the cost of educating the students. For example, the Oregon City School District (OCSD) in Oregon, Ohio brought its special education

⁴ The autistic portion of purchased services was \$271,781, or 34.8 percent of total purchased service costs.

program in-house after contracting with a local ESC. OCSD noticed that it was increasingly paying more for special education instruction and decided to increase the staffing levels within the school district, and eliminate the contract for these services with the current ESC. Additionally, Oregon CSD transferred many services it was unable to offer to another ESC. OCSD conducted a cost benefit analysis which included the salaries and benefits for individuals that the District would need to hire, the full cost of the former ESC contract and the cost for the contract with the new ESC. Through this analysis, it was determined the savings would total over \$400,000 the first year with continued savings the following years. Likewise, the Euclid City School District (ECSD) in Euclid, Ohio, decided to repurpose one of its elementary schools for the 2009-10 school year in order to instruct select special education students who have previously been instructed in programs outside of the district. This decision was made as an alternative to closing an elementary school building. ECSD estimates that this change will save more than \$1.0 million per year.

During the latter stages of the performance audit, the State passed House Bill 1, which provides a new funding formula for school districts in FY 2009-10 and FY 2010-11 that accounts for special education positions. To determine funding levels for special education teachers, the legislation uses a ratio of 20 special education students per teacher, whereby the number of special education students is 90 percent of the weighted amount for children with disabilities. In addition, the legislation funds special education teacher aide positions at one for every two special education teachers, which is then multiplied by 50 percent.

Financial Implication: If the District reduced its total costs per special education student to the peer average, it could save approximately \$417,000 per year. However, due to the unknown nature of the peer special education programs and to account for possible differences in student needs, the potential impact of implementing this recommendation is estimated at approximately \$104,000, which is 25 percent of \$417,000.

Financial Implications Summary

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

Recommendations Not Subject to Negotiation

Recommendation	Estimated Annual Cost Savings	Implementation Cost (One-time)	Annual Costs
R3.2 Consider reducing staffing by 1.0 central-based administrator FTE	\$25,000		
R3.3 Consider reducing staffing by 9.0 FTE regular education teachers	\$392,000		
R3.7 Implement an automated substitute calling system	\$3,000	\$900	\$480
R3.9 Improve overall cost effectiveness of special education program	\$104,000		
Total	\$524,000	\$900	\$480

Source: AOS Recommendations

Recommendations Subject to Negotiation

Recommendation	Estimated Annual Cost Savings
R3.5 Increase employee contributions to 15 percent for healthcare	\$43,200
Total	\$43,200

Source: AOS Recommendations

Note: **R3.5** would not be subject to collective bargaining negotiations for administrative staff.

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Facilities

Background

This section of the performance audit focuses on Ledgemont Local School District's (Ledgemont LSD or the District) facility operations. The District's operations were evaluated against ten selected peer school districts (peer average),¹ recommended or leading practices, and operational standards from applicable sources, including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), and the Government Finance Officers Association (GFOA).

Organizational Structure and Function

Ledgemont LSD operates two school buildings: one elementary/middle school (kindergarten through 8th grade) and one high school (9th through 12th grade). The administrative offices are located in the elementary/middle school building. The District also has a bus garage and press box. The Maintenance Supervisor is in charge of facility operations and oversees custodial and groundskeeping staff. The facility staff is responsible for cleaning and maintaining the school buildings. Additionally, the Maintenance Supervisor is responsible for maintaining the bus garage and press box.

Staffing

Table 4-1 illustrates the custodial, maintenance, and groundskeeping staffing levels, and the number of full-time equivalents (FTEs) responsible for maintaining Ledgemont LSD's facilities.

Table 4-1: Number of Positions and FTEs

Classification	Number of Positions	FTEs as Actually Assigned
Administration	0.0	0.1 ¹
Custodian	5.0	4.8
Maintenance	1.0	0.9 ¹
Groundskeepers	2.0	0.7
Total	8.0	6.5

Source: Ledgemont LSD interviews and Education Management Information System (EMIS)

Note: Totals may vary from actuals due to rounding.

Note: Groundskeeper data is from FY 2007-08 while custodians and maintenance data is from FY 2008-09

¹ The Maintenance Supervisor splits time between supervisory and maintenance activities.

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

Table 4-1 shows that the District uses 6.5 FTEs related to facility operations. The collective goal of the custodial staff is to provide students with a safe, attractive, comfortable, clean, and efficient place in which to learn, play, and develop. Custodians are responsible for maintaining building cleanliness by sweeping and mopping entrances, hallways, stage and gym areas; setting up cafeteria tables and cleaning the cafeteria after lunch; cleaning classrooms, restrooms, the clinic, and other school areas; and washing windows as needed. Additionally, custodians are responsible for minor maintenance tasks, such as fixing door handles and desks, lighting the furnace, changing light bulbs, and removing snow from sidewalks.

The collective goal of the maintenance staff is to maintain the physical school plant in a condition of operating excellence so that full educational use of it may be made at all times. Maintenance responsibilities include plumbing, repairing mechanical and electrical systems, completing routine carpentry repairs, overseeing landscaping, inspecting, and assisting the custodians with snow removal from sidewalks.

The District uses seasonal employees, who are paid on an hourly basis, as groundskeepers. The groundskeepers are responsible for plowing snow and maintaining the grounds.

Key Statistics and Indicators

Table 4-2 compares key statistics and performance indicators for Ledgemont LSD's facility operations to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, February 2003) and averages of data reported by the Annual American School and University (AS&U) *Maintenance and Operations Cost Study* from FY 2003-04 through FY 2007-08.

Table 4-2: Key Statistics and Indicators

Number of Buildings	
- School Buildings	2
- Other ¹	2
Total Square Feet Cleaned²	107,665
- Elementary/Middle School	57,613 ³
- High School	50,052
Square Feet Per FTE Custodial Staff Member (4.8 FTEs)	22,372
NCES Level 3 Standard Square Feet per FTE	29,500⁴
Total Square Feet Maintained	115,772
- Elementary/Middle School	60,213 ³
- High School	50,875
- Other	4,684 ⁵
Square Feet Per FTE Maintenance Staff Member (0.9 FTE)	128,636
AS&U Median Square Feet per Maintenance FTE (Five-Year Average)	95,000
Acres (44.5) per Groundskeeper FTE (0.7)	68
AS&U Standard Acres per Grounds FTE (Five-Year Average)	43

Source: Ledgemont LSD, AS&U, and NCES

¹Ledgemont LSD maintains a bus garage and press box.

²According to the District's Maintenance Supervisor, custodians do not clean the bus garage or the press box.

³The District's administrative offices are located in the elementary/middle school.

⁴This represents the mid-point of the *Planning Guide for Maintaining School Facilities* range of 28,000 to 31,000 square feet, which is the normal standard for most facilities.

⁵Ledgemont LSD could not provide documentation to support the square footage of the bus garage and press box that is maintained by the District. Therefore, the 4,684 square feet was unable to be verified and is based solely on testimonial evidence provided by the Maintenance Supervisor.

As illustrated in **Table 4-2**, Ledgemont LSD's maintenance and groundskeeping staff are responsible for maintaining more square feet and acres per employee than the AS&U benchmarks. In contrast, the District's custodial employees are maintaining the equivalent of 22,372 square feet per FTE, which is lower than the NCES average of 29,500. See **R4.1** for a further assessment of staffing.

Financial Data

Table 4-3 compares Ledgemont LSD's facility-related expenditures on a per square footage basis to the peer average and AS&U national medians for FY 2007-08.

Table 4-3: Expenditures per Square Foot in FY 2007-08

Object Code	Ledgemont LSD	Peer Average	Difference	AS&U National Median
Salaries/Benefits	\$2.59	\$2.29	13%	\$2.05
Purchased Services	\$0.62	\$0.63	(2%)	\$0.21
Utilities	\$1.19	\$1.42	(16%)	\$1.52
Supplies and Materials	\$0.28	\$0.32	(13%)	\$0.38
Capital Outlay	\$0.00	\$0.03	(100%)	NA
Other	\$0.00	\$0.02	(100%)	\$0.40
Total General Fund	\$4.67	\$4.70	(1%)	\$4.56
All Fund Utilities	\$1.19	\$1.42	(17%)	\$1.52
Total All Funds	\$4.71	\$5.60	(16%)	\$4.56

Source: Ledgemont LSD, peers, and AS&U

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

Note 2: Square footage for Ledgemont LSD includes the elementary/middle school, high school, bus garage, and press box.

Note 3: The square footage for the bus garage and press box were provided by the Maintenance Supervisor, but not corroborated. However, the square footage for the bus garage and the press box (4,684) is insignificant and excluding it from **Table 4-3** would not change the conclusions of the assessment. The peer square footage includes school and administrative buildings.

Table 4-3 shows that the District's total General Fund and all fund expenditures per square foot were approximately 1 and 16 percent lower than the peer averages, respectively. However, the District's General Fund and all fund expenditures per square foot are higher than the AS&U National Medians, due to salaries/benefits and purchased services. The higher salaries/benefits costs can be attributed to slightly higher staffing levels (see **R4.1**) and low employee contribution rates for health insurance (see the **human resource** section for additional information). Although the District's General Fund purchased services costs were higher than the AS&U national median, they were below the peer average. In addition, a portion of the purchased services expenditures are not directly related to facility work (e.g., insurance and rentals). When only including contracted costs for facility work, the District's expenditures per foot equate to \$0.21, which is line with the AS&U national median of \$0.21. Nevertheless, conducting facility audits, and establishing formal preventive maintenance and master plans (see **R4.3** and **R4.5**) can help the District ensure that the level of purchased services is appropriate.

Audit Objectives for the Facilities Section

The following is a list of the questions used to evaluate the facilities functions at Ledgemont LSD:

- Does the District use benchmarks to evaluate functions and aid in decision-making?
- Are the District's custodial, maintenance, and groundskeeping staffing levels comparable to industry standards and/or leading practices?
- Has the District established procedures and staff performance standards to ensure efficient operations?
- Does the District offer appropriate training based on leading practices and/or industry standards?
- Are the District's energy management practices comparable to leading practices?
- Are the District's facility management and planning practices, and preventive maintenance program comparable to industry standards and/or leading practices?
- Does the District have an effective work order system?
- Does the District obtain and use customer feedback to identify and implement program improvements?

Assessments conducted on building capacity and utilization revealed that the District currently cannot house all students in one school building. As previously stated, the District operates two school buildings.

Recommendations

Staffing

R4.1 Ledgemont LSD should evaluate the efficiency and effectiveness of facility operations by regularly tracking and reporting key performance measures, such as cost per square foot and cost per student for major object codes (i.e., staffing, benefits, purchased services, utilities, supplies, etc.), the number of square feet cleaned and maintained per FTE, and acres maintained per FTE. Doing so would help Ledgemont LSD establish benchmarks to measure staff and organizational performance, and provide it with objective information for use in making future decisions.

Furthermore, the District should review its custodial, maintenance, and groundskeeper staffing levels to ensure they are allocated in an efficient and effective manner. For instance, the District should consider reallocating a portion of the custodial staff time to the maintenance and groundskeeping functions. In order for the District to be able to reallocate custodial staff's time, it should update the facility staff job descriptions to note the feasibility of job cross-functionality and eliminate the references to performing duties for only the assigned classification. Lastly, the District should consider the feasibility of reducing custodial staffing levels by 0.5 FTEs.

The District does not use performance measures or benchmarks to evaluate or manage its facility functions. **Table 4-4** displays the District's current custodial staffing allocation by building and square feet maintained per FTE.

Table 4-4: Custodial Staffing Allocation

Buildings	Square Feet Maintained per FTE
Elementary / Middle (K-8) (3.0 FTEs)	19,204
High School (9-12) (1.8 FTEs)	27,615

Source: Ledgemont LSD EMIS data and District interviews

As illustrated in **Table 4-4**, the District maintains significantly less square feet per custodian FTE at the elementary/middle school, when compared to the high school. Additionally, **Table 4-2** illustrates that, in total, the District's custodians clean an average of 22,372 square feet per FTE, which is approximately 24 percent lower than the NCES benchmark of 29,500. To achieve the NCES mid-point of 29,500 square feet per custodian, the District would need to employ approximately 3.7 custodian FTEs (2.0 at the elementary/middle school and 1.7 at the high school), which would result in a reduction of 1.1 FTEs.

Conversely, **Table 4-2** notes that the District's maintenance staff is responsible for the equivalent of 128,636² square feet per FTE, approximately 35 percent above the five-year AS&U average of 95,000 square feet per FTE. Furthermore, the District's groundskeepers maintain the equivalent of 68 acres per FTE, which is approximately 58 percent above the five-year AS&U average of 43 acres. To achieve the five-year averages from AS&U, the District would need to employ approximately 1.2 maintenance FTEs and 1.0 groundskeeper FTEs, for a total of 2.2 maintenance and grounds FTEs. By comparison, the District employs only a total of 1.6 maintenance and grounds FTEs (0.9 and 0.7, respectively). Furthermore, based on the AS&U and NCES standards, Ledgemont LSD should employ a total of approximately 6.0 FTEs (custodians, maintenance, and groundskeepers), compared to the District's total of 6.5 FTEs. As a result, the District employs 0.5 more FTEs, which is due to the custodian staffing levels. In order to eliminate 0.5 FTEs, the District would need to reduce a custodian(s) from full-time to part-time status because each custodian works a full-time schedule. The District's lack of using and monitoring formal performance measures increases the risk of ineffectively allocating staffing levels and not using objective data to make decisions about the custodial and maintenance program.

The *Planning Guide for Maintaining School Facilities* (NCES, February 2003) indicates that to effectively evaluate a facilities management program, a school district must collect and maintain accurate, timely, and comprehensive data about its facilities. NCES goes on to cite maintenance/operations cost per square foot, cost per student, visual inspections, customer surveys, changes in maintenance costs, number of work orders completed, and floor space or rooms maintained per employee as examples of performance measures.

The District's custodian and maintenance job descriptions state that employees may "Perform any other duties as related to the individual job classification that may be assigned". As a result, the Treasurer noted that the District had a grievance a few years ago from the support staff union, due to the custodians being asked to perform duties outside of their job description. The job descriptions hinder the District's ability to have employees complete cross-functional duties. Coupled with the absence of performance measures, this can contribute to the abovementioned staffing discrepancies.

² Ledgemont LSD could not provide documentation to support the square footage of the bus garage and press box that is maintained by the District. Therefore, the 4,684 square feet maintained was unable to be verified and is based solely on testimonial evidence provided by the Maintenance Supervisor.

Facilities Management and Planning

R4.2 Ledgesmont LSD should develop formal energy management procedures and guidelines, consistent with its energy conservation policy. In doing so, the District should review information from industry sources (e.g., NCES, U.S. Department of Energy, and Ohio's Energy Smart Schools Program). Subsequently, the District should distribute and discuss the procedures and guidelines with staff and students to educate and train them about energy conservation, and ensure implementation of the appropriate energy management practices. In addition, the District should consider assigning an employee to monitor energy consumption. Centrally tracking energy use (e.g., via monthly invoices) would provide trend comparisons that could be used to identify potential issues of waste and/or inefficient equipment. To ensure that appropriate monitoring is taking place, the District should consider requiring that the Superintendent be provided with copies of the energy use reports on a monthly basis. Lastly, the District should consider conducting an energy audit to identify building-level inefficiencies, and focus first on implementing low-cost improvements.

The District's energy conservation policy notes the following:

- The Board directs that measures be taken to protect natural resources and minimize the District's expenditures for energy consumption;
- The Board directs that the Superintendent, supported by the school staff, develops and implements operating procedures to reduce energy consumption in the schools;
- The Board directs the Superintendent and staff to continually assess the consumption and make recommendations to improve use of energy resources; and
- The Board suggests periodic building energy audits.

Although the District has an energy conservation policy, it does not have formal energy management procedures or guidelines that could reduce energy consumption and include measures to control utility costs, nor does it conduct energy audits. Furthermore, the District does not have an employee that is responsible for monitoring energy use as a means to identify trends and possible waste, and improve energy usage.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), the cost of energy is a major item in any school budget. Thus, school planners should embrace ideas that can lead to reduced energy costs. The following guidelines will help a school district to accomplish more efficient energy management:

- Establishing an energy policy with specific goals and objectives;

- Assigning someone to be responsible for the District's energy management program and give this energy manager access to top-level administrators;
- Monitoring each building's energy use;
- Conducting building-by-building energy audits to identify inefficiencies;
- Instituting performance contracting when replacing older, energy-inefficient equipment;
- Rewarding buildings that decrease energy consumption;
- Installing energy-efficient equipment; and
- Installing motion detectors that turn the lights on when the room is occupied, and off when the room is unoccupied.

School Operations and Maintenance: Best Practices for Controlling Energy Costs (U.S. Department of Energy, 2004) indicates that there are different types of energy conservation programs. Energy tracking and accounting programs are comprehensive and require the collection, recording, and tracking of monthly energy costs in all school district facilities. The data allow staff to compare energy performance in all buildings and identify problems at individual facilities. On the other hand, voluntary energy awareness programs operate on the premise that increasing the general energy awareness of faculty, staff, and students will result in voluntary changes in behavior and reductions in energy consumption. An example of this approach is affixing "Turn the Lights Off" stickers to lighting switch plates. Finally, quick fix and low cost programs rely on the identification and repair of simple building problems that are moderate in cost and likely have a short energy savings payback. Such programs may include replacing weather stripping on doors and windows, instituting night and weekend temperatures setbacks, and establishing district-wide shut down procedures. Likewise, the Ohio's Energy Smart Schools Program (OESSP) provides materials and programs for teachers and/or students to improve the learning environment in schools while saving energy and money, utilizing the school building as a learning laboratory. OESSP helps reduce school energy consumption and costs by empowering teachers and students to make sustainable energy choices and affecting the attitudes and behaviors of teachers, students, and staff about energy conservation. Types of activities available through the OESSP include:

- Energy audits and comfort surveys of buildings to determine where the building's energy efficiency and learning environment can be improved;
- Signing an Energy Smart Schools contract to encourage students to reduce the amount of energy they use every day;
- Waste audits that demonstrate where waste occurs in the building and ways to improve the situation with cooperative action; and
- Supporting Ohio Schools Going Solar, complete with a solar array that generates electricity and serves as a powerful teaching tool.

The Maintenance Supervisor noted that the District is working with an automation control company to obtain a grant to upgrade windows, doors, plumbing, heating, and energy controls. However, the Maintenance Supervisor also indicated that since the window caulking is cracked in the high school, rooms are drafty. Additionally, while the high school has timed electronic thermostats, the system in the elementary/middle school broke and has yet to be repaired due to cost. As a result, rooms in the elementary/middle school are kept at 68 degrees.

By developing formal energy management procedures and guidelines for staff and students, as well as instituting mechanisms to monitor energy usage, Ledgemont LSD would be in a better position to control and potentially reduce utility costs as well as comply with its energy conservation policy.

Financial Implication: According to *School Operations and Maintenance: Best Practices for Controlling Energy Costs*, Ledgemont LSD could experience a 5 percent to 20 percent savings by effectively managing, maintaining, and operating school physical plants. As such, the District could save approximately \$6,900 annually, assuming a five 5 percent reduction in energy costs to be conservative.

R4.3 The District should develop a formal facilities master plan. The facilities master plan should be used as a road map for addressing future facility needs and planned educational programs. In carrying out the planning process, the District should work with a cross-section of school personnel, parents, students, and community members to ensure that all stakeholders have input regarding facility needs and future plans. In addition, the District should ensure the master plan reflects current building configurations and student demographics (R4.4), as well as capacity assessments, a capital improvement plan and a formal preventive maintenance plan (R4.5). Once developed, the District should update the facilities master plan regularly to reflect building improvements that have been made, changes in demographics, and other educational directions.

Ledgemont LSD has a policy on facilities planning which states that the Board is responsible for the regular operation and orderly development of its physical plant. For this reason, the Board concerns itself with both short and long-range planning as it relates to the properties of the District. The Board follows a long-term building program to serve as a guide for capital improvements. Despite this policy, Ledgemont LSD does not have a facilities master plan³ or five-year capital improvement plan. Since the high school is old, disjointed, and lacks energy efficiency (R4.2), the District planned to move the high

³ The District noted during the fieldwork stage of the audit that it did not have a facilities master plan. However, during the latter portion of the audit, the District found a copy of its facilities master plan. Because this master plan was completed in 2002, it may no longer be relevant. As a result, the District should review this master plan alongside the suggestions in R4.3.

school to the elementary/middle school campus, but the funding was unavailable. According to the Maintenance Supervisor, the Ohio Schools Facilities Commission (OSFC) scheduled a review for 2011; but because the District is small, Ledgemont LSD does not expect much funding.

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

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

To facilitate the development of a facilities master plan, DeJong and Staskiewicz recommend that districts develop a database that provides a "community/school" profile. The following elements were suggested for inclusion in the database, which will be required to develop a comprehensive master plan:

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

Furthermore, *Multi-Year Capital Planning* [Government Finance Officers Association (GFOA), 2006] states that all governments should develop and adopt a multi-year (at least three but preferably five years or more) capital plan to ensure effective management of capital assets. A prudent capital plan will identify and prioritize expected capital needs based on a government's long-term plans, establish project scope and cost, detail estimated funding by source, and project future operating and maintenance costs.

By developing and using a comprehensive facilities master plan and a capital improvement plan, Ledgemont LSD would be able to more accurately plan for short and long-term projects.

- R4.4 Ledgemont LSD should develop and adopt a forecast methodology for projecting student enrollment (e.g., 5 to 10-year projections), and begin using this methodology to prepare enrollment projections. This methodology should consider historical enrollment, live birth data, real estate transactions, historical and projected building permit information, and other housing data. This effort can be aided by reviewing the enrollment projections created in 2001. Once the methodology and accompanying projections have been developed, the District should review and update the projections on a yearly basis and compare them to building capacities to address potential capacity issues, and if necessary, determine possible building additions, closures, or reconfigurations.**

Ledgemont LSD does not have a formal methodology for developing student enrollment projections. However, the District provided a document that shows student enrollment being projected to slightly increase in FY 2009-10 through FY 2013-14, with the annual increases amounting to less than a half a percent. The document only contains the total student enrollment projections by year.

During the latter stages of the audit, the newly appointed Superintendent provided AOS with a copy of the District's student enrollment projections developed in 2001 by an external provider, which extend to FY 2010-11. The enrollment projections for FY 2007-08 and FY 2008-09 are higher than actual enrollment, especially for kindergarten through fifth grades. Specifically, total enrollment for preschool through twelfth grades was projected at 681 students in FY 2007-08, which is higher by 49 students or 7.8 percent than the actual enrollment of 632 students. Likewise, enrollment was projected at 686 students in FY 2008-09, which is higher by 66 students or 10.6 percent than the actual enrollment of 620 students.⁴ In grades kindergarten through fifth grades, enrollment was projected at 322 students in FY 2007-08 and 320 students in FY 2008-09, which amount to 62 (23.8 percent) and 61 (23.6 percent) more students than the actual enrollment of 260 and 259, respectively. The enrollment projections for both years are higher in each grade from kindergarten to fifth grade.

⁴ The enrollment projections exclude full-time JVS students, while the actual enrollment appears to include all JVS students. However, the external provider's report shows that full-time JVS students amounted to only 9 to 21 students per year from FY 1995-96 to FY 2000-01, which is immaterial to the total enrollment. Additionally, excluding the full-time JVS students from the actual enrollment would increase the variance between the total actual and projected enrollment. Lastly, the reporting of JVS students does not affect the ensuing comparisons of enrollment in kindergarten to fifth grades.

During a performance audit of the Painesville Township Local School District (released March 2007, since changed name to Riverside Local School District), it was noted that the district had formal enrollment projections developed by Fanning/Howey Associates and DeJong & Associates. According to Fanning/Howey Associates and DeJong & Associates, school districts should take into account the impact future enrollment and growth will have on facilities and student population. When preparing future enrollment projections, school districts should consider live birth data, real estate transactions, historical enrollment, historical and projected building permit information, and housing data. Likewise, the Springboro Community School District prepares an enrollment forecast report that includes historical enrollment and student distribution by grade level showing a range of high and low enrollment projected based on birth and migration statistics.

R4.5 Ledgemont LSD should initiate an audit of its facilities and establish a formal preventive maintenance (PM) plan. The audit should track building conditions and relevant data should be updated on an annual basis to help the District target its resources to critical areas. Additionally, the District should incorporate the activities in a formal PM plan into an electronic work order system (R4.6).

Ledgemont LSD does not have a formal facility audit process or a written PM plan. Additionally, the District does not maintain documentation of PM activities. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) recommends that a facility audit should be a routine part of the facilities maintenance program. A facility audit is a comprehensive review of a school district's buildings. The audits are a standard method for establishing a baseline of information about the components, policies, and procedures of existing facilities. Facility audits are important because they help planners, managers, and staff know the condition of the facilities, service history, and maintenance needs. The audits rely on facts, not guesswork, to establish plans for maintaining and improving school facilities and allow in-depth analyses of product life-cycles to occur on a routine basis. Once initiated, audits must be performed on a regular basis (e.g. annually) because conditions change constantly. Further, by integrating the findings of annual audits over time, planners can uncover information on the impact of various maintenance strategies and the demands placed on the infrastructure. This information can be used to increase the efficiency and cost-effectiveness of maintenance efforts.

The *Planning Guide for Maintaining School Facilities* also indicates that a good maintenance program is built on a foundation of PM. Once the items that should receive PM are identified, entities should determine the frequency and type of inspections. When developing a PM schedule, manufacturers' manuals are a good place to start. Ideally, the scheduling of PM tasks should be computerized (see **R4.6**). NCES also indicates that regularly scheduled maintenance prevents sudden and unexpected equipment failure, and reduces the overall building life-cycle cost.

R4.6 Ledgemont LSD should consider purchasing a computerized maintenance management system (CMMS). In doing so, the District should ensure it chooses a CMMS that has the ability to track pertinent information (e.g., labor and supply costs) and that the vendor provides employees with appropriate training to fully and efficiently use all functions. However, if the District chooses to retain the manual work order request process, it should expand it to include industry recommended elements and track all requests for management purposes. Improved record-keeping would help in estimating future costs and timeframes for projects. In addition, a CMMS would help in formalizing the preventive maintenance program (see R4.5) and prioritizing maintenance requests.

The District does not have an electronic work order system. Instead, Ledgemont LSD relies on its Maintenance Supervisor to ensure that maintenance is scheduled and performed as required. The District uses work order request forms to track maintenance activities. However, the Maintenance Supervisor noted that at times work orders are verbally communicated. According to the Maintenance Supervisor, the District does not consistently document work order requests or completion dates. Additionally, the District does not track parts and labor costs.

The *Planning Guide for Maintaining School Facilities* (NCES, 2003) notes that work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that work was done, and track the cost of parts and labor. The *Planning Guide* goes on to indicate that, at a minimum, work order systems should account for:

- The date the request was received;
- The date the request was approved;
- A job tracking number;
- The job status (received, assigned, ongoing, or completed);
- The job priority (emergency, routine, or preventive);
- The job location (where, specifically, is the work to be performed);
- The entry user (the person requesting the work);
- The supervisor and craftsperson assigned to the job;
- The supply and labor costs for the job; and
- The job completion date/time.

However, the *Planning Guide* also indicates that a CMMS may be a more efficient approach to managing the work order process. Such systems have become increasingly affordable and easy to use. The *Planning Guide* goes on to indicate that in terms of utility, a good CMMS program will:

- 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;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured on a per-building basis (or, even better, on a per-task basis).

Financial Implication: A CMMS could cost approximately \$400 annually, based on the number of students in the District and a vendor's advertised prices. However, the exact price will depend on the features desired by Ledgemont LSD and the contract terms negotiated with the vendor.

R4.7 The District should develop and implement a procedures manual for facility staff. Once the manual is complete, the District should establish a schedule for regularly reviewing the procedures and updating them as needed. In addition, it should post the procedures on its website for greater accessibility. Developing a manual will better ensure that all personnel are familiar with work expectations and employment protocols.

Ledgemont LSD has a policy specifying that “the Board views the support services operations of the school system as essential to its educational effort. The Board expects operation and maintenance of the school plant, equipment, and services to set high standards of safety, to promote the health of the students and staff, to reflect the aspirations of the community, and to support the efforts of the staff to provide good instruction.” However, the District does not have a procedures manual to guide facility staff in adhering with the Board policy and using appropriate procedures. Consequently, staff may not consistently and/or effectively apply the appropriate procedures.

Custodial Methods and Procedures Manual (Association of School Business Officials International (ASBO), 2000) indicates that school boards of education should establish policies for custodial service and building and grounds maintenance. It provides general instructions, methods and procedures for cleaning, as well as the frequency of various cleaning procedures by function. Additionally, as an example, Brevard County School in Florida has developed a custodial procedures manual that contains departmental policies and cleaning procedures, which is posted on its web page, making them accessible to all residents.

Customer Satisfaction and Training

- R4.8 Ledgemont LSD should use an annual user survey to gauge satisfaction levels with its facilities and assist in determining areas for improvement. In addition, survey results should be maintained and analyzed to facilitate monitoring of performance over time.**

According to the Maintenance Supervisor, Ledgemont LSD does not use surveys to gauge users' perceptions regarding the facility operations. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999) indicates that a government should develop mechanisms to identify stakeholder concerns, priorities, and needs. It also indicates that surveys are one mechanism that should be considered in promoting stakeholder participation. Likewise, *Conducting a Customer Satisfaction Survey* (University of Florida, 2000) notes that the Florida Innovation Group, a non-profit organization that assists county and city governments, recommends using customer satisfaction surveys to assess the performance of departments within a government agency. A customer satisfaction survey can help find ways to improve program quality, information delivery, and overall accountability.

The absence of user surveys can prevent the District from effectively addressing all facility weaknesses.

- R4.9 Ledgemont LSD should develop a comprehensive professional development plan for its facility staff that includes new employee training. The plan should be based on relevant industry sources and designed to cover critical aspects of employee responsibilities. This would help ensure that staff members are apprised of effective work methods, and the most up-to-date health and safety issues. Additionally, the District should track the number of hours and types of training for each employee.**

The District does not have a formal professional development program for facility staff. According to the Maintenance Supervisor, most training opportunities are limited to vendor-sponsored events when the District purchases new products and informal mentoring by experienced staff for new custodians hired as substitutes prior to permanent placement. Furthermore, the District does not track the type of training received or the associated hours.

The ESProfessionals: An Action Guide to Help in Your Professional Development (National Education Association, 2003) indicates that custodians and maintenance employees are "guardians of the school environment" for students, staff and the community, and their workloads continue to grow as new technology and equipment requires new skills, increased duties and responsibilities. One of the most important responsibilities is to ensure the proper indoor air quality, uniform temperatures, and

healthful ventilation. Often with little, if any, specific or meaningful training, the custodian must also deal with dangerous materials such as laboratory spills, toxic materials, and asbestos. That is why a lack of meaningful, multi-tiered professional development programs is a real health and safety issue for the public school custodian and the entire school community. This publication goes on to indicate that ongoing professional development for custodians and maintenance employees should include the following elements:

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

Likewise, *The Planning Guide for Maintaining School Facilities* (NCES, February 2003) indicates that people who are new to an organization have special training needs. Newly hired personnel should receive the following types of training as soon as possible after joining the organization:

- **Orientation (or tour) of the organization's facilities:** including the payroll division (where timecards are punched or submitted), emergency locations (such as the nurse's office), the cafeteria, and the supervisor's office;
- **Orientation (or tour) of the person's work area:** including the primary location where he or she might be expected to perform job-related tasks;
- **Equipment instructions:** including an introduction to all tools, machinery, and vehicles the individual will be expected to use;
- **Task-oriented lessons:** including instructions on how to best perform the individual's work tasks (e.g., how to clean a carpet or repair a roof);

- **Expectations:** including a clear description of precisely what the individual must do to meet the requirements of the job; and
- **Evaluation information:** including an explanation of all criteria on which the individual will be evaluated, such as the tasks that will be evaluated, all relevant performance standards and expectations, who will do the evaluating, what mechanisms will be used to perform the evaluations (e.g., random checks or daily assessments), and the potential ramifications of the evaluations.

Financial Implications Summary

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

Summary of Financial Implications for Facilities

Recommendation	Estimated Annual Cost Savings	Estimated Annual Costs
R4.2 Improve energy management.	\$6,900	N/A
R4.6 Consider the purchase of a computerized maintenance management system (CMMS).	N/A	\$400
Total	\$6,900	\$400

Source: AOS facilities recommendations

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Transportation

Background

This section of the performance audit focuses on Ledgesmont Local School District's (Ledgesmont LSD or the District) transportation operations. The District's operations were evaluated against ten selected peer school districts (peer average)¹, recommended or leading practices, and operational standards from applicable sources, including the Government Finance Officers Association (GFOA) and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. In addition, Ohio Administrative Code (OAC) § 3301-83-13 states that students may walk up to one-half mile to a bus stop. Furthermore, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. The District's actual transportation practices exceed the state minimum standards (see **R5.1** for more information).

Operational and Cost Comparisons

The Transportation Supervisor oversees the District's transportation function. Ledgesmont LSD provided Type-I pupil transportation services to 420 riders in FY 2008-09. Type-I services pertain to those provided on District-owned yellow buses.

Table 5-1 compares Ledgesmont LSD's transportation operational data to the peer average for FY 2007-08 and includes the District's data for FY 2008-09.

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

Table 5-1: Key Statistics and Operating Ratios

	Ledgemont LSD FY 2007-08	Ledgemont LSD FY 2008-09	Peer Average FY 2007-08	% Difference vs. Peers FY 2007-08
Key Statistics				
Square Miles	50	50	49	2.2%
ODE Enrollment	632	620	1,173	(46.1%)
Total Students Transported – All Types	463	438 ¹	713	(35.1%)
Yellow Bus Riders (Type I)				
Public	427	400 ¹	676	(36.8%)
Non-Public	17	26 ¹	11	54.5%
Special Needs	5	0	7	(24.2%)
Total Bus Riders	449	426 ¹	694	(35.3%)
Buses (Type I)				
Active Buses	7	7	11	(37.5%)
Spare Buses	4	4	4	8.1%
Miles (Type I)				
Annual Routine Miles	151,020 ²	119,340	141,516	6.7%
Annual Non-Routine Miles	13,497	Not Available	22,379	(39.7%)
Operating Ratios				
Enrollment per Square mile	12.6	12.4	22.5	(43.9%)
Riders per Square Mile	9.0	8.4 ³	12.8	(29.7%)
Total Riders per Active Bus	64.1	60.0 ³	57.3	11.9%
Percent Non-Public Riders	3.8%	3.1% ⁴	0.6%	N/A
Routine Miles per Active Bus	20,803 ²	17,049	11,498	80.9%
Spare Bus Percentage	36.4%	36.4%	24.8%	N/A

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

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

Note 2: Some data for FY 2008-09 is not available until after the end of the fiscal year.

¹ During the process of testing data reliability, AOS identified that the District incorrectly reported the total number of bus riders. Subsequently, the Transportation Supervisor indicated that the District under-reported 7 public riders and over-reported 13 non-public riders. Taking these adjustments into consideration, the District transported a total of 432 (all type) riders and 420 yellow bus riders in FY 2008-09.

² During the process of testing data reliability, AOS identified that the District incorrectly reported non-public total daily miles. Subsequently, the Transportation Supervisor noted that the District's actual number of non-public daily miles was over-reported by 30 miles, which results in total annual routine miles in FY 2007-08 of 145,620. The routine miles per active bus ratio are based on 145,620 annual routine miles.

³ The FY 2008-09 riders per square mile ratio and the total riders per active bus ratio are based on 420 total bus riders.

⁴ The percent non-public riders ratio is based on 13 riders.

Table 5-1 shows that in FY 2007-08 and FY 2008-09, Ledgemont LSD transported more riders per active bus than the peer average, despite its lower population density as measured by the lower enrollment per square mile and lower riders per square mile. Additionally, the District's annual routine miles decreased in FY 2008-09. The Transportation Supervisor indicated this was primarily due to the elimination of a special education route to Kenston Local School District.

Table 5-1 also shows that in FY 2007-08 and FY 2008-09, the District's spare buses comprise 36.4 percent of its total fleet, which is higher than the peer average of 24.8 percent (see **R5.6**). Furthermore, **Table 5-1** indicates that the District accumulates more miles per active bus, which impacts maintenance and repair costs per bus (see **R5.6**).

Table 5-2 compares the District's operating costs to the peer average for FY 2007-08. The cost data in **Table 5-2** is of indeterminate reliability (see **R5.4**).

Table 5-2: Transportation Cost Ratio Comparison

	Ledgemont LSD FY 2007-08	Peer Average FY 2007-08	% Difference
Salaries			
• Per Bus Rider	\$374.83	\$261.28	43.5%
• Per Active Bus	\$24,042.86	\$14,817.34	62.3%
• Per Routine Mile	\$1.16 ¹	\$1.33	(12.8%)
Benefits			
• Per Bus Rider	\$253.14	\$106.98	136.6%
• Per Active Bus	\$16,237.43	\$6,045.99	168.6%
• Per Routine Mile	\$0.78 ¹	\$0.53	47.0%
Maintenance & Repairs²			
• Per Bus Rider	\$276.38	\$120.53	129.3%
• Per Active Bus	\$17,727.86	\$6,319.36	180.5%
• Per Routine Mile	\$0.85 ¹	\$0.60	41.7%
Fuel			
• Per Bus Rider	\$169.88	\$123.85	37.2%
• Per Active Bus	\$10,896.43	\$6,743.16	61.6%
• Per Routine Mile	\$0.52 ¹	\$0.61	(13.7%)
Bus Insurance			
• Per Bus Rider	\$11.42	\$13.57	(15.9%)
• Per Active Bus	\$732.29	\$757.14	(3.3%)
• Per Routine Mile	\$0.04 ¹	\$0.07	(49.8%)
All Other Costs			
• Per Bus Rider	\$39.32	\$9.31	322.6%
• Per Active Bus	\$2,522.14	\$521.11	384.0%
• Per Routine Mile	\$0.12 ¹	\$0.05	158.0%
Total Expenditures			
• Per Bus Rider	\$1,124.97	\$635.52	77.0%
• Per Active Bus	\$72,159.00	\$35,204.10	105.0%
• Per Routine Mile	\$3.47 ¹	\$3.18	9.0%

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

Note: Statistical data for FY 2008-09 are not available until after fiscal year end.

¹ The cost per routine mile ratio is based on the corrected figure of 145,620 annual routine miles.

² Includes mechanic and mechanic helper salaries.

Table 5-2 shows that the District's FY 2007-08 salary, benefit, maintenance and repair, fuel, and all other costs were significantly higher than the peer average on a per rider, per active bus, and per mile basis, with two exceptions (salaries and fuel per mile). The higher salary and benefit costs are attributed to bus driver longevity and healthcare benefits (see the **human resource** section). The higher maintenance and repair costs are primarily attributed to outsourced maintenance (see **R5.6**).

The District's higher all other costs are attributed to a large increase in utility costs (see the **facilities** section for more information on energy management). Although **Table 5-2** shows that the District's fuel costs are higher than the peer average per rider and per bus, it is lower on a per mile basis, which drives fuel costs more than the number of riders and buses.

Audit Objectives for the Transportation Section

The following is a list of the questions used to evaluate the transportation function at Ledgemont LSD:

- Do the District's transportation policies and procedures meet leading or recommended practices, and ensure efficient and effective operations?
- Are the District's transportation-related operating and financial indicators in line with the peer averages and/or industry benchmarks?
- How can the District improve the cost effectiveness of transportation operations?
- Are yellow bus operations efficient?
- Does the District have an adequate control system over reporting and purchasing?
- Is the District's fleet maintenance and management function efficient and effective?
- Do special needs transportation services appear overall cost-effective?

Assessments conducted on overall bus operating efficiency, bus driver salary schedules, fuel purchasing, and special needs transportation were found to be comparable to the peers or other benchmarks.

Recommendations

Policies & Routing

- R5.1** Based on its financial condition (see financial systems), the District should review the current level of transportation services in relation to State minimum requirements and the new funding provisions in House Bill 1, and by considering relevant factors like costs and student safety. This should include a review of transportation services for students who live less than one mile from their school and not using cluster stops for the majority of its routes. Modifying these practices would help reduce costs and/or improve efficiency. If the District modifies its practices, it should update the transportation policy accordingly. If the District maintains current operations, it should consider clarifying its policy to be more consistent with actual service levels. Additionally, the District should post policies on its website to provide access to students, parents, and the community.

According to the District's transportation policy, the Board of Education provides "school bus transportation to all elementary and secondary students to the extent determined by the administration and approved by the Board. This may vary due to safety conditions that prevail in certain areas of the District." The policy also addresses transportation of special education students and transportation of non-public school students. Furthermore, the District's transportation policy states that "bus stops are limited so that students from several homes can meet safely at a central point for group pick-up." According to the Transportation Supervisor, the District transports all students who elect the services, including those living less than one mile from their assigned school, because most homes are far apart and due to the lack of sidewalks in the District. Students that are transported and live less than one mile from their assigned school are not reimbursable under the State funding formula. According to the District's T-1 reports, it transported the following number students under one mile: 41 in FY 2006-07, 14 in FY 2007-08, and 38 in FY 2008-09. The Transportation Supervisor also noted that the District does not have housing developments; as such, the District picks up all students at their homes and has only one bus stop to pick up students at the trailer park.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. In addition, Ohio Administrative Code (OAC) § 3301-83-13 states that students may walk up to one-half mile to a bus stop. The District's actual transportation practices exceed state minimum standards in the following areas:

- Transporting kindergarten through eighth grade students living less than two miles from their assigned school;
- Transporting high school students; and
- Designing bus stops less than one-half mile from a student's home.

Ledgemont LSD's transportation policies are not available on its website, which limits communication with students, teachers, parents, and the community in understanding student transportation issues. However, the Transportation Supervisor noted that transportation guidelines are provided to employees and handbooks are provided to students to aid in understanding the District's transportation requirements. Providing information on the website would increase accessibility for stakeholders. For example, Vermilion Local School District (Vermilion LSD) provides its transportation policies on its website.

During the latter portion of the performance audit, the State passed House Bill 1, which provides a new funding formula for pupil transportation in FY 2009-10 and FY 2010-11. Most notably, the new funding formula provides increased funding for achieving or exceeding efficiency indicators, and for transporting high school students who live more than one mile from school, first through eighth grade students who live more than one mile but less than two miles from their school, and nonpublic/community school students. However, the legislation also indicates that the final funding amount in FYs 2009-10 and 2010-11 will be prorated as necessary to remain within the State's budgeted amount for transportation.

R5.2 The District should review its fees for non-routine transportation services to determine the extent to which they cover the actual cost of non-routine services. Assuming the fees do not cover the costs, the District should consider updating its fee structure to cover the full cost of non-routine services, and update its policy accordingly to coincide with OAC § 3301-83-16. Subsequently, Ledgemont LSD should annually review the fee structure to ensure the fees continue to cover all non-routine transportation costs. Taking these measures will provide the District with the full cost of services for use in making decisions regarding its non-routine transportation services.

The District has a Board policy to govern the use of school buses for non-routine purposes, which cites State law for permitted non-routine uses. OAC § 3301-83-16 defines the non-routine use of school buses as "transportation of passengers for purposes other than regularly scheduled routes to and from schools. School buses may be used for non-routine trips only when such trips will not interfere with routine transportation services." In addition, OAC § 3301-83-16 indicates the board of education has the authority to recover costs associated with non-routine uses of school buses. The

exception is field trips that are extensions of the instructional program. These costs include driver salary and benefits, fuel, maintenance, service, supervision, and insurance.

Ledgemont LSD's non-routine transportation policy states that, "fees for the use of buses are established and made part of the District regulations." According to the Elementary/Middle School Associate Principal, the District distributes a portion of fees collected for activities requiring non-routine transportation services but it does not align the fees to cover transportation non-routine service costs. The Elementary/Middle School Associate Principal noted that the each student, who participates in athletics and the marching band, pays a \$75 participation fee (\$35 going to the Athletic Fund and \$40 going to the General Fund to be used for transportation). The fees were determined by the Board of Education. Although the \$40 fee does not cover the entire cost of non-routine services, the Elementary/Middle School Associate Principal noted the Board decided it was more important to have participation in programs than higher revenues. Additionally, the Board set up a decreasing payment plan for parents with multiple children participating in athletics and the marching band. For example, the cost to athletic and marching band members is \$75 for the first child in a family per season, \$50 for the second child, \$25 for the third child, and additional children are free. In FY 2007-08, the District collected \$12,345 from transportation fees from extracurricular activities to help offset the costs of non-routine transportation services. This represents 2.4 percent of the District's yellow bus transportation costs. By comparison, non-routine miles comprise 8.5 percent of total miles and equate to 9.3 percent of routine miles.²

According to the Treasurer, the District does not calculate the costs of providing non-routine transportation services. Additionally, the Treasurer noted the District does not bill for non-routine trips nor charge the athletic fund for the costs (costs over and above the amount offset by the \$40 student fee) of transporting students to and from sporting events. The Treasurer is unaware of whether the Athletic Department has the funding to support the costs of the non-routine transportation services that are not already offset by the student activity fee.

By not charging for non-routine trips, the District is unaware of the costs of these trips. This makes it difficult for the District to fully evaluate its level of non-routine services.

² The District's transportation expenditure data is of indeterminate reliability (see **R5.4**).

R5.3 Ledgemont LSD should consider surveying parents on an annual basis to determine who will require transportation services. Doing so would help the District develop more efficient routes. The District should also determine whether some students are impractical to transport, based on provisions in State law. After making this determination, the District should pursue making payments-in-lieu of transportation.

According to the Transportation Supervisor, the District monitors ridership once per year when drivers determine if students are not riding and it is obvious a route can be eliminated. In FY 2007-08, the District eliminated one active bus. The Transportation Supervisor also stated that in FY 2007-08, the District telephoned parents of high school students to determine if their students would require service. However, the Supervisor indicated that no students were eliminated from the rider list because parents had concerns that transportation would be needed after a sports season and/or when cars were in need of repair. According to a representative from ODE, it is a best practice for school districts to conduct an annual survey of potential riders prior to designing routes. For example, Vermilion LSD sent a letter to high school parents prior to the start of the 2008-09 school year requiring students to sign up for transportation services. Vermilion LSD's letter explained the need to conserve costs and only students who responded received transportation services. In addition, if students did not ride for two weeks, they were removed from the bus schedule until re-enrolled. As a result of the survey, the District was able to reduce two high school bus runs. Furthermore, Vermilion LSD's letter noted that high school students will need to register each year for transportation services.

Formally requesting that parents submit a request for transportation can help the District identify students not requiring transportation and subsequently redesign its routes to improve efficiency. According to ODE's funding proposal (March 2009), efficiency measures, adjusted by pupil density, could be a portion of the funding calculation for transportation reimbursement. Achieving greater efficiency could assist in securing additional funds for the District.

Lastly, Ledgemont LSD transported 13 non-public riders to a private school outside the District in FY 2008-09. The transportation policy states "The District provides transportation for students who attend private schools based on the same criteria as their own students. In accordance with Ohio law, the District has the authority of payment-in-lieu of transportation." However, the District has not pursued payment-in-lieu contracts with any parents of the private school students. According to OAC § 3301-83-01(G)(8) "Payment to a parent or guardian in lieu of transportation service who transportation is deemed impractical by school conveyance, must be declared as impractical by board of education resolution." Additionally, "the cost of providing transportation in terms of equipment, maintenance, personnel, and administration" is one factor that needs to be

considered in determining impracticality.”³ According to ODE, districts can offer parents a minimum of \$172 per child for payment-in-lieu of transportation for FY 2007-08 and may offer up to the Statewide average cost of pupil transportation for the previous school year (\$637.58). These amounts should be prorated for any child who only attended a part of the school year.

Data Reporting

R5.4 Ledgemont LSD should establish formal procedures to ensure T-reports are accurately prepared, reviewed, and reconciled before submission to ODE. In developing these procedures, the District should require the Transportation Supervisor and Treasurer to complete a thorough review of the T-reports prior to submission to ODE. For example, the Treasurer should be responsible for reconciling the expenditures reported on the T-2 report with the 4502 financial statements, and identifying and explaining significant variances from prior year reports. Moreover, the District should maintain the supporting documentation for its T-reports for at least 5 years. Taking these measures will help ensure that the District receives the appropriate State reimbursement for its transportation services in the future, and uses accurate data for decision-making.

The District does not have formal procedures to ensure T-forms are accurately prepared, reviewed, and reconciled prior to submission to ODE. However, the Transportation Supervisor noted that the District uses T-report instructions from ODE as procedures when preparing and completing the T-reports. Bus drivers complete a student count form to record the number of students transported for T-1 reporting. The District’s Transportation Supervisor and Administrative Assistant compile the data for the T-1 report from the driver count sheets. The Treasurer and Elementary/Middle School Associate Principal compile the financial data for the T-2 report. The Transportation Supervisor and Administrative Assistant enter the data for electronic submission to ODE. The Treasurer and Superintendent review and approve the data prior to submission to ODE. However, AOS identified several errors on the District’s T-reports. In some cases, the District provided clarification to address the errors identified by AOS, which are noted below:

- **Incorrect Ridership:** In FY 2007-08, the District reported 55 miles for non-public transportation on bus number 5; however, the District did not record non-public students. The Transportation Supervisor noted this was an error, as the District incorrectly reported these students on a different bus. According to the District’s T-1 report for FY 2008-09, the District corrected this error. In addition, the District reported 26 non-public students on its T-1 report. The Transportation

³ See ORC § 3327.02 for a list of each factor that needs to be considered in assessing impracticality.

Supervisor noted that this was an error as the District actually transported 13 non-public students on bus number 5. Further, according to the District's T-1 report for FY 2008-09, the District reported 45 students on bus number 9; however, the Transportation Supervisor noted the District actually transported 52 students. Lastly, the District reported 2 special needs riders on bus 8 in FY 2007-08. Because more than 50 percent of the riders on bus 8 were regular needs riders, the two special needs riders should have been counted as regular needs, according to ODE's T-1 reporting instructions. This was corrected in the FY 2008-09 T-1 report.

- **Missing Data:** Type 1A students (contracted with other districts) were reported on the District's T-1 reports for FY 2006-07 through FY 2008-09, while no associated costs were reported on the respective T-2 reports.
- **Lack of Documentation:** The District provided the FY 2008-09 October count sheets that recorded the number of students regularly transported by bus. However, the District was unable to provide the October count sheets that listed the number of daily routine miles traveled for student transportation. While the District experienced only one significant change to its routes which caused a decline in annual miles for FY 2008-09 (see **Table 5-1** and accompanying discussion), the lack of documentation results in noncompliance with ODE instructions. Specifically, according to ODE's T-1 reporting instructions, "The T-1 report and supporting documents shall be maintained by each superintendent for at least five (5) years and must be made available to the State Board of Education or its representatives for audit purposes." Similarly, the T-2 reporting instructions note that "School districts submitting a T2 report must maintain supporting documentation for the T2 report for a period of 5 years."⁴
- **Incorrect Miles:** In FY 2007-08, the District reported 30 non-routine daily miles for bus 8; however, the Transportation Supervisor noted this was an error and bus 8 only traveled 86 total daily miles. This was corrected on the District's FY 2008-09 T-1 report.
- **Questionable Costs:** For FY 2007-08, the District's T-2 total costs were 12.8 percent higher than its 4502 financial statements. The District was not able to provide explanations for discrepancies or if non-routine costs were included in the T-2 report. However, considering that the salary and benefit costs in the T-2 matched the 4502 financial statements, it appears that the District included non-routine costs in the T-2, which contradicts ODE instructions. Based on the

⁴ It should be noted that AOS did not determine whether Ledgemont LSD maintained supporting documentation for the T-2 data and instead, used the District's 4502 financial statements to test the T-2 data.

unexplained discrepancies, the District's T-2 data is of indeterminate reliability. If the District did not follow ODE instructions for T-2 report, it would skew the peer comparisons of expenditures, assuming the peers followed ODE instructions (see **Tables 5-2 and 5-3**).

Transportation funding levels were based on percentage increases from prior year's funding levels from FY 2005-06 to FY 2008-09. However, a new funding formula is in place for FYs 2009-10 and 2010-11 (see **R5.1**). Therefore, submitting inaccurate data could impact future funding levels and result in faulty-decision making.

Fleet Management and Maintenance

R5.5 Ledgemont LSD should develop a bus replacement plan, and update it annually. Replacement decisions should be based upon economic modeling that allows for replacement at the most advantageous point in the bus's life cycle. The plan should include the number of buses to be replaced each fiscal year and criteria for their replacement, such as age, mileage, safety inspection results, maintenance costs, and estimated cost at the time of replacement. By reviewing and updating the plan annually, the District will be better able to anticipate future costs and avoid maintaining a costly fleet.

According to the Treasurer, the District does not have a bus replacement plan that projects yearly bus purchases. However, the Treasurer's forecast illustrates that the District has budgeted the next expected bus replacement for FY 2009-10. The District's actual practice is to purchase buses on an as needed basis, based on the Maintenance Contractor's recommendation.

There are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol inspection. As long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. However, the National Association of State Directors of Pupil Transportation Services (NASDPTS) suggests that Type C and D buses (conventional buses) should be replaced after 12-15 years, and Type A and B buses (lighter duty buses) after 8-12 years. The NASDPTS also notes that South Carolina replaces buses after 250,000 miles and/or 15 years of service.

As of FY 2008-09, the average age of Ledgemont LSD's fleet is 10 years. Additionally, the average miles per active bus and spare bus are 114,851 miles and 190,508 miles, respectively, with the overall average mileage of the fleet at 142,363. By FY 2012-13, the District's fleet would average 14 years, which would place it in the upper range of the NASDPTS guideline for replacement. Conversely, based on the total number of miles

driven at the beginning of FY 2008-09, the fleet would average less than 215,000 miles by FY 2012-13, which is lower than South Carolina's mileage guideline for replacement.

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

R5.6 The District should use requests for proposals (RFP) when contracting out its maintenance services. The RFPs should include essential elements that should also be included in the final contract. Once a provider is chosen through the RFP process, the District should develop a formal maintenance contract that addresses key points, including performance requirements (e.g., passage of State inspections), a preventive maintenance plan that defines service levels in accordance with industry standards, and inspection and audit provisions. The District should also include purchasing controls in the contract, such as identifying the most cost-effective suppliers, maintaining supporting documentation, and tracking all cost activity on a per bus basis. In addition, Ledgemont LSD should actively monitor the contract and related services. Taken collectively, these measures would better ensure that the District's fleet is maintained in a cost-effective manner.

Furthermore, the District should eliminate at least one spare bus. Finally, the District should continue to explore the potential for contracting or pooling services with a neighboring district and it should complete a cost benefit analysis to determine the feasibility of bringing the maintenance operation back in-house. These alternatives would be especially important if the District is unsuccessful in improving the contracted services as outlined above.

Table 5-3 compares Ledgemont LSD's operational maintenance and repair costs⁵ for the last three years to the peer average for FY 2007-08.

⁵ Ledgemont LSD's T-2 data for FY 2007-08 is of indeterminate reliability (see **R5.4**).

Table 5-3: Maintenance and Repair Costs

	Ledgemont LSD FY 2005-06	Ledgemont LSD FY 2006-07	Ledgemont LSD FY 2007-08	Peer Average FY 2007-08	Difference FY 2007-08
Maintenance & Repair Costs¹	\$133,321	\$79,161	\$124,095	\$75,923	63.4%
• Per Active Bus	\$16,665	\$9,895	\$17,728	\$6,319	180.5%
• Per Routine Mile	\$0.87	\$0.54	\$0.85	\$0.60	36.7%

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

¹Includes mechanic and mechanic helper salaries.

According to **Table 5-3**, the District's maintenance and repair costs have fluctuated during the last three years. The District's Maintenance Contractor stated that this fluctuation is due to a timing issue in when the bus maintenance was charged to the District. The Maintenance Contractor noted that there are times when he will have a bus for months and the costs are extended over two fiscal years. As such, the District is not billed until the work is completed. Regardless of the timing of payments, **Table 5-3** illustrates that Ledgemont LSD's maintenance and repair costs are higher than the peer average on a per active bus and per mile basis, with the exception of costs per mile in FY 2006-07. However, the District's three year average cost per mile equates to \$0.75, which is approximately 25 percent higher than the peer average in FY 2007-08. The District's significantly higher costs per active bus and per mile are partially due to each bus accumulating more miles than the peer average. For instance, the District's number of routine miles per bus (20,803) is approximately 81 percent higher than the peer average (11,498) for FY 2007-08. Although the District's T-2 data reporting practices can contribute to the variances in **Table 5-3** (see **R5.4**), the following factors can also contribute to the District's higher maintenance and repair expenditures:

- **Spare Buses:** The District's spare buses comprise (36.4 percent) of its total fleet, which is higher than the peer average (24.8 percent). According to a representative from ODE, spare buses typically comprise 20 percent of a district's fleet. The District would only need two spare buses to be more similar to the 20 percent benchmark and peer average, which would result in spare buses comprising 22.2 percent of the total fleet. However, considering that the District accumulates significantly more miles per active bus than the peer average, Ledgemont LSD may need to maintain a higher percentage of spare buses. If the District eliminated at least one spare bus, its spare buses would comprise 30 percent of the total fleet, which would be higher than the ODE benchmark and peer average.

- **Contracting Process:** The Elementary/Middle School Associate Principal noted the District's transportation maintenance function is not bid. When the Maintenance Contractor resigned from his mechanic position as a District employee in 1999, Ledgemont LSD tried to find someone else to hire as a mechanic. When the District failed to find someone, it decided to have the previous mechanic complete the repairs until it could find someone else to complete the services internally. However, no individual was found to fill the vacant mechanic position and therefore, the Maintenance Contractor has since furnished the services. The District's bidding policy states "If possible, all purchases over \$1,000 but under \$25,000, will be based on price quotations submitted by at least three vendors. Additionally, contracts for construction, furnishing or demolition of buildings, or for any improvements or repairs which will exceed \$25,000 will be let only after bids are solicited in accordance with law". Despite these policies, the District does not solicit bids or quotes for transportation maintenance services. In addition, Ledgemont LSD lacks policies for requests for proposals. Furthermore, according to the Treasurer, the District does not have a formal agreement with the Maintenance Contractor.

According to *Contracted Services* (National State Auditors Association (NSAA), 2003), once an agency decides to contract for a service, it needs to employ a Request for Proposal (RFP). Upon doing so, the agency commits itself to a formal process based on fair and open competition and equal access to information. The RFP provides a standardized framework for vendor proposals and highlights the business, technical, and legal issues that must be included in the final contract. Below are some features that should be included in the RFP:

- Clearly state the performance and requirements, and the scope of the services provided;
- Include a statement of work that flows from the business needs analysis;
- Identify constraints, schedules, deadlines, mandatory items, and allowable renewals;
- Allow sufficient time for vendors to prepare good proposals; and
- Avoid specifications that favor a particular bidder or brand.

Contracting for Services also notes that contracts for the purchase of services must be formal, written documents. Contracts should clearly state and define the scope of work, contract terms, allowable renewals, and procedures for any changes, and include the following:

- Performance standards, performance incentive and/or clear penalties and corrective actions for non-performance, with a dispute resolution process;
- Inspection and audit provisions;

- Provisions for contract termination;
 - Provisions for methods of payment, payment schedules, contract renegotiation and/or price escalations if applicable; and
 - Appropriate signatures, approvals, acknowledgements, or witnesses.
- **Preventive Maintenance:** The District does not have a preventive maintenance plan. Additionally, the District does not have policies or procedures stating the levels of service to be provided for each bus. The Maintenance Contractor noted that he previously prepared a plan indicating the District's fleet condition; however, the District's Superintendent has not recently requested this plan. The Maintenance Contractor noted that he conducts oil changes every 4,000 miles and inspects the buses three times between oil changes. Additionally, the Maintenance Contractor noted that he maintains a zero tolerance policy for the District's buses passing State inspection. However, according to the Ohio Highway Patrol⁶, only 18 percent of the District's buses passed inspection the first time. The remaining 82 percent of the buses had service violations that had to be repaired before they passed inspection the second time.

The North Carolina School Transportation Fleet Manual (May, 2006) provides detailed documentation and forms to complete preventive maintenance and explains that their manual represents the minimum maintenance requirements for all school buses and service vehicles to receive; more frequent service may be warranted at times. The stated purpose of their maintenance program is to promote repair consistency and cost efficiency, and to assure that school buses and service vehicles are maintained in safe operating condition. The manual provides a task list; including maintenance required at various mileage intervals on the bus, but does not require maintenance less than every 5,000 miles. Furthermore, the Transportation Director of the Shaker Heights City School District indicated that the district conducts inspections for each bus every 4,000 miles, with oil changes occurring every 8,000 miles. The district uses synthetic-blend oil.

- **Purchasing (Supplies/Parts):** According to the Treasurer, the Maintenance Contractor purchases the District's transportation maintenance and repair supplies and parts. The Treasurer stated that he relies on the Maintenance Contractor to monitor the costs of maintenance and repair purchases. The Maintenance Contractor noted that he sometimes orders from vendors where the District has respective accounts, and those purchases are billed directly to Ledgemont LSD. The Maintenance Contractor also stated that he routinely calls vendors for best prices for supplies and parts. However, according to the Maintenance Contractor,

⁶ June 2008 Inspection

he only tracks the costs per bus for the parts and supplies he purchases, not including those supplied through the District. This can be problematic when evaluating potential bus replacements since the costs per bus are not complete or in total. According to *Contracting for Services* (NSAA, 2003), contract monitoring is essential. An agency should:

- Assign a contract manager;
 - Ensure the contract manager possesses adequate skill and time to monitor a project;
 - Track budgets and compare invoices and charges;
 - Ensure that deliverables are received on time and document the acceptance or rejection of deliverables;
 - Withhold payments to vendors until deliverables are received;
 - Retain documentation supporting charges; and
 - After completion, evaluate the contractor's performance on this contract against a set of pre-established, standard criteria and retain the record for future use.
- **Partnering:** Although the District has considered partnering with other districts in the County as an option for reducing the cost of bus maintenance, the consideration is at a standstill. During a performance audit of the Barberton City School District (Barberton CSD) in 2005, it was noted that Barberton CSD has a formal agreement with the Norton City School District to share the costs and responsibilities of providing bus repair and maintenance services. According to Barberton CSD's Business Manager, the contract with Norton CSD resulted in a 25 percent decline in the district's maintenance and repair costs, repairs being performed in a timely manner, and all State inspections being satisfactory.

Financial Implication: If the District was able to reduce maintenance and repair costs to the peer average per routine mile, Ledgesmont LSD would save approximately \$21,800 annually, based on its three year average cost per routine mile (see **R5.4** for data issues causing cost information to be of indeterminate reliability). Considering that the disparity in costs per active bus are much higher than per routine mile, this provides a conservative estimate.

Financial Implications Summary

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

Summary of Financial Implication for Transportation

Recommendations	Estimated Annual Savings
R5.6 Reduce maintenance and repair costs	\$21,800
Total	\$21,800

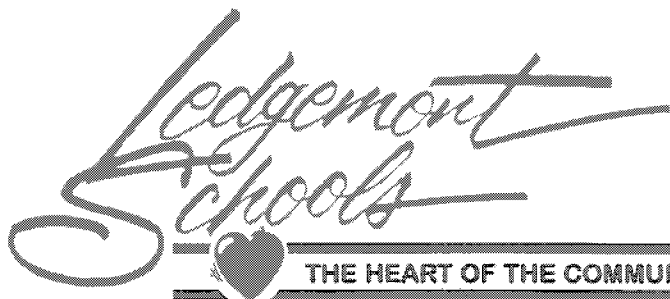
Source: AOS recommendations

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District Response

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

It should be noted that audit work was conducted between December 2008 and May 2009, and the comparisons of revenues and expenditures per pupil was completed for FY 2007-08. In addition, the District's ratio of \$8,639 in revenues per student was 5.1 percent lower than the peer average of \$9,100 in FY 2007-08. When excluding the revenues from the prior income tax levy, the District's revised ratio of revenues per student falls to \$7,528. Furthermore, the performance audit does not specifically recommend the enactment of an earned income tax credit or reductions to transportation staff and non-routine transportation services.



Board of Education

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August 28, 2009

Auditor of State
Mary Taylor, CPA
615 West Superior Ave.
Cleveland, Ohio 44113
Attn: Mate Rogoncic

Dear Mr. Rogoncic,

The Ledgesmont Local School District has undergone a performance audit from the Auditor of State's office pursuant to Ohio Revised Code 3316.031. The District's five year budget forecast has deteriorated significantly with its inability to pass a replacement tax for the seven year school income tax that expired at the end of 2008. Since the expiration of that school income tax, the District has lost approximately \$700,000 annually in revenues. This represents nearly 15% of the total school District's annual income.

The performance audit commends the District for its history of spending less per pupil than the average of its peer districts. This is a result of past and current expenditure reduction measures that the school district has implemented in its efforts to be fiscally responsible. One such measure noted in the performance audit was the lack of recent salary increases for our staff, which is currently paid almost 11% less than our peer group average. While we are pleased that this audit confirmed our past and present efforts to keep costs down, we are also concerned that our comparatively lower salaries can hinder our efforts to recruit the best teachers and retain them.

The performance audit also notes that the District revenues per pupil are significantly below the peer average. This confirms the District's notion that we must find a way to increase revenues and validates the District's continuing efforts to pass a tax to replace the income tax that expired in 2008.

Further noted in the audit is the District's success on statewide achievement tests, which measure both student achievement as well as the effectiveness of instruction. The Ledgesmont Local School District has met 24 of 30 performance indicators in 2009 and has been rated an "effective" school district for the past four years. Our high school has been rated "excellent" three of the last four years including 2009. The District has also shown a continuing pattern of system wide improvement on the state tests. We can be proud of the quality of instruction offered by the District.

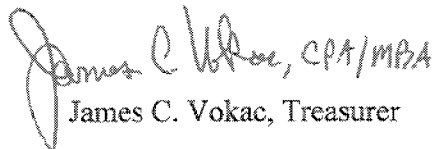
Going forward, it was the task of the auditors to point out potential cost saving measures that the District board and administration will review and consider as they make decisions relative to staffing, facilities, transportation, and financial systems. We appreciate the hard work of the auditors for creating this working document. Keep in mind that this audit began in the fall of 2008 and in several instances suggestions for reducing expenditures have already been implemented. Examples of these are: application for a waiver from the requirement for set asides pursuant to ORC 3315.17; resolution to place an earned income tax on the November 3, 2009, ballot to generate additional revenue; review the EMIS process to insure data categorization correctly reflects job classification; reduction of administrative staff and compensation; reduction of teaching staff; review of enrollment projections using best practices methodology; training of transportation staff relative to completing T reports; reduction of non-routine bus transportation; and reduction of transportation staff. Other cost saving recommendations contained in the performance audit will need to be evaluated relative to actual dollars saved, impact on educational program and instruction, compliance with the new provisions of HB 1, and compatibility with the District's mission and goals.

In closing, we thank the Auditor of State's office for the time and effort they put into this performance audit. It will be a useful tool for the school district as it moves forward through the current fiscal challenges.

Sincerely,



Ronald J. Donatone, Superintendent



James C. Vokac, Treasurer