



Mary Taylor, CPA  
Auditor of State

VERMILION LOCAL SCHOOL DISTRICT  
PERFORMANCE AUDIT

JULY 16, 2009



Mary Taylor, CPA  
Auditor of State

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

In accordance with House Bill 119, a performance audit was conducted in the Vermilion Local School District. The functional areas assessed in 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. In addition, each section of the performance audit summarizes the implementation status of the recommendations in the previous performance audit of the District, released in 2000.

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; and a summary of recommendations, noteworthy accomplishments, issues for further study and 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

July 16, 2009





# Executive Summary

---

## Project History

In accordance with Ohio House Bill 119, the Auditor of State (AOS) conducted a performance audit of Vermilion Local School District (Vermilion LSD or the District). Based on a review of Vermilion 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

Vermilion LSD operates under a locally elected Board of Education consisting of five members and is responsible for providing public education to students. The District ranks as the 209<sup>th</sup> largest by enrollment among the 876 public and community school districts in the State, and the 2<sup>nd</sup> largest in Erie County. Vermilion LSD operates two elementary schools, one middle school, and one high school. For FY 2007-08, the District employed approximately 126 FTEs, consisting of approximately 5 FTE administrators, 80 FTE educational personnel, 1 FTE professional/technical personnel, 14 FTE office/clerk staff, and 26 FTE operations and other staff, and served approximately 2,274 students in kindergarten through 12<sup>th</sup> grades. Based on the FY 2007-08 Ohio Department of Education (ODE) Local Report Card, Vermilion LSD met 23 of 30 academic performance indicators and was designated as an effective district.

Vermilion LSD's April 2008 forecast anticipates that the District's financial condition will decline substantially beginning in FY 2008-09. Specifically, the Treasurer projects that the District's ending fund balances will decline to a deficit of approximately \$63,000 in FY 2008-09, \$6.0 million in FY 2009-10, \$13.9 million in FY 2010-11, and \$24.3 million in FY 2011-12. However, the revenue projections appear understated, while expenditures appear overstated. When adjusting the forecast based on the recommendations in the performance audit (see **R2.2** and **R2.3**), the District is projected with surplus ending balances in FY 2008-09 and FY 2009-10, and with deficit ending balances of approximately \$4.5 million in FY 2010-11 and \$12.7 million in FY 2011-12.

## Objectives

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

The overall objective of 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 Vermilion LSD's five-year financial forecast, financial policies and reporting, stakeholder involvement, strategic planning, budgeting, revenues and expenditures, purchasing system efficiency, and the implementation status of each recommendation from the 2000 performance audit;
- **Human Resources:** includes analyses of District-wide staffing and salary levels, collective bargaining agreements, benefit costs, sick leave usage, substitute tracking, and the implementation status of each recommendation from the 2000 performance audit;
- **Facilities:** includes assessments of custodial, maintenance, and grounds staffing levels, facility related expenditures, benchmarking and performance standards, facility planning and preventive maintenance practices, employee training, building utilization, and the implementation status of each recommendation from the 2000 performance audit; and
- **Transportation:** includes evaluations of operating efficiency, policies and procedures, data reporting, fuel purchasing, fleet maintenance and management, special needs transportation, and the implementation status of each recommendation from the 2000 performance audit.

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

## **Scope and Methodology**

The performance audit of Vermilion 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 the findings and conclusions based on the audit objectives. Audit work was conducted between August 2008 and April 2009. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Vermilion LSD, peer school districts, and other relevant sources. While the District's data was deemed sufficiently reliable for assessment purposes, AOS identified data concerns in the following areas: Educational Management Information System (EMIS) reporting (see the **human resource** section) and T-form reporting (see the **transportation** section). Additionally, due to data limitations, the number of acres maintained by the District could not be verified (see the **facilities** section). 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 districts, which were used for peer comparisons. ODE classified these ten districts in the same demographical grouping as Vermilion LSD (urban/suburban, 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 Anthony Wayne Local School District (Lucas County), Canfield Local School District (Mahoning County), Green Local School District (Summit County), Jackson Local School District (Stark County), Lake Local School District (Wood County), North Canton City School District (Stark County), Northmont City School District (Montgomery County), Poland Local School District (Mahoning County), Tipp City Exempted Village School District (Miami County), and Wadsworth City School District (Medina County). Furthermore, Amherst Exempted Village School District (Lorain County), Elyria City School District (Lorain County), and Perkins Local School District (Erie County) were used for salary and supplemental contract comparisons in the **human resource** section, due to their close proximity to Vermilion LSD.

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

The performance audit process involved significant information sharing with Vermilion LSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to

inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, Vermilion 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 Vermilion LSD for its cooperation and assistance throughout this audit.

## **Noteworthy Accomplishments**

This section of the executive summary highlights Vermilion LSD accomplishments identified throughout the course of the audit. Specifically, Vermilion LSD uses web-based purchasing software to its fullest potential, resulting in an efficient process. The District's purchasing software provides the District with the ability to take advantage of cooperative purchasing and competitive bidding, and to review historical purchases and trends.

## **Conclusions and Key Recommendations**

Each section of the audit report contains recommendations that are intended to provide Vermilion 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, Vermilion LSD should:*

- Analyze and use **Table 2-7** in the **financial systems** section to evaluate the effect of recommendations presented in this performance audit, and consider implementing the recommendations in the performance audit and taking other appropriate actions to avoid the projected operating deficits. The Treasurer should update **Table 2-7** on a regular basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures. Vermilion LSD also should regularly discuss potential options for reducing costs and/or increasing revenues with stakeholders to help determine long-term strategies for addressing the projected deficits.
- Adopt a policy that addresses the process to be used in developing the financial forecast and the participation of other District administrators. The policy should also specify when

the Treasurer should formally present the forecast to the Board. In addition, the Treasurer should review and consider implementing the recommended strategies to strengthen the reliability of the five-year forecast and provide more detailed information and explanatory comments to help support and communicate the significant assumptions used in deriving the projections.

- Develop a new strategic plan that includes meaningful goals and measureable objectives, and related performance measures and timeframes. The strategic plan should link to the five-year forecast and budget, and evolve as the District changes. 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, Vermilion LSD should establish and track performance measures for its various departments and operations.

*In the area of human resources, Vermilion LSD should:*

- Develop policies and procedures for preparing and reconciling staff and student data for submission to EMIS. Vermilion LSD should also ensure that someone independent of the data gathering process reviews the staffing information for consistency and accuracy. Taken collectively, these measures would better ensure the accuracy and reliability of the EMIS data, and subsequently ensure that the District bases management and operational decisions on accurate information. Additionally, the District should maintain documentation to support the average daily membership (ADM) student data that is entered through the District's Student Information System (eSIS). This will help the District review the ADM information for consistency, while demonstrating and ensuring the information is accurate. Lastly, once the District finalizes the EMIS report for FY 2008-09 and ensures its accuracy, it should use the data to further review staffing levels, identify potential reductions, and determine the performance audit staffing reductions that have been implemented.
- Consider reducing regular education and ESP staffing level by up to a combined 43 FTEs, based on State minimum requirements and Vermilion LSD's financial condition (see **financial systems**). However, the District should weigh decisions to reduce teacher and ESP staffing levels against the impact reductions may have on the quality of education. The District should also consider reducing clerical staffing levels by 1.0 FTE, which can be facilitated, in part, by an expansion of the functionality of the telephone system to include locating substitutes. However, before making any staffing reductions, the District should ensure the accuracy of its EMIS data.
- Consider negotiating to reduce the number of holiday and vacation days for classified staff, and the number of sick days paid at retirement to certificated and classified staff. In addition, the District should eliminate the early retirement incentive language in the

classified negotiated agreement to provide greater flexibility in offering an early retirement benefit.

- Enroll in the Premium Discount Program (PDP) and the Drug Free Workplace Program (DFWP) in an effort to re-qualify for group-rating through the Bureau of Workers' Compensation (BWC), improve workplace safety, and achieve premium discounts.
- Eliminate the additional pension benefit for administrative and clerical staff, and reduce the longevity increases for clerical and custodian employees (subject to negotiation for custodians). Likewise, the District should review all classified employee salaries to determine the appropriateness of the longevity increases, factoring in the effect negotiated increases to base wages as well as step increases.
- Conduct an in-depth review of its supplemental contracts, including the number of supplemental positions offered and the related compensation levels. Specifically, the District should consider renegotiating the number of supplemental contracts along with compensation levels to be more consistent with the peers. However, given the small sample of compensation levels for supplemental positions that were tested in this audit, the District should consider conducting a comprehensive comparison of its supplemental salaries to the surrounding districts.
- Negotiate to require all classified employees to enroll in the new healthcare plan (Plan 1). In addition, the District should negotiate to increase contribution rates for all full-time employees receiving health benefits to 13 percent of the monthly premiums. This would make the District's contribution levels comparable to the SERB averages, but still lower than the Kaiser survey averages. Lastly, the District should consider increasing its annual deductibles, employee out-of-pocket maximums, and physician and prescription co-pays.

*In the area of facilities, Vermilion LSD should:*

- Develop and formally adopt a five to ten-year forecast methodology for projecting student enrollment. This methodology should consider historical enrollment, live birth data, real estate transactions, historical and projected building permit information, and other housing data. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues.
- Update its work order system to include preventive maintenance tasks. This would allow the District to automatically schedule and track preventive maintenance activities and better plan for preventive maintenance tasks. In addition, this action would help the District anticipate needed facility maintenance, equipment repairs, and replacements.

*In the area of transportation, Vermilion LSD should:*

- Establish formal procedures for ensuring 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 reimbursements for its transportation services in the future, and uses accurate and reliable data in making decisions regarding transportation operations.
- Continue to conduct annual surveys and expand the practice to include all parents to determine the number of students that will be using other methods of transportation. The District should use the survey results and consider trends in actual ridership to help design efficient routes. The District also should use its routing software to review the overall efficiency of current routes, the feasibility of increasing the walking distance to bus stops by up to one half mile, and the feasibility of increasing the number of runs per bus by reviewing current routes and the potential for adjusting bell schedules. As the District reviews adjustments to the bell times, it should consider student ride times, ensure potential changes would be cost-effective, and ensure the adjusted pick-up and drop-off times are appropriate. Taking the above measures should help the District eliminate three active buses and one spare bus. When determining which buses to eliminate and sell, the District should consider versatility and cost efficiency.
- Develop and implement procedures to direct the mechanics in determining the frequency of maintenance activities and repairs that should be outsourced. Subsequently, the District should consider reducing mechanic staffing levels by 0.5 FTEs. The District should also stagger the mechanics' start and end times and/or relieve the mechanics of duties that could be performed by a night-time custodian or other staff to reduce the mechanics' overtime use. These duties include answering phones, scheduling substitute drivers, changing bus videos, and record keeping duties. Additionally, by implementing a fully automated substitute calling system, the mechanics will be relieved of scheduling substitute drivers. Likewise, establishing formal maintenance procedures could reduce the time spent servicing the buses, which could help the mechanics perform their other duties during normal hours. Finally, the District should review the potential for partnering with a neighboring district to consolidate and pool maintenance services.
- Develop a bus replacement plan and update it annually. The plan should include the number of potential buses to be replaced each fiscal year and criteria for bus replacement, such as age, mileage, safety inspection results, maintenance costs, and estimated cost at the time of replacement. Additionally, based on the age and mileage of the current fleet, the District should consider limiting its bus purchases over the remainder of the forecast period.

- Include the Transportation Supervisor in individualized education plan (IEP) meetings to identify potentially less costly means of providing the appropriate transportation services to students (e.g., determining whether the student can be transported by regular buses). Additionally, the District should consider negotiating parent/guardian contracts based on a cost-benefit analysis that compares the costs of in-house transportation to parental transportation. Lastly, Vermilion LSD should review the potential for further consolidating special needs transportation services with neighboring districts.
- Based on its financial condition (see **financial systems**), the District should review its transportation policy to determine if it could achieve cost savings by adopting standards that are closer to the State minimum requirements.

## **Issues for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified teaching aide staffing levels as an issue for further study. See the **human resource** section for more 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 Costs Savings	Estimated One-Time Revenue
<b>Recommendations Not Subject to Negotiations</b>		
<b>R3.2</b> Consider reducing staffing by 39.0 FTE regular education teachers and 4.0 FTE ESP positions	\$1,804,500	
<b>R3.3</b> Consider reducing staffing by 1.0 clerical FTE	\$35,000	
<b>R3.7</b> Eliminate the additional pension benefit provided to the District's administrators	\$86,900	
<b>R3.8</b> Eliminate the additional pension benefit provided to clerical employees	\$56,000	
<b>R3.12</b> Enroll in the BWC's Premium Discount Program and Drug-Free Workplace Program	\$25,300	
<b>R5.1</b> Eliminate and sell three active buses and one spare bus	\$32,000	23,250
<b>R5.3</b> Lower overtime and consider reducing one mechanic to part-time status	\$47,500	
<b>R5.8</b> Limit bus purchases	\$151,000	
<b>R5.9</b> Reduce special needs transportation costs	\$45,000	
<b>Total Not Subject to Negotiations</b>	<b>\$2,283,200</b>	<b>\$23,250</b>
<b>Recommendation Subject to Negotiations</b>		
<b>R3.5</b> Lower the severance payout	\$95,500	
<b>R3.10</b> Lower the number of supplemental contracts and related pay	\$59,400	
<b>R3.11</b> Increase certificated and classified contributions to 13% for healthcare	\$160,000	
<b>Total Subject to Negotiations</b>	<b>\$314,900</b>	
<b>Total All Recommendations</b>	<b>\$2,598,100</b>	<b>\$23,250</b>

Source: AOS Recommendations

**This page intentionally left blank.**



---

# Financial Systems

---

## Background

This section of the performance audit focuses on Vermilion Local School District's (Vermilion LSD or the District) financial systems, including an assessment of Vermilion LSD's five-year forecast. The District's operations were evaluated against selected peer school districts<sup>1</sup>, 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). In addition, **Appendix 2-A** summarizes the implementation status of the recommendations in the previous performance audit of Vermilion LSD, released in 2000.

### *Financial History and Condition*

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

- 57.9 operating mills for the General Fund (20.1 effective mills);
- One three-year emergency levy for the General Fund (4.7 mills);
- One five-year emergency levy for the General Fund (4.9 mills); and
- 1.0 mill operating levy and a 0.5 mill bond issue for the Ritter Library.

In total, Vermilion LSD's property tax levies generate approximately \$15.5 million in local revenues for the General Fund.

The District ended FY 2006-07 with a surplus balance in the General Fund of approximately \$3.1 million and projects a balance of \$3.4 million in FY 2007-08<sup>2</sup>. However, the Treasurer's forecast anticipates that the District's financial condition will decline substantially beginning in FY 2008-09. Specifically, the Treasurer projects that the District's ending fund balances will decline to a deficit of approximately \$63,000 in FY 2008-09, \$6.0 million in FY 2009-10 and \$13.9 million in FY 2010-11. The Treasurer further projects that the District will encounter a deficit balance of approximately \$24.3 million in FY 2011-12, assuming renewal of two levies. The Treasurer noted that multiple events impacted the District's financial condition. For example, the Ford Motor Company closed an assembly plant in late December, 2005. In 2006, a company purchased the plant at a much lower cost (\$2.5 million) when compared to the previous valuation (\$28.0 million). The District filed a complaint on the 2006 valuation for taxes already paid to the company by the Ford Motor Company at settlement that have been held

---

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

<sup>2</sup>During the course of this performance audit, the District reported an actual ending surplus balance of approximately \$5.7 million in FY 2007-08.

(approximately \$453,000). Additionally, a lighting company closed in 2006, phasing out approximately 215 employee jobs. Furthermore, the Treasurer noted that the District's delinquency rate has grown by one percent in a single year.

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

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

	Actual FY 2004-05	Actual FY 2005-06	Actual FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09	Forecast FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12
Real Estate Property Tax	\$12,546	\$12,703	\$13,914	\$14,824	\$14,533	\$14,533	\$14,533	\$13,250
Tangible Personal Property Tax	\$1,591	\$1,584	\$1,773	\$623	\$307	\$0	\$0	\$0
Unrestricted Grants-in-Aid	\$5,469	\$5,449	\$5,016	\$5,032	\$5,017	\$5,017	\$5,017	\$5,017
Restricted Grants-in-Aid	\$48	\$40	\$53	\$45	\$25	\$25	\$25	\$25
Property Tax Allocation	\$1,164	\$1,162	\$2,124	\$2,035	\$1,793	\$1,793	\$1,793	\$944
Other Revenues	\$423	\$782	\$940	\$435	\$420	\$420	\$420	\$420
<b>Total Operating Revenues</b>	<b>\$21,242</b>	<b>\$21,720</b>	<b>\$23,821</b>	<b>\$22,995</b>	<b>\$22,095</b>	<b>\$21,787</b>	<b>\$21,787</b>	<b>\$19,656</b>
Personnel Services	\$12,277	\$12,507	\$12,774	\$13,143	\$13,603	\$14,518	\$15,462	\$16,467
Fringe Benefits	\$4,440	\$4,937	\$4,489	\$4,689	\$5,158	\$5,674	\$6,311	\$6,942
Purchased Services	\$2,989	\$2,659	\$2,753	\$6,056	\$4,205	\$4,835	\$5,319	\$6,116
Supplies, Materials & Textbooks	\$597	\$749	\$556	\$819	\$831	\$842	\$872	\$872
Capital Outlay	\$375	\$252	\$208	\$604	\$560	\$579	\$599	\$620
Debt Service	\$278	\$211	\$215	\$674	\$674	\$661	\$645	\$633
Other Expenditures	\$487	\$511	\$631	\$701	\$723	\$744	\$767	\$790
<b>Total Operating Expenditures</b>	<b>\$21,443</b>	<b>\$21,826</b>	<b>\$21,627</b>	<b>\$26,687</b>	<b>\$25,753</b>	<b>\$27,854</b>	<b>\$29,974</b>	<b>\$32,439</b>
Net Transfers/ Advances	\$67	(\$11)	(\$1,279)	\$2,425	\$0	\$0	\$0	\$0
Other Financing Sources	\$34	\$11	\$76	\$4	\$25	\$25	\$25	\$25
<b>Net Financing</b>	<b>\$101</b>	<b>\$0</b>	<b>(\$1,203)</b>	<b>\$2,429</b>	<b>\$25</b>	<b>\$25</b>	<b>\$25</b>	<b>\$25</b>
<b>Result of Operations (Net)</b>	<b>(\$100)</b>	<b>(\$106)</b>	<b>\$991</b>	<b>(\$1,263)</b>	<b>(\$3,633)</b>	<b>(\$6,042)</b>	<b>(\$8,162)</b>	<b>(\$12,758)</b>
Beginning Cash Balance	\$6,499	\$6,398	\$6,292	\$7,283	\$6,021	\$2,388	(\$3,654)	(\$11,816)
<b>Ending Cash Balance</b>	<b>\$6,398</b>	<b>\$6,292</b>	<b>\$7,283</b>	<b>\$6,021</b>	<b>\$2,388</b>	<b>(\$3,654)</b>	<b>(\$11,816)</b>	<b>(\$24,575)</b>
Encumbrances	\$134	\$269	\$2,316	\$722	\$541	\$361	\$181	\$0
Budget Reserve	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858
Bus Services	\$0	\$13	\$27	\$38	\$51	\$64	\$16	\$27
<b>Ending Fund Balance</b>	<b>\$4,406</b>	<b>\$4,153</b>	<b>\$3,083</b>	<b>\$3,402</b>	<b>(\$63)</b>	<b>(\$5,937)</b>	<b>(\$13,871)</b>	<b>(\$26,459)</b>
Property Tax- Renewal/Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,125
<b>Ending Fund Balance</b>	<b>\$4,406</b>	<b>\$4,153</b>	<b>\$3,083</b>	<b>\$3,402</b>	<b>(\$63)</b>	<b>(\$5,937)</b>	<b>(\$13,871)</b>	<b>(\$24,334)</b>

Source: Vermilion LSD

Note: Totals may vary from actual 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 in **Table 2-1** appear understated, while expenditures appear overstated (see **R2.2** and **R2.3**). As a result, certain assumptions were revised and included in the adjusted forecast presented in **Table 2-7**. Lastly, Vermilion LSD's forecast complies with the textbook and capital outlay set-aside requirements.

## **Audit Objectives for the Financial Systems Section**

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

- What has been Vermilion LSD's financial history and 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 Vermilion LSD have an effective system of communicating its financial data and does the District actively involve stakeholders in the decision making process?
- Has the District developed a strategic plan that meets leading practices?
- Is the District's budgetary process consistent with leading practices?
- How does the District's revenues and expenditures compare with the peer districts?
- Does the District maintain an efficient purchasing system?
- What is the implementation status of each recommendation from the prior performance audit?

Assessments conducted on the District's discretionary spending and budgetary process were found to be comparable to the peers and/or other benchmarks.

## **Noteworthy Accomplishments**

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The District's automated purchasing system qualifies as a noteworthy accomplishment. Specifically, the District uses web-based purchasing software to its fullest potential, resulting in an efficient process. Vermilion LSD's purchasing software links to the Ohio Schools Council's catalogues, which provides the District with the ability to take advantage of cooperative purchasing and competitive bidding. Additionally, the purchasing software provides various reports that allow tracking of historical purchases and trends.

## Recommendations

### *Financial Planning*

**R2.1 The Board should adopt a policy that addresses the process to be used in developing the financial forecast and the participation of other District administrators. The policy should also specify when the Treasurer should formally present the forecast to the Board. In addition, the Treasurer should consider presenting more detailed information and explanatory comments to help support and communicate the significant assumptions used in deriving the projections, and omit historical information that is no longer relevant in the forecast time period. Doing so would help the Board and public better understand the underlying elements of the District’s projected financial condition, including the Treasurer’s methodology and assumptions.**

Although the Board has policies related to fiscal planning and financial forecasting, Vermilion LSD does not have a Board policy that addresses the process to be used in preparing the financial forecast, the roles of other administrators besides the Treasurer, the level of note disclosures and supporting materials to be used in developing the forecast, or when the Treasurer should present the forecast to the Board. In actual practice, the Treasurer prepares the forecast based on discussions with the Superintendent and other administrators, and reviews historical information, trends, and information obtained from outside sources, such as the Erie County Auditor (County Auditor) and the Ohio Department of Education (ODE). The Treasurer presents the forecast to the Board when ODE requires submission twice a year and year-to-date actuals to the Board on a monthly basis to measure performance against forecast estimates.

Although the Treasurer 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 Vermilion LSD, such as the following:

- The timeframes and impacts of scheduled property reappraisals and updates;
- Historical and projected staffing levels and the number of anticipated retirements during the forecast period (see **R2.3**);
- Historical and projected information on salary related fringe benefits (i.e., retirement, Medicare, and workers’ compensation) (see **R2.3**);
- Utility costs;
- Current and projected information regarding technology, building, and equipment needs;

- Current and projected information on supplies and materials; and
- Explanations when projected amounts deviate from legislation and historical trends.

Upon request, the Treasurer was able to provide explanations to support the majority of the figures shown in the forecast. However, some discussions within the forecast notes are from a prior period. For example, when discussing salaries and wages, it refers to the contract as “new” when it is for FY 2003-04, a period not reflected in the forecast.

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

- 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 that governs the process used to develop the District’s forecast and not including relevant disclosures within the assumptions, Vermilion LSD increases the risk of a not developing a sound financial forecast and not effectively communicating its projections to the public and other stakeholders.

**R2.2 The District should ensure that its revenue projections are consistent with existing legislation, historical trends, and the County Auditor’s certificate of estimated resources. The District should also add notes in the forecast to fully explain any deviations from these sources (see R2.1). Moreover, it should ensure the revenue projections are not overly conservative.**

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 State funding (unrestricted and restricted grants-in-aid) and tangible property taxes appeared reasonable. However, the projections for real estate property taxes, property tax allocation, and other revenues warranted further review, which is summarized by the following:

- **Real Estate Property Taxes:** Based on a review of actual figures for FY 2007-08 that became available during the course of this performance audit, historical trends that account for the impact of new levies and the opening of a new plant, valuation data, and information from the Erie County Auditor, the Treasurer’s projections for FY 2007-08 and FY 2009-10 to FY 2011-12 appear reasonable. However, the District’s projection for FY 2008-09 differed from the Erie County Auditor’s certificate of estimated resources by approximately seven percent. During the performance audit, the District submitted an updated forecast to ODE. This forecast projects the real estate tax collection in FY 2008-09 to increase from the previously forecasted amount. As this updated amount is only approximately three percent lower than the Erie County Auditor’s certificate of estimated resources, it appears reasonable and somewhat conservative<sup>3</sup>. The projected decline in real estate revenues from FY 2007-08 to FY 2008-09 is further confirmed by a decline in valuation.
- **Property Tax Allocation:** This represents reimbursements received from the State for property tax credits granted through the homestead exemption program (elderly or disabled homeowners), the rollback program (10 percent credit for all real property owners), and a \$10,000 exemption for businesses. According to Auditor of State Bulletin (AOSB) 2006-004, this line-item should also account for the tangible property tax reimbursements beginning in FY 2006-07.

**Table 2-1** shows that the District’s property tax allocation receipts increased in FY 2006-07 when compared to the previous year, due to significant increases for

<sup>3</sup> The comparison to the County Auditor’s certificate of estimated resources is based on total tax revenue due to difficulty in trying to isolate the specific components of property taxes. In FY 2007-08, real estate collections comprised 83 percent of total property taxes.

the rollback program, electric deregulation property tax replacements, and tangible personal property reimbursements. However, the District's forecast projects property tax allocation receipts to decline in FY 2007-08 and FY 2008-09, then remain stable through FY 2010-11, and decline again in FY 2011-12. However, during the course of the performance audit, the District's FY 2007-08 actual figures became available. When compared to actual revenues, the projection was understated by approximately 21 percent. Additionally, the District updated its projection for property tax allocation in FY 2008-09 (from \$1,792,910 to \$2,513,781) during the audit. The updated projection appears reasonable because they comprise approximately 17 percent of the real estate property tax collections in FY 2008-09, which is consistent with FY 2007-08 actuals.

The Treasurer noted the District's projections were held flat after FY 2008-09 through FY 2010-11 due to the state of the economy and conservatively estimating reimbursements. Furthermore, the Treasurer noted the projection for FY 2011-12 takes into consideration the expiration of the District's emergency levies. The Treasurer also noted the forecast projections are developed from information posted on ODE's website for tangible personal property reimbursements and calculating property tax as a percentage of real estate tax receipts. However, the projections after the updated figure for FY 2008-09 appear understated because they comprise only 12, 12, and 7 percent of the real estate property tax collections in FY 2009-10, FY 2010-11, and FY 2011-12, respectively; and because the District should be fully reimbursed for the accelerated phase-out of tangible personal property taxes through FY 2010-11.

- **Other Operating Revenue:** Other revenues consist of tuition, interest, transportation fees, property rentals, insurance proceeds, and other miscellaneous income. **Table 2-1** shows the District projects other revenues to decline substantially in FY 2007-08, decline further in FY 2008-09, and then stay constant through FY 2011-12. The Treasurer noted that the projection was held constant as a conservative approach due to lower interest rates, the economic downturn, and lower anticipated tuition payments. In FY 2006-07, the District received approximately \$566,000 in interest revenue and \$213,000 in open enrollment revenue, which comprised approximately 83.0 percent of total all other operating revenue. In FY 2007-08, the interest revenue declined to approximately \$517,000 and open enrollment revenue declined to approximately \$205,000, which comprised approximately 77.0 percent of total all other operating revenues. The District submitted an updated forecast to ODE which included FY 2007-08 actual figures. When compared to the FY 2007-08 actual figure for all other revenue (\$935,679), the original projection was understated by 115 percent. In addition, the District increased the FY 2008-09 projection for all other revenue (from \$420,000 to \$536,480) in the updated forecast to ODE, which is an increase

of approximately 27 percent. However, the increase in the updated forecast is still significantly lower than the actual in FY 2007-08. Lastly, the projections in FY 2008-09 through FY 2011-12 are inconsistent with historical trends.

Based on the issues outlined above, the District’s real estate projection will be adjusted in FY 2007-08 to reflect the actual amount and in FY 2008-09 to reflect the District’s updated forecast. Additionally, the District property tax allocation projection will be adjusted in FY 2007-08 to reflect the actual amount. The projection thereafter will be adjusted to reflect the District’s updated projection of \$2,513,781. This will allow the District to maintain a property tax allocation as a percent of real estate property tax collection of approximately 17 percent. The District’s FY 2011-12 property tax allocation projection will be further adjusted to reflect the expiration of two emergency levies<sup>4</sup>. Furthermore, the District’s all other revenue projection will be adjusted in FY 2007-08 to reflect the actual amount. The projections thereafter will be adjusted based on the District’s FY 2007-08 actual amount (\$935,679), minus half of the interest reported on the FY 2007-08 financial reports (\$258,541), due to the Treasurer’s assumptions that the District is currently receiving half the amount of monthly interest when compared to FY 2007-08 and to be conservative. **Table 2-2** shows the impact these revisions will have on Vermilion LSD’s forecast.

**Table 2-2: Impact of Forecast Adjustments**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>District Projections</b>					
<b>Real Estate Projections</b>	\$14,824,497	\$14,532,673	\$14,532,673	\$14,532,673	\$13,250,000
<b>Property Tax Allocation</b>	\$2,035,459	\$1,792,910	\$1,792,910	\$1,792,910	\$944,018
<b>Other Revenue</b>	\$ 435,000	\$420,000	\$420,000	\$420,000	\$420,000
<b>Total</b>	<b>\$17,294,956</b>	<b>\$16,745,583</b>	<b>\$16,745,583</b>	<b>\$16,745,583</b>	<b>\$14,614,018</b>
<b>AOS Projection</b>					
<b>Real Estate Projections</b>	\$14,999,234 <sup>1</sup>	\$14,698,522	\$14,532,673	\$14,532,673	\$13,250,000
<b>Property Tax Allocation</b>	\$2,464,491 <sup>1</sup>	\$2,513,781	\$2,513,781	\$2,513,781	\$1,664,889
<b>Other Revenue</b>	\$935,679 <sup>1</sup>	\$677,138	\$677,138	\$677,138	\$677,138
<b>Total</b>	<b>\$18,399,404</b>	<b>\$17,889,441</b>	<b>\$17,723,592</b>	<b>\$17,723,592</b>	<b>\$15,592,027</b>
<b>Difference Between AOS and District Projections</b>	<b>(\$1,044,448)</b>	<b>(\$1,143,858)</b>	<b>(\$978,009)</b>	<b>(\$978,009)</b>	<b>(\$978,009)</b>

Source: AOS analysis

<sup>1</sup>The FY 2007-08 AOS revised projections reflect actual revenues.

<sup>4</sup> The phase-out in reimbursements related to the accelerated phase-out of tangible personal property taxes begins in tax year 2011. This has not been accounted for in the revised projections for FY 2011-12, due to difficulty in quantifying the impact. In addition, the potential effect of not accounting for this can be partially or fully offset by the Treasurer excluding tangible personal property tax collections after FY 2008-09. Although the District’s tangible personal property tax projections appear overall materially reasonable, the District would likely collect some tangible personal property tax revenues after FY 2008-09, based on the timing of the phase-out.

**R2.3** Since employee salaries and wages represent nearly 54 percent of the District's total expenditures, the Treasurer should consider plotting each employee based on the salary schedule for each year of the forecast rather than only completing projections for part of the forecast period and for only certificated employees. 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 their related financial impact. Additionally, the Treasurer should include separate assumptions for the salary related benefits (i.e., health insurance, retirement, Medicare, and workers' compensation) in the forecast notes to disclose the forecast methodology. Ideally, the Treasurer should also consider plotting each employee, based on the type of healthcare plan (i.e., single or family) for each year of the forecast. Moreover, the Treasurer should ensure the methodology for projecting benefits aligns with stated assumptions and is based on appropriate factors. Taking these steps would better ensure reliable projections.

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. The District's projections for purchases services, supplies and materials, capital outlay, and other expenditures appeared reasonable as they are generally consistent with the historical trends, the instructional material and capital outlay spending requirements stipulated in Ohio Revised Code (ORC) § 3315.17, and the expenditures as of October 2008. However, the projections for personnel services and benefits warranted further review, which is summarized by the following:

- **Personnel Services:** This line-item represents employee salaries and wages, including supplemental, substitute, and overtime costs. In FY 2007-08, the District provided a negotiated wage increase of 3.5 percent for all employees. In FY 2008-09, the District provided negotiated wage increases of 2.0 percent for certificated employees and 1.75 percent for classified personnel. **Table 2-1** shows the District projects personnel services to increase an average of 5.2 percent annually during the forecast period.

During the course of the performance audit, the FY 2007-08 actual figures became available. The District's projected personnel service expenditures (\$13.1 million) appear reasonable as they were only approximately 1.0 percent higher than the FY 2007-08 actuals (\$13.0 million). During the course of the audit, the District's submitted an updated forecast to ODE which shows that the personnel service expenditures in FY 2008-09 are 4.3 percent lower than the previously forecasted amount. The updated projection for FY 2008-09 appears reasonable when compared to the year-to-date expenditures through October 2008 and taking into consideration that the District's winter and spring supplemental contract payments are not included in the expenditures through October 2008. To

determine the projections in the forecast for FY 2008-09, the Treasurer assigned separate rates to represent negotiated wage increases (2.0 percent), horizontal schedule increases (1.0 percent), and step increases (2.0 percent) for employees. The Treasurer also used a spreadsheet to plot the actual salaries for each certificated employee and reviewed various negotiated wage increases which were dependent on the outcome of negotiations for the contract period. However, the Treasurer did not include the following detail in District's personnel services forecast assumptions:

- The Treasurer did not plot administrative or classified salary costs by employee. The Treasurer stated that classified salaries were projected to increase at the same rates as certificated salaries because the base increases usually mirror certificated staff and the number of classified employees was small compared to the number of certificated employees.
- The Treasurer did not include step increases or horizontal increases by certificated employee on the spreadsheet for FY 2008-09. Additionally, the Treasurer did not plot salary increases for certificated employees past FY 2008-09. The Treasurer stated that the remaining years of the forecast (FY 2009-10 through FY 2011-12) were based on a straight percentage increase from previous years.
- The Treasurer considered future staffing reductions/retirements, but considers the impact immaterial in nature. Although the Treasurer expects future retirements, the Treasurer stated that retirements do not result in cost savings due to severance pay-outs.

Finally, the Treasurer's projected step increase of 2.0 percent appears low, based on a review of salary schedules for certificated and classified staff.

- **Benefits:** The District's fringe benefits consist of Board paid contributions to employee retirement systems, health insurance, Medicare, workers' compensation, and tuition reimbursements. **Table 2-1** shows the Treasurer projected benefit costs to increase an average of 9.1 percent annually during the forecast period. During the course of the performance audit, the FY 2007-08 actual figures became available. The District's projected benefit costs of approximately \$4.7 million were approximately 19 percent higher than the FY 2007-08 actuals (\$3.8 million). The Treasurer noted that the large decrease in expenditures was the result of the District's insurance provider changing from a partial self-insured to a fully insured consortium. As a result, all outstanding claims were deemed part of the pool and not charged to the District. Vermilion LSD used the health insurance refund to avoid paying premiums for the final six

months of FY 2007-08. The Treasurer indicated that the premiums should return to their normal levels in FY 2008-09. The District's projection for FY 2008-09 of approximately \$5.2 million appears overstated based on the year-to-date expenditures through October 2008. However, the Treasurer noted that the expenditures as of October 2008 would not be a true reflection of benefits due to many people coming on and off of the District's insurance in the first quarter, which is primarily driven by the replacement of retirees.

In FY 2009-10, FY 2010-11, and FY 2011-12 the Treasurer projected benefits to increase approximately 10.0 percent, 11.0 percent, and 10.0 percent, respectively. Benefits increased an average of 7.0 percent per year from FY 2001-02 through FY 2006-07. However, changes in healthcare contribution rates, a one-time expenditure to cover a deficit related to high claims, and a premium reduction partially skew the historical trends, with the exception of the 11.0 percent increase from FY 2004-05 to FY 2005-06. Despite some of these factors partially skewing the trends, the Treasurer's overall projected increases from FY 2009-10 to FY 2011-12 appear reasonable and somewhat conservative based in the historical trends.

Although the overall benefit projections appear generally reasonable and the Treasurer conveyed the use of a sound forecast methodology, the projected figures do not align with the Treasurer's assumption. Specifically, the Treasurer projects the relevant employee benefits based on salaries and the appropriate contribution rates, health insurance apart from other benefits based on the current increase in annual healthcare costs, and tuition reimbursement based on historical data. The Treasurer projects healthcare costs to increase approximately 10 percent a year, but does not plot out the cost of insurance per employee. Based on a 10 percent increase in health insurance and the remainder of the other benefit line items increasing less than 10 percent, the total benefit projections should increase at a rate less than 10 percent per year. However, as stated previously, the projections from FY 2009-10 to FY 2011-12 increase by 10 to 11 percent per year. Furthermore, the District's projected growth rate of 10 percent in health insurance costs is higher than the State Employee Relations Board (SERB) data for health insurance costs. Specifically, in the *2007 Report on Health Insurance Costs in Ohio's Public Sector* (SERB, March 2008), SERB indicates that the average single and family premium increased by 4.2 and 4.8 percent, respectively, for public sector employees in 2007. However, SERB notes that this percentage was developed over a 10 month period, not one year, which skews the percent increase downwards. SERB notes that the full year premium is likely higher than 4.8 percent. In the 2006 publication, SERB reported that single and family premiums increased by 6.4 and 7.7 percent, respectively. Lastly, the District's

health insurance costs represented approximately 50.0<sup>5</sup> percent of the District's total fringe benefit in FY 2007-08.

Based on the issues outlined above, the District's personnel services projection will be adjusted in FY 2007-08 to equal the actual amount. Additionally, the projection for FY 2008-09 will be adjusted to reflect the District's updated projection of \$13,016,320. The projections for FY 2009-10 through FY 2011-12 will be adjusted, based on the District's updated projection of \$13,016,320<sup>6</sup> in FY 2008-09, and increased by the certificated and classified negotiated wage increases, step increases, horizontal schedule increases, and increased substitute teacher salaries. The District negotiated a 2.0 percent wage increase for certificated staff in FY 2009-10. The re-projection assumes that the certificated staff will receive a 2.0 percent wage increase throughout the forecast period. The District has not negotiated an increase for the classified staff in FY 2009-10. As such, the re-projection assumes that the classified staff will receive a wage increase of approximately 2.6 percent throughout the forecast period, which is based on the average of the last two years' negotiated wage increases.

The re-projections also assume that the certificated staff will receive a 2.7 percent step increase, which is the average annual increase for staff still eligible for a step increase during the forecast period. Step increases for classified staff are projected at 2.9 percent per year, which is the average annual step increase in four classified salary schedules that comprise the majority of classified staff. As some employees are at the maximum step, the 2.9 percent increase accounts for some classified employees receiving an 8.0 percent longevity increase during the forecast period. Additionally, the projections include a horizontal increase of 1.0 percent for some certificated staff potentially earning a Master's degree. Furthermore, the projections assume an increase of \$100,000, which is based on the Treasurer noting that the District increased its substitute teacher salaries and will incur additional costs.<sup>7</sup> Lastly, the District's benefit projections (salary related fringes) will be adjusted to account for the updated salary re-projections.

While the projected figures for benefits do not align with the Treasurer's assumption, they will not be adjusted because the overall benefit projections appear generally reasonable and somewhat conservative based on the overall historical trends. Instead, **R2.9** will disclose potential changes in the projected ending fund balances by assuming benefits increase at lower rates.

---

<sup>5</sup> The FY 2007-08 health insurance costs for certificated and classified employees were multiplied by two, due to the District only paying six months of health insurance costs.

<sup>6</sup> The District's certificated salaries represent 77 percent of the District's total staff salaries. The District's classified and other salaries represent 23 percent of the District's total staff salaries.

<sup>7</sup> Due to the unavailability of data when conducting this assessment and to be conservative, the revised projections do not account for the impact of replacing future retirees with new employees.

**Table 2-3** presents the impact these revisions will have on Vermilion LSD's forecast.

**Table 2-3: Vermilion LSD's Expenditure Forecast Revisions**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>District Projections:</b>					
Personnel Services	\$13,143,192	\$13,603,204	\$14,518,125	\$15,461,803	\$16,466,821
Retirement/Insurance Benefits	\$4,688,981	\$5,157,879	\$5,673,670	\$6,310,824	\$6,941,906
Total	\$17,832,173	\$18,761,083	\$20,191,795	\$21,772,627	\$23,408,727
<b>AOS Projections:</b>					
Personnel Services	\$13,003,068 <sup>1</sup>	\$13,016,320	\$13,857,020	\$14,549,871	\$15,277,365
Retirement/Insurance Benefits	\$3,786,626 <sup>1</sup>	\$5,055,174	\$5,557,977	\$6,151,236	\$6,733,751
Total	\$16,789,694	\$18,071,494	\$19,414,997	\$20,701,107	\$22,011,116
<b>Net Impact on Forecast</b>	<b>(\$1,042,479)</b>	<b>(\$689,589)</b>	<b>(\$776,798)</b>	<b>(\$1,071,520)</b>	<b>(\$1,397,611)</b>

**Source:** Vermilion LSD and AOS Recommendations

<sup>1</sup>The FY 2007-08 AOS revised projections reflect actual expenditures.

### *Revenues and Expenditures*

**R2.4 The District should closely examine the spending patterns in Tables 2-4 and 2-5, and the cost reductions recommended in the other sections of this report. Doing so would aid in efforts to improve its financial stability, while ensuring an appropriate allocation of resources.**

**Table 2-4** compares Vermilion LSD's FY 2006-07 General Fund revenues by source and expenditures by object to the peer average and includes Vermilion LSD's data for FY 2007-08. The data is presented on a per student basis to account for differences in student population size.

**Table 2-4: Revenues by Source, Expenditures by Object**

	Vermilion LSD FY 2006-07 <sup>1</sup>	Vermilion LSD FY 2007-08 <sup>1</sup>	Peer Average
Property & Income Tax	\$6,841	\$6,886	\$4,237
Intergovernmental Revenues	\$3,138	\$3,553	\$3,294
Other Revenues	\$449	\$1,502	\$332
<b>Total Revenue</b>	<b>\$10,429</b>	<b>\$11,941</b>	<b>\$7,863</b>
Wages	\$5,571	\$5,847	\$4,668
Fringe Benefits	\$1,958	\$1,703	\$1,642
Purchased Service	\$1,201	\$2,394	\$733
Supplies & Textbooks	\$243	\$307	\$250
Capital Outlays	\$91	\$209	\$140
Debt Service	\$94	\$238	\$4
Miscellaneous	\$275	\$242	\$170
Other Financing Uses	\$565	\$0	\$103
<b>Total Expenditures</b>	<b>\$9,996</b>	<b>\$10,938</b>	<b>\$7,710</b>

**Source:** Vermilion LSD and peer 4502s.

**Note:** Totals may vary from actuals due to rounding.

<sup>1</sup>Includes Fund 016 as the Treasurer noted it us used for the General Fund.

**Table 2-4** shows the District's total revenues are higher than the peer average by \$2,566 per student. The higher revenues are due to the higher property tax receipts and other revenues. In addition, **Table 2-4** shows the District's total revenues increased by \$1,512 per student in FY 2007-08, which is primarily due to \$2.4 million in additional revenue from the District's House Bill (H.B.) 264 energy conservation project.

**Table 2-4** also shows that in total, the District spent \$2,286 more per student when compared to the peer average in FY 2006-07, and its expenditures per student increased by \$942 in FY 2007-08. Explanations for areas where the District's expenditures exceeded the peer average include the following:

- **Wages:** Vermilion LSD spent \$903 more per student on wages than the peer average in FY 2006-07. The higher wages are due to the longevity of the District's staff, compensation for longevity, and higher staffing levels per 1,000 students. See the **human resources** section for additional discussion.
- **Benefits:** Vermilion LSD spent \$316 more per student on benefits than the peer average in FY 2006-07. This is attributed to higher wages per student (see above), and providing an additional pension benefit to administrative and clerical employees. Furthermore, the District has higher premium costs for healthcare

benefits, lower employee contributions for healthcare, and a generous healthcare package (see **human resources**). However, the District's benefit expenditures declined by \$255 per student in FY 2007-08. The Treasurer noted that the large decrease was the result of the District's insurance provider changing from a partial self-insurance to a fully insured consortium. As a result, all outstanding claims were deemed part of the pool and not charged to Vermilion LSD. The District used the health insurance refund to avoid paying premiums for the final six months of FY 2007-08. The Treasurer indicated that the premiums should return to their normal levels in FY 2008-09.

- **Purchased Services:** Vermilion LSD spent \$468 more per student on purchased services than the peer average in FY 2006-07. The higher costs are attributed to electricity, natural gas, and tuition costs. Specifically, the District spent approximately \$143, \$103, and \$245 per student on electricity, natural gas, and tuition payments, while the peer averages were approximately \$137, \$92, and \$173, respectively. While electricity and gas expenditures per student were higher than the peer average, the District's utility costs per square foot were lower than the peer average (see **facilities**). Additionally, the higher tuition costs are due to students attending community schools and other schools outside the District. The District's purchased service expenditures per student increased by \$1,195 in FY 2007-08, due to purchases related to the H.B. 264 project.
- **Debt Service:** Vermilion LSD spent \$90 more per student on debt services than the peer average in FY 2006-07. The higher costs are attributed to the District's repayment of principal and interest for the H.B. energy conservation loan. In addition, the increase in FY 2007-08 is attributable to the H.B. 264 project.
- **Miscellaneous:** Vermilion LSD spent \$105 more per student on miscellaneous costs when compared to the peer average in FY 2006-07. This is attributed to dues and fees (County Education Service Center fees and deductions, and County Auditor and Treasurer fees).
- **Other Financing Uses:** Vermilion LSD spent \$462 more per student on other financing uses than the peer average in FY 2006-07. This is attributed to the District's transfer-out of approximately \$1.3 million. According to the Treasurer, in FY 2006-07, the Ford Motor Company under reported personal property valuations. As such, the District received back taxes which were moved to the permanent improvement fund.

**Table 2-5** shows the governmental fund expenditures per pupil posted to various Uniform School Accounting System (USAS) function codes for Vermilion LSD and the peer average. The function codes report expenditures by their nature or purpose. In

addition, **Table 2-5** shows the corresponding percentage of operational expenditures by function for all funds that are classified as governmental funds.

**Table 2-5: Governmental Expenditures by Function**

USAS Function Classification	Vermilion LSD FY 2006-07		Vermilion LSD FY 2007-08		Peer Average FY 2006-07	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$5,745</b>	<b>57.3%</b>	<b>\$5,832</b>	<b>50.9%</b>	<b>\$4,860</b>	<b>59.0%</b>
Regular Instruction	\$4,202	41.9%	\$4,192	36.6%	\$3,850	46.8%
Special Instruction	\$933	9.3%	\$965	8.4%	\$758	9.1%
Vocational Education	\$88	0.9%	\$96	0.8%	\$151	1.8%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$1	0.0%
Other Instruction	\$521	5.2%	\$578	5.0%	\$100	1.2%
<b>Support Service Expenditures:</b>	<b>\$3,933</b>	<b>39.2%</b>	<b>\$5,260</b>	<b>45.9%</b>	<b>\$3,068</b>	<b>37.2%</b>
Pupil Support Services	\$556	5.5%	\$628	5.5%	\$449	5.4%
Instructional Support Services	\$574	5.7%	\$721	6.3%	\$326	4.0%
Board of Education	\$77	0.8%	\$109	1.0%	\$30	0.4%
Administration	\$730	7.3%	\$711	6.2%	\$624	7.6%
Fiscal Services	\$261	2.6%	\$245	2.1%	\$177	2.2%
Business Services	\$82	0.8%	\$71	0.6%	\$39	0.5%
Plant Operation & Maintenance	\$1,078	10.8%	\$2,144	18.7%	\$875	10.6%
Pupil Transportation	\$553	5.5%	\$609	5.3%	\$465	5.7%
Central Support Services	\$23	0.2%	\$23	0.2%	\$84	1.0%
<b>Non-Instructional Expenditures</b>	<b>\$43</b>	<b>0.4%</b>	<b>\$36</b>	<b>0.3%</b>	<b>\$57</b>	<b>0.7%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$311</b>	<b>3.1%</b>	<b>\$339</b>	<b>3.0%</b>	<b>\$256</b>	<b>3.1%</b>
<b>Facilities Acquisition</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$604</b>	<b>5.3%</b>
<b>Payment of Debt</b>	<b>\$172</b>	<b>1.7%</b>	<b>\$321</b>	<b>2.7%</b>	<b>\$828</b>	<b>8.2%</b>
<b>Total Governmental Fund Expenditures</b>	<b>\$10,203</b>	<b>100.0%</b>	<b>\$11,788</b>	<b>100.0%</b>	<b>\$9,672</b>	<b>100.0%</b>

Source: Vermilion LSD and peer 4502s

Note: Totals may vary from actual due to rounding

**Table 2-5** illustrates that the District allocated a lower percentage of expenditures to instruction in both years, when compared to the peer average for FY 2006-07. **Table 2-5** also shows that Vermilion LSD spent more per student than the peer average in FY 2006-07 and FY 2007-08. Explanations for the higher per student expenditures include the following:

- **Regular Instruction:** The District spent \$352 more per student than the peer average on regular instruction in FY 2006-07. This is due to higher teacher longevity, higher staffing levels, retirement payments,, and generous healthcare benefits (see the **human resources** section).

- **Special Instruction:** Vermilion LSD spent \$175 more per student than the peer average on special instruction in FY 2006-07. However, when including only special education students, Vermilion LSD's special instruction cost per student was \$6,817 in FY 2006-07, which is lower than the peer average of \$8,502. The District also contracts for some special education services through the County Education Service Center (ESC). The District's financial reports show that the District spent approximately \$189,000 for County ESC services. Even when including the County ESC expenses, the revised cost per student of \$7,419 is still lower than the peer average. Therefore, the large disparity in the expenditure ratios in **Table 2-5** is primarily attributed to Vermilion LSD's special education population comprising approximately 14 percent of total students, which is higher than the peer average (approximately 10 percent).
- **Other Instruction:** The District spent \$421 more per student than the peer average on other instruction in FY 2006-07. This line-item accounts for tuition payments associated with District students attending other school districts through open enrollment and District students attending community schools. Furthermore, the District provides all day kindergarten services.
- **Pupil Support Services:** Vermilion LSD spent \$107 more per student than the peer average on pupil support services in FY 2006-07. The District classifies guidance counselors, a guidance secretary, a speech and hearing therapist, an attendance clerk, and monitors in this category. The higher costs per student are due, in part, to higher salaries. The District also employs more total clerical staff per 1,000 students and provides an additional pension benefit to clerical staff. Additionally, the District provides generous healthcare benefits to all employees. See the **human resources** section for further assessment
- **Instructional Support Services:** The District spent \$248 more per student than the peer average on instructional support services in FY 2006-07. The District classifies the curriculum director secretary (see above for clerical discussion), teaching aides, librarians, and a computer instructor in this category. The District employs higher staffing levels per 1,000 students in the teaching aide and librarian classifications, at higher average salary levels and with generous insurance benefits (see the **human resource** section).
- **Board of Education:** Vermilion LSD spent \$47 more per student than the peer average on board of education services in FY 2006-07. Approximately 53 percent of the cost (\$93,800) was attributed to fees for legal services. The Treasurer noted the Ford Motor Company closed the Lorain Assembly Plant in December, 2005. The property was sold to IRG-Lorain in December, 2006. The sale price was recorded in Lorain County at \$2.5 million compared to the current valuation of

\$28 million. The District filed a complaint with the Court of Appeals on the 2006 valuation for taxes already paid and received in FY 2006-07.

- **Administration:** The District spent \$106 more per student than the peer average on administration services in FY 2006-07. The District classifies the administrators (i.e., superintendent, principals, EMIS coordinator, etc.) and administrative clerical support staff in this category. In addition to the prior discussion of clerical staff, the District provides an additional pension benefit to its administrative employees and offers generous health benefits (see **human resources**).
- **Fiscal Services:** Vermilion LSD spent \$84 more per student than the peer average on fiscal services in FY 2006-07. The higher expenditures are primarily due to fees for the financial audit, County auditor, and Treasurer.
- **Business Services:** The District spent \$43 more per student than the peer average on business services in FY 2006-07. The Treasurer noted that the classification is used for the administrator that was employed to perform business related duties when the District eliminated the Assistant Superintendent position upon retirement. Additionally, a portion of the Treasurer's salary was coded under this category because of duties she assumed due to the retirement. Furthermore, the District employed a part-time contracted administrator and clerical staff under this category. See the above explanations which also apply to this category and the **human resource** section for further assessment.
- **Plant Operations and Maintenance:** The District spent \$203 more per student than the peer average on plant operations and maintenance services in FY 2006-07. The District classifies its custodial and maintenance employees under this classification. See the **facilities** section for further assessment. In addition, the District compensates its service worker employees at higher levels than the peers due to longevity compensation, and provides generous health benefits (see **human resources**). Furthermore, the increase in FY 2007-08 is due to the H.B. 264 project.
- **Pupil Transportation:** Vermilion LSD spent \$88 more per student than the peer average on pupil transportation services in FY 2006-07. This is due to the District's staffing levels, overtime usage (see **transportation** section) and bus purchases. Additionally, the District's higher bus driver salaries and generous health benefits contribute to the higher expenditures (see the **human resource** section).

- **Extracurricular Activities:** Vermilion LSD spent \$55 more per student than the peer average on extracurricular activities in FY 2006-07. This is due to the number of supplemental contracts and related pay levels (see the **human resource** section).

**Table 2-6** compares Vermilion LSD's academic performance indicators to the peer average.

**Table 2-6: ODE Performance Standards Comparison**

	Performance Standards Met	Performance Index Scores
Vermilion LSD FY 2006-07	25 out of 30	95.6
Vermilion LSD FY 2007-08	23 out of 30	94.1
Peer Average FY 2006-07	29 out of 30	103.6

Source: Ohio Department of Education

As shown in **Table 2-6**, Vermilion LSD was below the peer average in the number of performance standards met and performance index score while maintaining higher General Fund (see **Table 2-4**) and Governmental Fund (see **Table 2-5**) expenditures per student in FY 2006-07. **Table 2-6** also shows that the District's performance scores declined in FY 2007-08, while the cost per student increased from the FY 2006-07 levels.

### *Planning and Stakeholder Involvement*

**R2.5 In preparing the new strategic plan, the District should incorporate meaningful goals and measureable objectives, and related performance measures and timeframes. The strategic plan should link to the five-year forecast and budget, and evolve as the District changes. 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, Vermilion LSD should establish and track performance measures for its various departments and operations.**

While the District's current strategic plan identifies several objectives, Vermilion LSD has not updated its strategic plan since 2000 or formally tracked progress toward the objectives set in its strategic plan. Additionally, the District's strategic plan does not tie to the five-year forecast or any budget areas to determine the costs and feasibility of the objectives. Similarly, the strategic plan does not identify time frames for implementation of the District's objectives. Finally, no performance measures were identified to gauge attainment of the objectives. The Superintendent is currently in the process of creating a new strategic plan.

The District does not complete performance measurement assessments on a consistent basis or across all departments. While the Treasurer noted that the District completes

profit and loss assessments for the Food Service Department, trend assessments for overtime expenditures, and studies to review printer costs, it does not have documented performance standards to facilitate management decision making or to determine appropriate staffing levels. For example, the District does not complete expenditure level assessments to determine applicable 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. This publication goes on to indicate that performance measures should also be reported in periodic reviews of functions and programs, and should be integral in making resource allocation decisions. GFOA encourages all governments to use performance measurers 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 an up-to-date, 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 Vermilion LSD and its stakeholders in identifying financial and program results, evaluating and making decisions, and facilitating improvements.

**R2.6 The District should consider holding public meetings with citizens on a regular (e.g., quarterly) basis. In addition, the District should use the meetings as a forum to discuss a wide range of topics (i.e., financial forecast, budget, strategic plan, etc.). The District should also explore other methods for regularly obtaining stakeholder feedback, such as surveys and/or committees.**

The District does not have a business advisory council or a finance committee, and does not actively involve businesses, community organizations, or citizens in decision making activities. Additionally, the District does not share financial information with its residents on its web site (see **R2.8**); or regularly issue surveys to determine residents' satisfaction with services or solicit suggestions. In the late 1990's, the District had a Yellow Ribbon Commission, which was an involved community group responsible for brainstorming ideas for strategic planning. However, the Commission has disbanded. More recently, the District tried to implement a similar commission, but it was only marginally successful. The Treasurer noted that the District provides the community with information through televised Board meetings, inserts in the local newspaper that include financial and performance information, and mass mailings to residents. Additionally, the Treasurer noted that Vermilion LSD issued a survey to its residents in 2005 to solicit information pertaining to satisfaction with the District and potential levy support. However, the District has not issued a survey since 2005. The Treasurer noted that one of the Superintendent's goals is to increase the District's involvement with community members.

During the performance audit of Painesville Township Local School District<sup>8</sup>, (Painesville TLSD), released March 2007, the Treasurer indicated the district holds town hall meetings where discussions take place regarding issues like school funding, capital improvement projects and curriculum issues. Painesville TLSD also used surveys to obtain feedback from the community. For example, the survey issued in the Fall 2006 newsletter, with results published in the Winter 2007 newsletter, solicited the community's feedback on satisfaction levels with educational services, fiscal management, and District communications; the adequacy of facilities and equipment; and measures to alleviate building overcrowding. Likewise, the district separately solicited feedback from parents, including their satisfaction with the curriculum, quality of teaching, level of classroom and office discipline.

---

<sup>8</sup> Painesville TLSD has since changed its name to Riverside Local School District.

Establishing regular community forums to discuss pertinent issues and obtaining feedback via periodic surveys and other methods could help to further engage the community and build support for District initiatives.

### *Financial Policies and Reporting*

**R2.7 Vermilion LSD should consider expanding its current policies to address stabilization of funds, use of one-time revenues, revenue diversification, use of unpredictable revenues, contingency planning, and debt issuance and management. Addressing such areas would help guide decision-making.**

The Board has developed comprehensive financial policies to help guide the District's financial decision making. However, the District lacks certain policies recommended by GFOA in *Best Practices in Public Budgeting* (GFOA, 2001). 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.
- **Debt issuance and management:** A government should have policies that specify appropriate uses for debt and identifies the maximum amount of debt and debt service that should be outstanding at any time.

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.

**R2.8 Vermilion 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). By making both reports and other financial information available on its website, the District would be using a relatively inexpensive method to help people better understand its operations and financial condition.**

Vermilion 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 audits for FY 2004-05, FY 2005-06 and FY 2006-07 indicate that Vermilion LSD complies with this statute. However, the District does not make the financial statements, forecast, or budget information available on its website, although the Treasurer intends to do so in the future. In addition, the District does not prepare a comprehensive annual financial report (CAFR) or a popular annual financial report (PAFR). According to the Treasurer, the costs to prepare the reports, minimal administrative staff, and time availability prevent the District from preparing a CAFR and PAFR.

*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 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 *Using Websites to Improve Access to Budget Documents and Financial Reports* (GFOA, 2003), a government should publish its budget documents and its comprehensive annual financial reports on its website. Furthermore, this publication notes that a government effectively using its website to convey financial information can realize a number of benefits including increased public awareness, increased public usage of the information, and availability of information for use in public analysis.

### *Financial Recovery Plan*

**R2.9 Vermilion 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. In addition, the Treasurer should update Table 2-7 on a regular basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures. Lastly, Vermilion LSD should regularly discuss potential 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 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 and the actual data for FY 2007-08.

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 and education service personnel (ESP) positions to operate at State minimum standards. These potential reductions comprise approximately 69 percent of the total savings related to the performance audit recommendations. However, even when including the financial implications for all the performance audit recommendations and assuming the passage of both emergency levy renewals, **Table 2-7** shows that the District is projected to experience a negative ending

fund balance in FY 2011-12. As a result, it will be necessary for the District to consider other options for addressing the projected deficit.

The 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 realize only seven percent annual increases in fringe benefits and ten percent increases in purchased services in FY 2009-10 through FY 2011-12, and assuming implementation of all the performance audit recommendations, Vermilion LSD's deficit in FY 2011-12 would decrease to approximately \$230,000. Without the performance audit recommendations, the deficits would decrease from approximately \$4.6 million to \$3.6 million in FY 2010-11, and from \$12.6 million to \$10.6 million in FY 2011-12. Lastly, the projections will also depend upon timing related to implementing the performance audit recommendations. **Table 2-7** includes implementation of the performance audit recommendations beginning in FY 2009-10.

**Table 2-7: Vermilion LSD Recovery Plan (in 000's)**

	Actual FY 2004-05	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
Real Estate Property Tax	\$12,546	\$12,703	\$13,914	\$14,999	\$14,699	\$14,533	\$14,533	\$13,250
Tangible Personal Property Tax	\$1,591	\$1,584	\$1,773	\$516	\$307	\$0	\$0	\$0
State Funding (Unrestricted and Restricted)	\$5,517	\$5,489	\$5,069	\$5,375	\$5,042	\$5,042	\$5,042	\$5,042
Property Tax Allocation	\$1,164	\$1,162	\$2,124	\$2,464	\$2,514	\$2,514	\$2,514	\$1,665
Other Revenue	\$423	\$782	\$940	\$936	\$677	\$677	\$677	\$677
<b>Total Operating Revenue</b>	<b>\$21,241</b>	<b>\$21,720</b>	<b>\$23,820</b>	<b>\$24,290</b>	<b>\$23,238</b>	<b>\$22,766</b>	<b>\$22,766</b>	<b>\$20,634</b>
Personal Services	\$12,277	\$12,507	\$12,774	\$13,003	\$13,016	\$13,857	\$14,550	\$15,277
Fringe Benefits	\$4,440	\$4,937	\$4,489	\$3,787	\$5,055	\$5,558	\$6,151	\$6,734
Purchased Services	\$2,989	\$2,659	\$2,753	\$5,323	\$4,205	\$4,835	\$5,319	\$6,116
Supplies, Materials, and Textbooks	\$597	\$749	\$556	\$683	\$831	\$842	\$872	\$872
Capital Outlay	\$375	\$251	\$208	\$464	\$560	\$579	\$599	\$620
Debt Service	\$278	\$211	\$215	\$529	\$674	\$662	\$646	\$633
Other Expenditures	\$487	\$511	\$631	\$538	\$723	\$744	\$767	\$790
<b>Total Operating Expenditures</b>	<b>\$21,443</b>	<b>\$21,825</b>	<b>\$21,626</b>	<b>\$24,326</b>	<b>\$25,064</b>	<b>\$27,077</b>	<b>\$28,904</b>	<b>\$31,042</b>
Net Transfers/Advances	\$67	(\$11)	(\$1,279)	\$2,403	\$0	\$0	\$0	\$0
Other Financing Sources	\$34	\$11	\$76	\$64	\$25	\$25	\$25	\$25
<b>Net Financing</b>	<b>\$101</b>	<b>\$0</b>	<b>(\$1,203)</b>	<b>\$2,467</b>	<b>\$25</b>	<b>\$25</b>	<b>\$25</b>	<b>\$25</b>
<b>Result of Operations (Net)</b>	<b>(\$101)</b>	<b>(\$105)</b>	<b>\$991</b>	<b>\$2,431</b>	<b>(\$1,801)</b>	<b>(\$4,286)</b>	<b>(\$6,114)</b>	<b>(\$10,383)</b>
Beginning Cash Balance	\$6,499	\$6,398	\$6,293	\$7,283	\$9,714	\$7,913	\$3,627	(\$2,485)
<b>Ending Cash Balance</b>	<b>\$6,398</b>	<b>\$6,293</b>	<b>\$7,284</b>	<b>\$9,714</b>	<b>\$7,913</b>	<b>\$3,627</b>	<b>(\$2,485)</b>	<b>(\$12,868)</b>
Encumbrances	\$134	\$269	\$2,316	\$2,153	\$541	\$361	\$180	\$0
Budget Reserve	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858	\$1,858
Bus Services	\$0	\$13	\$27	\$39	\$51	\$64	\$16	\$27
<b>Total Reservations</b>	<b>\$1,858</b>	<b>\$1,871</b>	<b>\$1,885</b>	<b>\$1,897</b>	<b>\$1,909</b>	<b>\$1,922</b>	<b>\$1,874</b>	<b>\$1,885</b>
<b>Unreserved Ending Fund Balance June 30</b>	<b>\$4,406</b>	<b>\$4,153</b>	<b>\$3,083</b>	<b>\$5,664</b>	<b>\$5,463</b>	<b>\$1,344</b>	<b>(\$4,539)</b>	<b>(\$14,753)</b>
Renewal of Levy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,125
<b>Revised Unreserved Ending Fund Balance June 30</b>	<b>\$4,406</b>	<b>\$4,153</b>	<b>\$3,083</b>	<b>\$5,664</b>	<b>\$5,463</b>	<b>\$1,344</b>	<b>(\$4,539)</b>	<b>(\$12,628)</b>
Cumulative Impact of Performance Audit Recommendations	N/A	N/A	N/A	N/A	\$0	\$2,743	\$5,640	\$8,701
<b>Revised Unreserved Ending Fund Balance June 30</b>	<b>\$4,406</b>	<b>\$4,153</b>	<b>\$3,083</b>	<b>\$5,664</b>	<b>\$5,463</b>	<b>\$4,087</b>	<b>\$1,101</b>	<b>(\$3,927)</b>

Source: Vermilion LSD

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

**Table 2-8**, summarizes the performance audit recommendations reflected in the revised five-year forecast. Recommendations are divided into two categories, those requiring negotiation and those not subject to negotiation.

**Table 2-8: Performance Audit Recommendations Included in Recovery Plan**

	FY 2008-09	FY 2009-2010	FY 2010-2011	FY 2011-2012
<b>Recommendations Not Subject to Negotiation</b>				
<b>R3.2</b> Consider reducing staffing by 39.0 FTE Regular Education Teachers and 4.0 FTE ESP Positions	\$1,804,500	\$1,907,357	\$2,016,076	\$2,130,992
<b>R3.3</b> Consider reducing staffing by 1.0 Clerical FTE	\$35,000	\$36,925	\$38,956	\$41,098
<b>R3.7</b> Eliminate the Additional Pension Benefit Provided to the District's Administrators	\$86,900	\$88,638	\$90,411	\$92,219
<b>R3.8</b> Eliminate the Additional Pension Benefit Provided to Clerical Employees	\$56,000	\$59,080	\$62,329	\$65,758
<b>R3.12</b> Enroll in the BWC's Premium Discount Program and Drug-Free Workplace Program	\$25,300	\$25,300	\$25,300	\$25,300
<b>R5.1</b> Eliminate and sell three active buses and one spare bus	\$55,250	\$33,760	\$35,617	\$37,576
<b>R5.3</b> Lower overtime and consider reducing one mechanic to part-time status	\$47,500	\$50,113	\$52,869	\$55,776
<b>R5.8</b> Limit bus purchases	\$151,000	\$155,530	\$160,196	\$165,002
<b>R5.9</b> Reduce special needs costs	\$45,000	\$46,350	\$47,741	\$49,173
<b>Subtotal Not Subject to Negotiations</b>	<b>\$2,306,450</b>	<b>\$2,403,052</b>	<b>\$2,529,494</b>	<b>\$2,662,894</b>
<b>Recommendations Subject to Negotiation</b>				
<b>R3.5</b> Lower the severance payout	\$95,500	\$100,848	\$106,495	\$112,459
<b>R3.10</b> Lower the number of supplemental contracts and related pay	\$59,400	\$62,786	\$66,365	\$70,147
<b>R3.11</b> Increase Certificated and Classified Contributions to 13% for Healthcare	\$160,000	\$176,000	\$195,360	\$214,896
<b>Subtotal Subject to Negotiations</b>	<b>\$314,900</b>	<b>\$339,634</b>	<b>\$368,220</b>	<b>\$397,503</b>
<b>Total all Recommendations</b>	<b>\$2,621,350</b>	<b>\$2,742,686</b>	<b>\$2,897,714</b>	<b>\$3,060,396</b>

Source: AOS Recommendations

## Appendix 2-A: 2000 Performance Audit

**Table 2-A** summarizes the 2000 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the recommendations contained in the 2000 Performance Audit, Vermilion LSD implemented two recommendations and partially implemented two recommendations. The 2008 Performance Audit addresses the recommendations in the 2000 Performance Audit if the related issues fell within the current audit scope.

**Table 2-A: 2000 Performance Audit Recommendations**

Recommendation	Implemented	Partially Implemented	Not Implemented
<p><b>R2.1</b> By presenting more detailed historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates, the District will provide a more comprehensive understanding of the anticipated financial condition. To this extent, the District should use the format of financial forecast presented in Appendix B and update the information and projections as financial issues change or materialize.</p>		<p>X (see <b>R2.1</b>)</p>	
<p><b>R2.2</b> Appendix B is being presented to provide the commission with a proposed recovery plan to assist with its efforts to adopt a plan which will allow the District to regain financial stability. This plan is being presented to provide a management tool to the commission to assist them with analyzing the recommendations presented within this performance audit and determine the impact of the related cost savings on the District's financial condition. The recommendations are broken down into those which can be enacted immediately by the District and those that will require further management actions, such as renegotiating certain items within the union agreements. For the District to achieve financial stability, it will be necessary to make difficult management decisions. This performance audit provides a series of ideas and recommendations which the District and commission should consider. However, this audit is not all inclusive and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the District.</p>		<p>X (see <b>R2.9</b>)</p>	
<p><b>R2.3</b> In order to achieve and maintain long term financial stability, Vermilion LSD will need an ongoing revenue stream to fund operations in the future. The results of this performance audit reflect minimal opportunities to reduce expenditures to the level necessary to maintain a balanced</p>	<p>X</p>		

Recommendation	Implemented	Partially Implemented	Not Implemented
<p>budget. Therefore, Vermilion LSD should consider asking voters to pass a permanent operating levy of approximately 7.99 mills to replace the three year emergency operating levy which expires in FY 2002-03 within the appropriate time frame to ensure no loss in the flow of revenues from these levies. Assuming that this levy will be successfully renewed, Appendix B projects the District maintaining positive ending unencumbered cash balances for a period of five consecutive years. Prior to asking the community to renew this levy in FY 2002-03, the District should continue showing that it is accountable by implementing the various recommendations identified in this performance audit, updating and implementing the cost reductions identified in its fiscal recovery plan, and managing the other costs in an effort to achieve and maintain financial stability.</p>			
<p><b>R2.4</b> Due to the present financial condition of the District and the magnitude of expenditures that are fixed by negotiated contracts, debt service agreements, utility costs and certain fees, it is extremely important that the District continue to diligently monitor those spending areas over which it can exercise discretion. District management should closely review these costs to identify possible opportunities for reductions and savings.</p>	X		

**This page intentionally left blank.**



---

# Human Resources

---

## Background

This section of the performance audit focuses on Vermilion Local School District's (Vermilion LSD or the District) human resource operations. The District's operations were evaluated against selected peer school districts<sup>1</sup>, 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), the Ohio Department of Administrative Services (DAS), and the State Employment Relations Board (SERB). In addition, **Appendix 3-A** summarizes the implementation status of the recommendations in the previous performance audit of Vermilion LSD, released in 2000.

### *Organizational Structure and Function*

Vermilion LSD does not have a separate department dedicated to human resource functions. Rather, the District's Treasurer and Superintendent complete the major human resource functions, including negotiating collective bargaining agreements, administering the health insurance programs, and managing enrollment. The Treasurer noted that the Board Office clerical employees assist in completing some human resource functions.

### *Staffing*

**Table 3-1** compares Vermilion LSD's full-time equivalent (FTE) employees per 1,000 average daily membership (ADM) in FY 2006-07 and FY 2007-08 to the peer average for FY 2006-07.

---

<sup>1</sup> 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 1,000 Students)**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07
<b>Students Educated (FTE)<sup>1</sup></b>	2,329	2,274	3,969
<b>Administrators</b>	4.37	4.92	5.10
<b>Educational</b>	78.29	80.36	63.99
<b>Professional</b>	0.57	0.58	1.90
<b>Technical</b>	0.86	0.88	2.33
<b>Office / Clerical</b>	14.37	13.90	12.19
<b>Maintenance Workers</b>	2.58	2.64	1.68
<b>Custodians/Grounds</b>	7.73	7.92	6.65
<b>Bus Drivers</b>	7.93	7.29	8.68
<b>Food Service Workers</b>	5.45	4.93	6.46
<b>All Other</b>	1.98	2.91	4.56
<b>Total FTEs</b>	<b>124.12</b>	<b>126.31</b>	<b>113.55</b>

Source: FY 2006-07 EMIS data reported to ODE as of 02/02/07

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

**Table 3-1** shows that Vermilion LSD's staffing levels per 1,000 ADM in both years exceed the peer average in the educational, office/clerical, maintenance worker (includes mechanics), and custodians/grounds classifications. The higher education staffing levels are attributed to the District including its supplemental positions, and maintaining higher staffing levels for special education and regular education teachers. However, special education students represented approximately 14 percent of Vermilion LSD's student population in FY 2006-07, while the peer average was approximately 10 percent. This contributes to the District employing 8.8 special education teachers per 1,000 students in FY 2006-07 and 7.9 in FY 2007-08, while the peer average was only 4.7. While the District maintains higher special education staffing levels per 1,000 ADM, Vermilion LSD's special education costs per special education student was \$6,817 in FY 2006-07, much lower than the peer average of \$8,502. See **R3.2** for further assessment of the District's regular education teacher staffing levels, **R3.3** for further assessment of office/clerical staffing levels, and the **transportation** and **facilities** sections for further assessments of mechanics, maintenance workers, and custodian/grounds staffing levels. Lastly, the District's EMIS Coordinator indicated that the District did not have significant changes to staffing levels for FY 2008-09 (see **R3.1** for further discussion).

### *Salaries*

**Table 3-2** compares Vermilion LSD's average salaries by EMIS classification to the peer average.

**Table 3-2: Average Salary Comparison**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08 <sup>2</sup>	Peer Average FY 2006-07	Percent Difference
Administrators	\$75,975	\$77,770	\$75,441	0.7%
Educational Staff	\$47,002	\$46,580	\$52,014	(9.6%)
Professional Staff	\$65,945	\$65,945	\$53,123	24.1%
Technical Staff	\$25,548	\$26,468	\$21,725	17.6%
Office/Clerical Staff	\$25,736	\$26,157	\$23,142	11.2%
Maintenance Workers	\$38,576	\$36,581	\$40,177	(4.0%)
Operative	\$19,939	\$18,507	\$18,696	6.6%
Service Worker	\$27,381	\$28,041	\$20,642	32.6%
<b>Total Average Salary</b>	<b>\$41,133</b>	<b>\$41,250</b>	<b>\$41,598</b>	<b>(1.1%)</b>

Source: Vermilion LSD and peer EMIS data

**Table 3-2** shows that in total, Vermilion LSD compensated its employees an average of \$41,133 or 1.1 percent lower than the peer average (\$41,598) in FY 2006-07. **Table 3-2** also shows that in FY 2006-07, Vermilion LSD's average salary was higher than the peer average in every employee classification, with the exception of educational staff and maintenance workers. However, the District erroneously reported supplemental salaries under the educational staff classification (see **R3.1**), skewing the educational staff's average salary. When excluding the District's supplemental salaries, the District's revised FY 2006-07 educational staff classification's average salary is \$54,776, which is 5.0 percent higher than the peer average. During FY 2006-07, 61.2 percent of Vermilion LSD's teachers had over ten years of experience, while the peer average was 55.8 percent. As a result, the teachers' higher longevity contributes to the higher educational staff salaries. Furthermore, in FY 2007-08, the District's average educational staff salary decreased to \$54,618 (average excludes supplemental costs). The Treasurer indicated that the decrease was due to the District offering an early retirement incentive in FY 2006-07. The District had a total of 15 employees take the retirement incentive.

**Table 3-2** shows that the District's average professional staff salary in FY 2006-07 was 24.1 percent higher than the peer average. Vermilion LSD's professional staff consists of a psychologist and a speech and language therapist for a total of only 1.3 FTEs. Additionally, **Table 3-2** shows that the District's average technical staff salary in FY 2006-07 was 17.6 percent higher than the peer average. Vermilion LSD's technical staff consists of a computer programmer and a library aide for a total of only 2.0 FTEs. Based on the minimal staffing levels in both classifications, the performance audit did not further review these salary levels.

<sup>2</sup> In FY 2007-08, the District provided the certificated and classified bargaining unions with a 3.5 percent negotiated wage increase after the EMIS reporting period. As a result, the 3.5 percent wage increase is not reflected in **Table 3-2**. Likewise, the Treasurer indicated that the District's administrators and clerical staff also received a 3.5 percent wage increase in FY 2007-08, that is not reflected in **Table 3-2**, as a result of switching to a new healthcare plan (Plan 1).

**Table 3-2** also shows that the District's average operative staff salary in FY 2006-07 was 6.6 percent higher than the peer average. This is due, in part to the longevity of the District's bus drivers. However, the District provides longevity increases to 9 bus drivers (39 percent of staff), which also contributes to the District's higher operative salaries (see **R3.9**). Regardless of longevity, in FY 2007-08, the District's average operative staff salary decreased to \$18,507, which is comparable to the peer average of \$18,696. The Treasurer indicated that the decrease in salaries was due to the District shortening and eliminating routes through the use of routing software, thus reducing the total hours of the bus drivers. Moreover, **Table 3-2** shows that in FY 2006-07, Vermilion LSD's average salary for office/clerical staff and service workers were significantly higher than the respective peer averages (see **R3.8** and **R3.9**). Lastly, while **Table 3-2** shows that the average salary for administrators in FY 2006-07 was only 0.7 percent higher than the peer average, the District provides an added pension benefit which increases the overall compensation package for administrators (see **R3.7**).

### *Negotiated Agreements*

The District has collective bargaining agreements with the Vermilion Teachers Association (certificated staff) and the Ohio Association of Public School Employees (classified staff). The agreement with the Vermilion Teachers Association is effective from September 8, 2008 to August 31, 2009. The agreement with the Ohio Association of Public School Employees/AFSCME AFL-CIO Local 332 is effective from January 22, 2008 through June 30, 2009. As a component of the performance audit, certain contractual and employment issues were assessed and compared to Ohio law and industry benchmarks. See **R3.5** for more information.

## **Audit Objectives for the Human Resources Section**

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

- Is the District's current allocation of personnel efficient and comparable to peers?
- Are District's salaries in line with peers?
- How does the cost of benefits offered by the District compare with state averages and industry benchmarks?
- Are the District's negotiated agreements in line and leading or recommended practices?
- How does the District track substitutes?
- What is the implementation status of each recommendation from the prior performance audit?

Assessments conducted on educational staff salaries, teaching aide salaries, operative salaries, and certificated substitute rates were found to be comparable to the peers and/or other benchmarks.

## **Issue for Further Study**

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified teaching aide staffing levels as an issue for further study. The District's FY 2006-07 and FY 2007-08 teaching aide staffing level equaled 6.4 FTEs per 1,000 ADM, higher than the peer average of 5.2 FTEs. The District's staffing in this classification consists of 8.4 FTEs that function as teaching aides for special needs children and 6.2 FTEs that perform various non-special education student related tasks (i.e., monitoring study hall, in-school restriction, etc.). As a result, Vermilion LSD should consider conducting an in-depth review of its teaching aide staffing levels to determine the following:

- The extent that teaching aides are needed to complete monitoring and in-school restriction duties to subsequently determine whether the District could adjust the hours of their current monitors to complete those functions; and/or
- If the District could reduce the total number of hours worked per day for teaching aides without impacting the overall quality of education provided to the students.

Taking these actions will help ensure that Vermilion LSD considers all appropriate factors in analyzing the adequacy of its teaching aide staffing levels.

## Recommendations

### *Staffing*

- R3.1 Vermilion LSD should develop policies and procedures for preparing and reconciling staff and student data for submission to the Educational Management Information System (EMIS). It should also ensure that someone independent of the data gathering process reviews the staffing information for consistency and accuracy. Taken collectively, these measures would better ensure the accuracy and reliability of the EMIS data, and subsequently ensure that the District bases management and operational decisions on accurate information. When the District finalizes the EMIS report for FY 2008-09 and ensures its accuracy, it should use the data to further review staffing levels, identify potential reductions, and determine the performance audit staffing reductions that have been implemented. Lastly, the District should maintain documentation to support the average daily membership (ADM) student data that is entered through the District's Student Information System (eSIS). This will help the District review the ADM information for consistency, while demonstrating and ensuring the information is accurate.**

The District does not have policies and procedures for preparing and reconciling staff or student data for submission to the Educational Management Information System (EMIS). However, the EMIS Coordinator indicated that the District uses the EMIS Manual, produced annually by ODE, as a guideline for submitting data into EMIS. The EMIS Coordinator also indicated that all of the District's staffing information is obtained from its payroll system. The Superintendent's secretary is responsible for determining the FTE counts for each employee. However, the District indicated that the FTE counts have not consistently been updated each year. As a result, there were some errors noted on the District's EMIS classified demographics report. For example, one employee (coded as a 505) who works 6.5 hours per day was recorded as a 1.0 FTE, while another employee under the same classification who works 6.5 hours per day was recorded as a 0.81 FTE. In addition, the District included employees with a supplemental contract in its EMIS report for the October reporting period, contrary to instructions in the EMIS Manual. According to the Treasurer, the EMIS Coordinator reviews errors that are generated from the error report and sends the reports back to the responsible party to be fixed, and the principals and secretaries will also review the EMIS data.

According to the EMIS Coordinator, the ADM counts are obtained through the District's Student Information System (eSIS). The District's building secretaries are responsible for entering all student data into eSIS, while the administration secretaries handle all student registration. However, Vermilion LSD was unable to provide documentation to support its ADM totals that were obtained during the October count week. The District was able

to provide attendance sheets for that time period; however, the attendance sheets only report the total number of students who were absent rather than the total number of students enrolled in each building. Therefore, AOS was unable to verify the District's student count reported in its EMIS enrollment report.<sup>3</sup>

According to the EMIS Coordinator, the District did not have significant changes to staffing levels for FY 2008-09. As of December 19, 2008, the District's FY 2008-09 EMIS report showed 15.7 fewer FTEs when compared to FY 2007-08. This is primarily due to reporting fewer special education teacher FTEs and "other professional" FTEs in the educational staff category. As the EMIS data for FY 2008-09 was not final during the course of the performance audit and it does not have a significant impact on the assessments, the District's EMIS data for FY 2007-08 was used in this performance audit.

**R3.2 Vermilion LSD should continually monitor regular education teacher and educational service personnel (ESP) staffing ratios, and evaluate the impact of potential staffing changes on the District, both financially and educationally. If the District does not implement the performance audit recommendations and other strategies to reduce costs, it should consider reducing regular education and ESP staffing levels. For instance, the District could reduce its regular education teachers and ESP by up to 43 FTEs and still meet State minimum requirements. However, it should weigh decisions to reduce teacher and ESP staffing levels against the impact reductions may have on the quality of education. The District should also ensure the accuracy of its EMIS data (see R3.1) before making any staffing reductions.**

**Table 3-3** compares Vermilion LSD's teacher staffing ratios and local district report card performance to the peer averages.

**Table 3-3: Regular Classroom Teacher Staffing Comparison**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07
<b>Regular Students per Regular Teacher</b>	17.4	16.5	19.6
<b>Total Students per Regular Teachers</b>	20.8	20.0	22.1
<b>Performance Indicators Met (out of 30)</b>	25.0	23.0	29.0
<b>Performance Index (out of 120)</b>	95.6	94.1	103.6

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

**Table 3-3** shows that Vermilion LSD's student-to-teacher ratios are lower than the peer averages. **Table 3-3** also shows that the District met fewer performance indicators and

<sup>3</sup> While the performance audit identified some EMIS staffing errors and the District lacks supporting documentation for the ADM counts, Vermilion LSD's EMIS staffing and student count data are deemed sufficiently reliable for assessment purposes. This is based on the District's internal controls, sample testing of EMIS staff data, and a review of enrollment trends.

achieved a lower performance index score on the State report cards, when compared to the peer average. Based on total students, the District employs 10.8 more regular education teachers in FY 2007-08 than the peer average. Based on regular education students, the District employs 18.2 more regular education teacher FTEs in FY 2007-08 than the peer average.

Pursuant to OAC § 3301-35-05, for every 25 regular education students, Vermilion LSD is required to maintain at least one FTE classroom teacher on a District-wide basis. Based on the FY 2007-08 staffing levels and regular student population, the District could reduce approximately 39 regular education teacher FTEs. The Superintendent noted that the District provides full-day kindergarten classes each day which requires four additional employees, and a block schedule at the high school which requires six extra employees. The Superintendent also noted that the District requires a minimum of 26 credits to graduate, which is higher than some surrounding school districts. According to the Superintendent, these programs and practices are value-added.

OAC § 3301-35-05(A)(4) requires that school districts employ a minimum of five education service personnel for every 1,000 regular education students. ESP positions are classified as elementary art, music, and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. Based on data for FY 2007-08, the District employs 4.0 more ESP FTEs than required by OAC. In contrast, the District employed 7.5 ESP FTEs per 1,000 regular students and 6.2 ESP FTEs per 1,000 total students in FY 2007-08, which are both lower than the peer averages for FY 2006-07 (8.1 and 7.3).

*Financial Implication:* By reducing 39 regular education teachers and 4 educational service personnel, the District can save approximately \$1,804,500 annually in salaries and benefits. This is based on a starting certificated salary for a degreed teacher (Bachelors) of \$31,086 effective July 1, 2008 and benefits comprising 35 percent of salaries.<sup>4</sup>

**R3.3 The District should consider reducing clerical staffing levels by 1.0 FTE. This can be facilitated, in part, by an expansion of the functionality of the telephone system to include locating substitutes (see R3.13). However, before making any staffing reductions, the District should ensure the accuracy of its EMIS data (see R3.1).**

**Table 3-4** compares the District's clerical staffing level to the peer average, based on the number of students, employees, and buildings.

---

<sup>4</sup> The benefits percentage is based on the FY 2006-07 wages and benefit costs because costs in FY 2007-08 are skewed. See **R3.11** for more information.

**Table 3-4: Clerical Staffing Levels**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07
<b>Total Clerical Staff</b>	18.5	17.0	27.8
<b>Clerical Staff per 1,000 Students</b>	7.9	7.5	6.9
<b>Employees per Clerical Staff</b>	14.6	15.9	15.7
<b>Clerical Staff per Building</b>	4.6	4.3	4.4

**Source:** Vermilion LSD and peer FY 2006-07 EMIS data

**Note:** Total clerical staff excludes teaching aides.

**Table 3-4** shows that the District employed more clerical employees per 1,000 students, its clerical staff supported fewer employees per FTE, and it employed more clerical staff per building in FY 2006-07. However, **Table 3-4** also shows that the District reduced the clerical staffing levels by 1.5 FTEs in FY 2007-08. While the District's ratios of employees per clerical staff and clerical staff per building are similar to the respective peer averages, it still employs more clerical staff per 1,000 students.

The Treasurer attributed the District's higher clerical staffing levels to some clerical employees assisting with administrative functions. The Treasurer noted that when the administrative staffing levels were reduced, due to financial difficulties, the Board Office clerical staff assisted the Treasurer with human resource duties, such as insurance and enrollment. However, the District hired an additional administrator (1.0 FTE) in FY 2007-08. As a result, the District's administration staffing levels per 1,000 students are comparable to the peer average (see **Table 3-1**). Furthermore, the District is reporting one more administrative FTE in its FY 2008-09 EMIS report (see **R3.1**).

If the District eliminated 1.0 clerical FTE, it would employ 7.0 clerical staff per 1,000 students, which is similar to the peer average. In addition, its clerical staffing levels would be more efficient than the peer average, when measured by clerical staff per building (4.0) and employees per clerical staff (16.9). However, the number of District-wide employees per clerical staff would decrease if Vermilion LSD implements staffing reductions in other areas (see **R3.1**, **R3.3** and the **transportation** section).

*Financial Implication:* If the District reduced staffing by 1.0 clerical FTE, it can save approximately \$35,000 annually in salaries and benefits. This is based on the lowest salaried clerical employee in FY 2007-08, the additional pension benefit for clerical staff (see **R3.8**), and benefits comprising 35 percent of salaries.

**R3.4 Vermilion LSD should develop a formal plan to address current and future staffing needs. This would help ensure the District complies with State minimum requirements, meets the educational goals established in the new strategic plan, and efficiently allocates its staffing resources. To assist in developing the staffing plan, Vermilion LSD should continue budgeting on a per student basis, focus on student-**

**staff ratios, and review the staffing assessment prepared by ODE. Additionally, Vermilion 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 staffing levels for the District's specific operations.**

Vermilion LSD had a staffing assessment prepared by ODE in 2008 to assist the District in analyzing staffing needs and in planning future staffing. The analysis utilized, where applicable, the Ohio Minimum Standards and the Ohio Revised Code. In the absence of standards or statutory requirements, a comparison was made with state averages and with the averages of similar districts. The Treasurer indicated that the District uses the ODE staffing assessment for long range planning to help determine possible reductions. Additionally, the District is in the process of creating a new strategic plan that will identify its educational goals (see the **financial systems** section). The Treasurer indicated that the District does not have a formal plan or guidelines outside the ODE staffing assessment to help determine appropriate staffing levels. 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 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 meals per labor hour calculation established by the district. The staffing plan also outlines the procedures for developing the allocations in each area.

Similarly, 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.

*Negotiated Agreements*

**R3.5 The District should consider negotiating to reduce the number of holiday and vacation days for classified staff, and the number of sick days paid at retirement to certificated and classified staff. In addition, the District should eliminate the early retirement incentive language in the classified negotiated agreement to provide greater flexibility in offering an early retirement benefit.**

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 areas in Vermilion LSD's collective bargaining agreements exceeded these standards:

- **Holidays:** According to ORC § 3319.087, 11 and 12 month employees are entitled to a minimum of 7 holidays and 9 and 10 month employees are entitled to 6 holidays. Vermilion LSD's 12 month employees receive 10 holidays while the other classified positions (less than 12 month 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:** The District's classified collective bargaining agreement allows for vacation accrual rates that are higher than the minimum requirements stipulated in ORC § 3319.084. For example, an employee with seven years of service receives 15 days of vacation per year at Vermilion LSD. In contrast, ORC § 3319.084 does not require the District to grant 15 vacation days per year until employees have reached 10 years of service. Additionally, the District provides its employees with 20 days of vacation after 13 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.
- **Severance Payouts:** Assuming an employee meets a variety of requirements, the District allows for maximum severance payouts of 25 percent of 195 unused sick leave days for certificated personnel, for a maximum payout of 48.75 days; and 25 percent of 230 days for classified staff, for a maximum payout of 57.5 days. In addition, both agreements provide a higher payout if staff retire in their first year of eligibility. For certificated staff, the District pays for all of the unused sick leave, up to a maximum of 180 days. For classified staff, the District pays 50 percent of the unused sick leave, not to exceed 105 days. By comparison, ORC § 124.39 stipulates that if an individual retires with 10 or more years of service with

the State, they are entitled to be paid 25 percent of the value of their accrued but unused sick leave, up to 30 days.

In addition, the District's classified collective bargaining agreement stipulates that "in the event there is a planned staff reduction of 10 or more bargaining unit employees, including more than one classification, within a three month period, the Board of Education may exercise the option of an early incentive retirement plan." In contrast, the District provided the certificated staff an early incentive retirement plan in FY 2007-08, without being required to do so by the collective bargaining agreement. The Treasurer noted that the District opted for the incentive due to the high volume of senior teachers. Implementing a retirement incentive plan for classified staff may be an appropriate option for the District, given their high longevity (see **R3.8**, and **R3.9**). Eliminating the restrictive early retirement incentive language in the classified negotiated agreement would provide the District flexibility to offer its classified staff an early retirement incentive, based on a cost benefit analysis, at the appropriate time.

*Financial Implication:* 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. However, if the District had reduced the maximum severance payout to ORC minimum requirements in FY 2007-08, the savings would have been approximately \$190,900. Assuming half of this amount if the District provided a severance payout that was still above ORC minimum requirements, the savings would have been approximately \$95,500.

- R3.6 Vermilion LSD should take measures to reduce the amount of sick leave used by its classified employees by developing a District-wide policy to ensure its proper use. In order to develop an effective District-wide policy, the District should negotiate to eliminate the provision addressing sick leave abuse in the classified bargaining agreement. The District should include prohibitions against "pattern abuse," disciplinary actions for misusing or abusing sick leave, and the ability to request physician statements within the policy. In addition, the District should ensure that it is actively monitoring sick leave use to help identify potential abuse. This effort can be aided by reviewing the American Society for Public Administration's suggestions for effectively monitoring sick leave use. Furthermore, the District should consider negotiating to eliminate or reduce the sick leave incentive for the classified staff.**

**Table 3-5** compares the District's average sick leave use in FY 2007-08 to the State Council of Professional Educators, Ohio Education Association (SCOPE/OEA) (certificated staff) and the American Federation of State, County, and Municipal Employees (AFSCME) (classified staff) averages reported by the Ohio Department of Administrative Services (DAS).

**Table 3-5: Sick Leave Hours per Employee (FY 2007-08)**

	Vermilion LSD	ODAS Averages	Excess Hours Used
<b>Certificated</b>	66.65	75.30	(8.65)
<b>Classified</b>	70.92	61.38	9.54

Source: Vermilion LSD and Ohio Department of Administrative Services

**Table 3-5** shows that the District’s certificated staff averaged 8.65 fewer hours per employee when compared to the ODAS average. In contrast, **Table 3-5** shows that the classified staff averaged approximately 71 hours of sick leave per employee, which is 16 percent higher than the ODAS average. The District’s higher classified rate of sick leave can be partially attributed to a lack of a Board policy that addresses sick leave use. In addition, both collective bargaining agreements do not address sick leave abuse, with the following exception in the classified agreement: “Should an employee use sick leave for four or more consecutive days, or use sick leave in a pattern of possible abuse, a doctor’s excuse may be required for return to duty. Failure to do so could result in discipline, including a dock in pay.” While this allows Vermilion LSD to request a physician statement, having the collective bargaining agreement tie sick leave abuse only to requesting a physician statement somewhat restricts the District’s ability to further investigate potential sick leave abuse or misuse and enact appropriate disciplinary measures. The Treasurer noted that the District requests a physician’s statement from all classified employees who have been absent for four consecutive days. The Treasurer also noted the District continually monitors sick leave usage and diligently follows up on all FMLA paperwork after three days of absences.

The District offers an attendance incentive for classified staff members who use three or less sick leave and personal leave days during the fiscal year. Classified employees who qualify for the attendance incentive will be eligible to redeem up to four days of sick leave at 50 percent of the daily rate. As shown in **Table 3-5**, this incentive appears ineffective in minimizing sick leave. In contrast, the District does not provide an attendance incentive for certificated staff.

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

- Before, and/or after holidays;
- Before, and/or after weekends or regular days off;

- After pay days;
- Any one specific day;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

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

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

*Financial Implication:* Although not readily quantifiable, savings related to reductions in classified sick leave use will depend on the frequency of using substitutes to cover absences.

### *Salaries*

**R3.7 The District should eliminate the additional pension benefit for administrative staff. This would bring the District’s compensation package for administrative employees in line with the peer average, assuming the peers do not have a similar pension benefit.**

Table 3-2 shows that the District’s average administrative salary was approximately one percent higher than the peer average in FY 2006-07. However, the District currently provides all administrators and classified supervisors with an additional pension benefit

that is not reflected in **Table 3-2**. Specifically, the Board paid the employee's portion of the retirement contribution (10 percent) for 11 administrative employees in FY 2006-07. Although the Superintendent noted that providing administrative employees with an additional pension benefit is a common practice of surrounding school districts in Erie County, the additional pension benefit increases the administrative average salary to be approximately 11 percent higher than the peer average in FY 2006-07.

*Financial Implication:* The District could save approximately \$86,900 annually by eliminating the additional pension benefit that is given to administrative employees.

**R3.8 Vermilion LSD should eliminate the additional pension benefit for clerical staff. In addition, the District should reduce the longevity increase provided to clerical employees to a level that is more comparable to the peers. These actions would make the District's compensation package for clerical employees more consistent with the peer average.**

The District's average clerical salary was nine percent higher than the peer average in FY 2006-07 (\$31,475 compared to \$28,874, respectively). This is due primarily to longevity and related longevity payments. Specifically, Vermilion LSD's average clerical longevity is 8.6 years of service, while the salary schedule contains nine consecutive steps. In addition, Vermilion LSD has a provision in the classified contract that states "after an employee has five years of continuous service at the highest pay rate for his/her classification, an incremental step of 8 percent of the employee's hourly rate will be given. This step will apply at each subsequent five years of continuous service." Despite the clerical staff not being members of the classified bargaining union, the Treasurer indicated that the clerical staff receives this benefit. In contrast, Amherst Exempted Village School District (Amherst EVSD) employees receive five percent of their base salary upon accumulating 15 years of service and an additional \$0.25 at 20 years, while Elyria City School District (Elyria CSD) offers annual longevity increases after 10 years of service ranging from \$0.11 to \$0.48. Perkins LSD's contract did not specify whether classified employees receive longevity increases. These three school districts were selected for salary comparisons due to their close proximity to Vermilion LSD.

Currently, the District only has four clerical employees (22 percent of staff) who qualify for longevity increases. However, as more clerical employees begin to qualify for longevity, the District's clerical salaries will increase. For example, the salary for a clerical employee with 19 years of service is approximately 10 percent higher than the peer average, when accounting for longevity pay. The District would have to give longevity increases of approximately 2 percent in year 14, 4 percent increases at years 19 and 24, and a 5 percent increase in year 29 to achieve an average clerical salary that is similar to the three peer average at these respective years.

Furthermore, the District currently provides all clerical employees with an additional pension benefit that is not reflected in **Table 3-2**. Specifically, the Board pays the employee's portion of the retirement contribution (10 percent) for 18 clerical employees. The additional cost of the pension benefit is estimated at \$55,800 annually, which is based on FY 2006-07 salaries. When the clerical salaries are adjusted to reflect the additional pension benefit, the District's revised average clerical salary equals \$34,623, which is approximately 20 percent higher than the peer average (\$28,874).

*Financial Implication:* Based on FY 2007-08 salaries, the District could save approximately \$56,000 annually by eliminating the additional pension benefit that is given to clerical employees. In addition, the District would achieve savings by revising its longevity increases to be more in line with the peers. However, the exact savings were unable to be readily quantified.

**R3.9 Vermilion LSD should negotiate to reduce the longevity increases for custodians in an effort to bring the custodial salaries more in line with the peers. Likewise, the District should review all classified employee salaries to determine the appropriateness of the longevity increases, factoring in the effect negotiated increases to base wages as well as step increases.**

**Table 3-2** shows that the District's average service worker staff salary is approximately 33 percent higher than the peer average in FY 2006-07. Vermilion LSD's service worker staff consists of the following classifications: custodians, food service workers, monitors, and groundskeepers. Custodians represent the highest staffing category within service workers, comprising approximately 52 percent of total service worker FTEs in FY 2006-07 and FY 2007-08. The average custodian salary was approximately 20 percent higher than the peer average in FY 2006-07.

The higher custodial salaries are due to the longevity and related longevity payments. Specifically, Vermilion LSD's average custodian longevity is 11.8 years of service, while the salary schedule contains eight consecutive steps. Furthermore, the District currently has 8 custodians (50 percent of staff) who are receiving longevity increases (8 percent wage increases every five years after 13 years of service). This provision significantly increases the District's custodial salaries when compared to the three peer average. For example, the salary for a custodian/head night custodian with 18 years of service is approximately 14 percent higher than the peer average, when accounting for longevity pay. In order for the District's custodian/head night custodian salaries to be more in line with the three peer average, Vermilion LSD would have to give longevity increases of approximately zero percent in year 13, 3 percent in year 18, 4 percent in year 23, and 5 percent in year 28. In contrast, the salary for a head day custodian is significantly lower than the three peer average in year 13 with the eight percent longevity increase. In order for the District's head day custodian salaries to be more in line with the three peer

average, Vermilion LSD would have to give longevity increases of approximately 11 percent in year 13, 4 percent in years 18 and 23, and 5 percent in year 28.

*Financial Implication:* The District would achieve savings by revising its longevity increases to be more in line with the peers. However, the exact savings were unable to be readily quantified.

**R3.10 The District should conduct an in-depth review of its supplemental contracts, including the number of supplemental positions offered and the related compensation levels. Specifically, the District should consider renegotiating the number of supplemental contracts along with compensation levels to be more consistent with the peers. However, given the small sample of compensation levels for supplemental positions that were tested in this audit, the District should consider conducting a comprehensive comparison of its supplemental salaries to the surrounding districts.**

Table 3-6 shows the expenditures per pupil for extracurricular activities at Vermilion LSD and the peers in FY 2006-07 and includes Vermilion LSD’s data for FY 2007-08.

**Table 3-6: Governmental Expenditures per Pupil: Extracurricular Activities**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average
Extracurricular Activities Expenditure Per Pupil	\$311	\$339	\$256

Source: Vermilion LSD and peers 4502s

Table 3-6 illustrates that the District is spending more per pupil than the peer average on extracurricular activities. In addition, the District’s extracurricular cost per student increased by nine percent in FY 2007-08. The Treasurer attributed the District’s higher costs for extracurricular activities to the number of supplemental positions throughout the District.

Table 3-7 illustrates the total number of supplemental contracts identified in the certificated bargaining agreements for Vermilion LSD and the nearby peer districts.

**Table 3-7: Comparison of Number and Type of Supplemental Contracts**

	Vermilion LSD	Amherst EVSD	Elyria CSD	Perkins LSD	Peer Average	Percent Difference
<b>High School</b>						
Academic	60	28	27	25	27	125%
<b>Middle and Elementary School</b>						
Academic	43.5	3	39	7	16	166%
<b>Fall Sports</b>						
Football	13	8	4	5	6	129%
Cross Country	2	2	3	2	2	(14%)
Tennis	2	2	2	1	2	20%
Volleyball	5	4	3	3	3	50%
Soccer	3.5	2	2	2	2	75%
Golf	3	4	2	1	2	29%
Intramural	1	0	0	0	0	N/A
<b>Winter Sports</b>						
Basketball Boys	6	5	4	3	4	50%
Basketball Girls	6	5	4	3	4	50%
Wrestling	4	4	4	3	4	9%
Bowling	2	0	0	0	0	N/A
Swimming	0	2	2	3	2	(100%)
Hockey	0	1	0	0	0.3	(100%)
<b>Spring Sports</b>						
Softball	3	3	3	2	3	13%
Baseball	3	3	3	2	3	13%
Track	9	4	4	3	4	145%
Tennis	2	2	0	1	1	100%
Intramural	1	0	0	0	0	N/A
<b>Athletic Assignments General</b>						
Athletic Department	2	9	1	0	3	(40%)
Cheerleaders	5	4	4	5	4	15%
<b>Total</b>	<b>176</b>	<b>95</b>	<b>111</b>	<b>71</b>	<b>92</b>	<b>91%</b>

**Source:** Vermilion LSD, Amherst EVSD, and Elyria CSD's FY 2007-08 certificated contract agreements. Perkins LSD's FY 2008-09 certificated contract.

**Note:** In compiling the data for Vermilion LSD, consideration was given to the sharing of supplemental contracts and part-time status.

As **Table 3-7** illustrates, Vermilion LSD has 176 supplemental positions while the peer average is only 92, approximately 91 percent higher than the peer average.

**Tables 3-8** and **3-9** show a sample of supplemental contracts that were selected to compare the salaries for Vermilion LSD's supplemental contracts to the peers. The salary for a supplemental contract is based on a percentage of the base teaching salary, as stipulated in the collective bargaining agreements. Therefore, these percentages were

multiplied by the base teaching salaries to determine the annual cost of the supplemental contracts for Vermilion LSD and the peers for the beginning and ending steps, as shown in Tables 3-8 and 3-9.

**Table 3-8: Vermilion LSD and Peer Beginning Supplemental Salaries**

	Vermilion LSD <sup>1</sup>	Amherst EVSD	Elyria CSD	Perkins LSD	Peer Average	Percent Difference
<b>Basketball (Male and Female) Head Coach</b>						
Percentage	22.0%	16.0%	22.0%	16.0%	18.0%	4.0%
Total Supplemental	\$6,705	\$5,502	\$6,855	\$5,683	\$6,013	11.5%
<b>Football Head Coach</b>						
Percentage	22.5%	16.0%	22.0%	16.0%	18.0%	4.5%
Total Supplemental	\$6,857	\$5,502	\$6,855	\$5,683	\$6,013	14.0%
<b>Softball/Baseball Head Coach</b>						
Percentage	12.0%	10.0%	14.0%	10.0%	11.3%	0.7%
Total Supplemental	\$3,658	\$3,439	\$4,362	\$3,552	\$3,784	(3.3%)
<b>Soccer Assistant</b>						
Percentage	8.0%	6.0%	10.0%	6.0%	7.3%	0.7%
Total Supplemental	\$2,438	\$2,063	\$3,116	\$2,131	\$2,437	0.0%
<b>Wrestling Assistant</b>						
Percentage	11.5%	8.0%	10.0%	6.0%	8.0%	3.5%
Total Supplemental	\$3,505	\$2,751	\$3,116	\$2,131	\$2,666	31.5%
<b>Volleyball Assistant</b>						
Percentage	8.5%	7.0%	10.0%	6.0%	7.7%	0.8%
Total Supplemental	\$2,591	\$2,407	\$3,116	\$2,131	\$2,551	1.6%
<b>Yearbook</b>						
Percentage	7.5%	8.0%	11.0%	7.0%	8.7%	(1.2%)
Total Supplemental	\$2,285	\$2,751	\$3,427	\$2,486	\$2,888	(20.9%)
<b>Senior Class Advisor</b>						
Percentage	13.5%	3.0%	7.0%	3.5%	4.5%	9.0%
Total Supplemental	\$4,114	\$1,032	\$2,181	\$1,243	\$1,485	177.0%
<b>Student Council Advisor</b>						
Percentage	12.5%	3.0%	9.0%	3.0%	5.0%	7.5%
Total Supplemental	\$3,810	\$1,032	\$2,804	\$1,066	\$1,634	133.2%

Source: Vermilion LSD, Amherst EVSD, Elyria CSD's and Perkins LSD's certificated contract agreements.

<sup>1</sup> The base salary for Vermilion LSD was increased by 3.5 percent to account for the negotiated wage increase the certificated staff received in FY 2007-08.

**Table 3-9: Vermilion LSD and Peer Ending Supplemental Salaries**

	Vermilion LSD <sup>1</sup>	Amherst EVSD	Elyria CSD	Perkins LSD	Peer Average	Percent Difference
<b>Basketball (Male and Female) Head Coach</b>						
Percentage	23.0%	21.0%	23.0%	18.0%	20.7%	2.3%
Total Supplemental	\$7,010	\$7,221	\$7,166	\$6,393	\$6,927	1.2%
<b>Football Head Coach</b>						
Percentage	23.5%	21.0%	23.0%	18.0%	20.7%	2.3%
Total Supplemental	\$7,162	\$7,221	\$7,166	\$6,393	\$6,927	1.2%
<b>Softball/Baseball Head Coach</b>						
Percentage	13.0%	14.0%	15.0%	12.0%	13.7%	(0.7%)
Total Supplemental	\$3,962	\$4,814	\$4,674	\$4,262	\$4,583	(13.6%)
<b>Soccer Assistant</b>						
Percentage	9.0%	9.0%	11.0%	8.0%	9.3%	(0.3%)
Total Supplemental	\$2,743	\$3,095	\$3,427	\$2,841	\$3,121	(12.1%)
<b>Wrestling Assistant</b>						
Percentage	12.5%	11.0%	11.0%	8.0%	10.0%	2.5%
Total Supplemental	\$3,810	\$3,782	\$3,427	\$2,841	\$3,350	13.7%
<b>Volleyball Assistant</b>						
Percentage	9.5%	10.0%	11.0%	8.0%	9.7%	(0.2%)
Total Supplemental	\$2,895	\$3,439	\$3,427	\$2,841	\$3,236	(10.5%)
<b>Yearbook</b>						
Percentage	8.5%	11.0%	12.0%	9.0%	10.7%	(2.2%)
Total Supplemental	\$2,591	\$3,782	\$3,739	\$3,197	\$3,573	(27.5%)
<b>Senior Class Advisor</b>						
Percentage	14.5%	6.0%	8.0%	5.5%	6.5%	8.0%
Total Supplemental	\$4,419	\$2,063	\$2,493	\$1,953	\$2,170	103.7%
<b>Student Council Advisor</b>						
Percentage	13.5%	6.0%	10.0%	5.0%	7.0%	6.5%
Total Supplemental	\$4,114	\$2,063	\$3,116	\$1,776	\$2,318	77.5%

Source: Vermilion LSD, Amherst EVSD, Elyria CSD's, and Perkins LSD's FY 2007-08 certificated contract agreements.

<sup>1</sup> The base salary for Vermilion LSD was increased by 3.5 percent to account for the negotiated wage increase the certificated staff received in FY 2007-08.

**Table 3-8** shows that Vermilion LSD has higher beginning supplemental salaries and percentages than the peer averages for the male and female basketball coaches, the football coach, the assistant wrestling and volleyball coaches, and the senior class and student council advisors. This amounts to six of the nine positions in **Table 3-8**. Similarly, **Table 3-9** shows that the District's ending supplemental salaries and percentages are higher than the peer averages in all of the abovementioned categories, with the exception of the assistant volleyball coach.

Vermilion LSD’s high number supplemental contracts along with the higher pay for those contracts contribute to the District’s higher extracurricular costs (**Table 3-6**).

*Financial Implication:* As shown in **Table 3-6**, Vermilion LSD’s extracurricular costs per pupil were 21.5 percent higher than the peer average in FY 2006-07. If the District was able to achieve a 10.0 percent reduction in General Fund salaries and benefits via the aforementioned strategies to address supplemental contracts, it would save approximately \$59,400 annually. This is based on the salaries and benefits in the General Fund for extracurricular activities in FY 2007-08.

*Benefits*

**R3.11 Vermilion LSD should negotiate to require all classified employees to enroll in the new healthcare plan (Plan 1). In addition, the District should negotiate to increase contribution rates for all full-time employees receiving health benefits to 13 percent of the monthly premiums. This would make the District’s contribution levels comparable to the SERB averages, but still lower than the Kaiser survey averages. Lastly, the District should consider increasing its annual deductibles, employee out-of-pocket maximums, and physician and prescription co-pays.**

**Table 3-10** compares Vermilion LSD’s expenditures for employee health benefits per FTE to the peer average.

**Table 3-10: Health Insurance Benefit Expenditures per FTE**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07
<b>Fringe Benefits</b>	\$8,329	\$4,410	\$7,569

**Source:** FY 2006-07 and FY 2007-08 4502s for Vermilion LSD and the peers

**Table 3-10** shows that Vermilion LSD spent \$760 more per FTE for employee health insurance than the peer average in FY 2006-07. The District’s level of employee contributions and premium costs contribute to the higher health insurance expenditures per FTE (see **Table 3-11**). **Table 3-10** also shows that Vermilion LSD’s health insurance expenditures per FTE decreased by 47 percent from FY 2006-07 to FY 2007-08. The large decrease was the result of the District’s insurance provider changing from a partial self-insurance to a fully insured consortium. As a result, all outstanding claims were deemed part of the pool and not charged to the District. The District used the health insurance refund to avoid paying premiums for the final six months of FY 2007-08. The Treasurer indicated that the premiums should return to their normal levels in FY 2008-09.

The District offers medical, prescription, dental, and vision insurance to all employees through its membership in the Lake Erie Regional Council of Governments (LERC). The District also provides group life insurance to its employees through the MetLife Insurance

Company. Both plans are offered through Medical Mutual as preferred provider organization (PPO) plans. To help control future health insurance expenditures, the District negotiated to require all certificated employees to switch to another health care plan. All of the District's administrators, classified supervisors, and clerical staff have also switched to the new health care plan (Plan 1), as well as the majority of the classified staff. The Treasurer indicated that there are approximately 35 classified employees who are still covered under the old health care plan. The District will attempt to negotiate that all classified employees switch to Plan 1 during the next bargaining negotiations.

**Table 3-11** compares Vermilion LSD's premiums and employee contributions to data reported by the Ohio Education Association's 2008 Survey (OEA), the Kaiser Family Foundation's 2008 National Survey (Kaiser Survey), and the State Employee Relations Board 2007 State Survey (SERB). Premium costs reported by SERB, OEA, and the Kaiser Survey have been increased for inflation, to allow for a reliable comparison to Vermilion LSD's premiums in FY 2008-09.

**Table 3-11: Monthly Healthcare Premiums and Employee Contributions**

	Vermilion LSD FY 2008-09	OEA Estimates FY 2008-09	Kaiser Estimates FY 2008-09	SERB Estimates FY 2008-09
<b>Average Monthly Premiums (PPO Plans)</b>	<p><b>Certificated and Classified (Plan 1):</b> Single: \$464.68 Family: \$1,161.69</p> <p><b>Classified:</b> Single: \$491.35 Family: \$1,228.39</p>	<p>Single: \$438.43 Family: \$1,108.80</p>	<p>Single: \$420.00 Family: \$1,131.90</p>	<p>Single: \$449.05 Family: \$1,167.95</p>
<b>Average Monthly Employee Contributions</b>	<p><b>Certificated (Plan 1):</b> Single: \$27.88 (6%) Family: \$69.70 (6%)</p> <p><b>Classified:</b></p> <p><b>Full-time (7 or more hours)</b> Single: \$50.92 (10%) Family: \$137.26 (11%)</p> <p><b>Part-time (5 or more hours)</b> Single: \$127.31 (26%) Family: \$343.16 (28%)</p> <p><b>Part-time (3 or more hours)</b> Single: \$185.88 (38%) Family: \$696.32 (57%)</p> <p><b>Part-time (1 or more hours)</b> Single: \$278.82 (57%) Family: \$1,029.49 (84%)</p> <p><b>Classified (Plan 1)</b></p> <p><b>Full-time (7 or more hours)</b> Single: \$30.00 (7%) Family: \$55.00 (5%)</p> <p><b>5 or more hours</b> Single: \$106.39 (23%) Family: \$260.90 (22%)</p> <p><b>3 or more hours</b> Single: \$164.96 (35%) Family: \$614.06 (53%)</p> <p><b>1 or more hours</b> Single: \$196.56 (42%) Family: \$947.23 (82%)</p>	<p>Single: 9% Family: 10%</p>	<p>Single: 16% Family: 27%</p>	<p>Single: 12.5% Family: 14.2%</p>
<b>Prescription Rx Drug Coverage Average Monthly Premiums</b>	<p><b>Certificated and Classified (Plan 1)</b> Single: \$100.30 Family: \$250.74</p> <p><b>Classified</b> Single: \$123.57 Family: \$308.94</p>	Not reported	Not reported	<p>Single: \$109.49 Family: \$246.45</p>

Source: Vermilion LSD, OEA 2008 Survey, Kaiser 2008 Survey, SERB 2007 Annual Report

The following summarizes the analysis of the benefits presented in **Table 3-11**:

- **Average Monthly Premiums:** **Table 3-11** shows that the District's premiums in both health plans are higher than the OEA, Kaiser, and SERB survey averages, with the exception of the Plan 1 family premium being slightly lower than the SERB average. In addition, **Table 3-11** shows that the health insurance premiums for classified staff members not enrolled in Plan 1 are higher than Plan 1.
- **Employee Contributions:** **Table 3-11** shows that the District requires certificated employees enrolled in Plan 1 to contribute 6.0 percent towards the premium costs for single and family coverage (effective January 1, 2009). However, beginning July 1, 2009, the certificated staff will start contributing 10.0 percent towards the premium costs. Additionally, classified staff members who elected to remain in the current health care plan pay the employee share of monthly premiums at a pro-rated flat dollar amount based on the total number of hours worked per day. For example, classified employees working 7 or more hours a day contribute approximately 10 percent and 11 percent towards their premium costs for single and family coverage, respectively; while part-time employees (5 or more hours) contribute 26 and 28 percent towards their premium costs, respectively. In contrast, classified employees who switched to Plan 1 will pay a reduced employee share of monthly premiums based on total number of hours worked per day. Full-time employees (7 or more hours a day) contribute 7.0 percent and 5.0 percent towards their premium costs for single and family coverage, respectively; while part-time employees (5 or more hours) contribute 23 and 22 percent respectively. Beginning July 1, 2009, all full-time classified staff working 7 or more hours per day will contribute 10 percent, 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 hour or more hours will contribute 75 percent.

By comparison, the District's contribution rates appear low compared to SERB and Kaiser. Specifically, SERB survey reports that the statewide average employee contribution was approximately 12.5 percent for single medical coverage and 14.2 percent for family coverage. Data reported by Kaiser shows that the national average contribution rates were 16 percent for single coverage and 27 percent for family coverage.

- **Prescription:** **Table 3-11** shows that the District's prescription costs under Plan 1 are lower than the SERB survey average for single coverage while the family coverage costs are comparable to SERB. In contrast, the classified premium costs under the old plan are higher than the SERB survey averages.

In addition to the high premiums and low employee contributions, the following health benefit plan provisions can impact its insurance costs:

- **Physician Co-Pays:** Vermilion LSD does not have a co-pay for employees enrolled in the old PPO plan (classified staff). However, Vermilion LSD has established co-pays for physician office visits at \$15 per visit for employees enrolled in Plan 1. According to the Kaiser survey, the average employee co-pay for a primary care physician visit in a PPO plan is \$20.
- **Prescription Drug Co-Pays:** Vermilion LSD requires classified employees enrolled in the old PPO plan to pay \$5 for generic prescriptions. Any classified employee who chooses a name brand over an available generic is required to pay the difference between the two. Vermilion LSD requires employees enrolled in Plan 1 to pay \$10 for generic prescriptions, \$20 for preferred prescriptions, and \$30 for non-preferred prescriptions for a 30 day supply. By comparison, the Kaiser survey reported that the average employee co-payments were \$10 for generic, \$26 for preferred, and \$46 for non-preferred prescriptions. While the District's employee co-pays for preferred and non-preferred were lower than Kaiser, they were in line with OEA, which reported co-payments of \$10 for generic, \$20 for brand, and \$30 for non-formulary brand.
- **Average Annual Deductible:** Vermilion LSD established the annual deductibles for classified employees enrolled in the old PPO plan at \$200 for single and family coverage. Vermilion LSD established the annual deductibles for employees enrolled in Plan 1 at \$250 for single coverage and \$500 for family coverage. By comparison, the SERB survey reported that 50 percent of the respondents have an annual deductible ranging from \$1 to \$499 for single coverage, while 49.5 percent of the respondents have an annual deductible ranging from \$1 to \$999 for family coverage. In addition, SERB reported that approximately 34 percent of plans had no annual deductible. In contrast, the Kaiser survey reported that the average annual deductible for a PPO plan is \$560 for single coverage and \$1,344 for family coverage.
- **Annual Out-of-Pocket Maximums:** Vermilion LSD established the annual out-of-pocket maximums for classified employees enrolled in the old PPO plan at \$600 for single coverage and \$800 for family coverage. In contrast, the annual out-of-pocket maximum for employees enrolled in Plan 1 is \$1,000 for single coverage and \$2,000 for family coverage (network). According to the Kaiser Survey, 70 percent of the respondents require an out-of-pocket maximum of \$1,500 or more for single coverage. Likewise, the Kaiser survey reported that 76 percent of respondents require an out-of-pocket maximum of \$3,000 or more for family coverage.

*Financial Implication:* By requiring all employees to participate in Plan 1 and pay 13 percent of the premiums, the District would experience an annual cost savings of approximately \$160,000.

**R3.12 Vermilion LSD should enroll in the Premium Discount Program (PDP) and the Drug Free Workplace Program (DFWP) in an effort to re-qualify for group-rating through the Bureau of Workers' Compensation (BWC), improve workplace safety, and achieve premium discounts. This, in turn, would help reduce workers' compensation costs.**

**Table 3-12** presents the District's historical workers compensation data from 2005 through 2008.

**Table 3-12: Workers Compensation Data**

	2005	2006	2007	2008 <sup>1</sup>
<b>Premium Costs</b>	\$72,361	\$66,252	\$179,174	\$215,299
<b>Experience Modifier</b>	0.35	0.32	1.0	1.17

**Source:** Ohio Bureau of Workers Compensation and Vermilion LSD

<sup>1</sup> The 2008 premium costs were not available from the Ohio Bureau of Workers Compensation due to the timing of the audit. Therefore, the 2008 premium cost is an estimate provided by the Treasurer based on the wages reported for 2008.

**Table 3-12** shows that the District's premium costs and experience modifier increased significantly from 2006 to 2008. The experience modifier is used by BWC to establish the annual premiums and is based upon several factors, including the number of total claims in any previous time period, the severity of those claims, and the extent to which lost time claims went into effect. According to a BWC representative, an experience modifier less than 1.00 indicates that the entity is generally effective in managing workers compensation costs and would be eligible for group rating. Group rating allows employers who are substantially similar in business type to merge their experiences together (as one large employer) in an effort to achieve a lower premium rate than they could on their own. Vermilion LSD was determined to be ineligible for group rating due to a fatality suffered in FY 2006-07.

The Treasurer noted that it will be a few more years until the District will be eligible for group rating. However, there are some incentive programs offered by the BWC that Vermilion LSD could take advantage of to receive discounts. The Premium Discount Program (PDP) is an incentive program developed by the BWC to help an entity design a safer, more cost effective workplace. Entities participating in the PDP receive a 10 percent premium discount in the first two years of participation and five percent in the third year, upon implementing the BWC's ten-step business plan. As additional incentives, the District can receive a 10 percent premium rebate if they can achieve a 15 percent reduction in claim severity in a given year, a five percent rebate if they achieve a

15 percent claims frequency reduction, and another five percent rebate if they achieve both incentives.

In addition to the PDP program, there are additional discounts available through the Drug Free Workplace Program (DFWP), which is also administered by the BWC. The DFWP was established by the BWC to encourage employers to detect and deter substance use and abuse, and to take appropriate corrective action in an effort to improve workplace safety. Employers participating in the DFWP must develop a substance abuse policy that describes their program and conduct random drug tests of employees. If implemented, the District could receive premium discounts ranging from 10 to 20 percent annually for five years, with the range depending on the number of employees subjected to drug tests.

*Financial Implication:* The District spent an average of \$133,272 on workers compensation from 2005 through 2008. If the District achieved a 10 percent premium savings by enrolling in the Premium Discount Program, the savings would be approximately \$13,300. If the District achieved an additional 10 percent premium savings through DFWP, the District could save approximately \$12,000. Therefore, the District would have a net annual savings of approximately \$25,300<sup>5</sup>.

### *Technology*

**R3.13 The District should consider expanding the functionality of its phone system to include locating substitutes. This would provide the District with an efficient, cost-effective method for contacting substitute employees and, in turn, help reduce the workload of clerical staff (see R3.3). In addition, an automated system could be used to help monitor sick leave usage (see R3.6).**

Vermilion LSD does not have a fully automated system to handle substitute placement. Rather, the District has a mailbox in their current voicemail system that the staff uses to report off. Specifically, the certificated and classified staffs (with the exception of bus drivers and food service workers) call the automated number to report off, while a secretary is responsible for retrieving the messages from the mailbox and locating substitutes. The Transportation and Food Service Supervisors are responsible for finding their own respective substitutes. The Treasurer noted that the District is looking into expanding the functionality of their phone system to do substitute scheduling as well. Additionally, the Treasurer indicated that the District would not incur any additional costs for adding this service to their existing system.

---

<sup>5</sup> Employers may participate in the Drug-Free Workplace Program (DFWP) and Premium Discount Program (PDP) during the same policy year and stack the discount amounts for both programs. The PDP discount will be applied first.

According to the article *Education World, Sub-Searching Made Easier* (Educationworld.com, 2006), 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 who do not need substitutes to choose their own calling times;
- Allows privatization of each school's substitute lists;
- Tracks employee absenteeism and leave usage; and
- Processes 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 Implications Summary

The following tables present a summary of estimated annual cost savings 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.

**Table 3-13: Recommendations Not Subject to Negotiation**

Recommendation	Estimated Annual Cost Savings
<b>R3.2</b> Consider reducing staffing by 39.0 FTE regular education teachers and 4.0 FTE ESP positions	\$1,804,500
<b>R3.3</b> Consider reducing staffing by 1.0 clerical FTE	\$35,000
<b>R3.7</b> Eliminate the additional pension benefit provided to the District's administrators	\$86,900
<b>R3.8</b> Eliminate the additional pension benefit provided to clerical employees	\$56,000
<b>R3.12</b> Enroll in the BWC's Premium Discount Program and Drug-Free Workplace Program	\$25,300
<b>Total</b>	<b>\$2,007,700</b>

Source: AOS Recommendations

**Table 3-14: Recommendations Subject to Negotiation**

Recommendation	Estimated Annual Cost Savings
<b>R3.5</b> Lower the severance payout	\$95,500
<b>R3.10</b> Lower the number of supplemental contracts and related payments	\$59,400
<b>R3.11</b> Increase certificated and classified contributions to 13% for healthcare	\$160,000
<b>Total</b>	<b>\$314,900</b>

Source: AOS Recommendations

## Appendix 3-A: 2000 Performance Audit

**Table 3-A** summarizes the 2000 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the 20 recommendations contained in the 2000 Performance Audit, Vermilion LSD implemented three recommendations, partially implemented eight recommendations, and did not implement nine recommendations. The 2008 Performance Audit addresses the recommendations in the 2000 Performance Audit if the related issues fell within the current audit scope.

**Table 3-A: 2000 Performance Audit Recommendation Status**

Recommendation	Implemented	Partially Implemented	Not Implemented
<p><b>R3.1</b> Vermilion LSD needs to initiate efforts to define requirements for selecting and implementing a HRIS solution to meet the HRD’s critical business needs if it is determined to be feasible considering the District’s current fiscal emergency situation. Alternatively, the District could collaborate with other school districts using state software and approach the Ohio Department of Education (ODE), as a group, about the feasibility of creating a HRIS as part of the USPS.</p>		X	
<p><b>R3.2</b> Vermilion LSD should review the staffing levels for secretaries/clerical staff to determine the effectiveness and necessity of maintaining the current staffing levels. In order to achieve the peer district FTE average of 6.2 FTEs, Vermilion LSD could possibly reduce one clerical position.</p>	X (see <b>R3.3</b> )		
<p><b>R3.3</b> The District should evaluate the effectiveness of utilizing middle school teachers to perform two duty periods.. If all middle school teachers taught instructional periods in place of their two duty periods, the District could possibly reduce seven teaching positions.</p>	X		
<p><b>R3.4</b> Collectively, the District should collaborate with the union to bring compensatory levels into line with the remaining peer districts. This could be realized through a reduction in the SERS contribution, COLA, or a combination thereof.</p>		X (see <b>R3.7</b> , <b>R3.8</b> , and <b>R3.9</b> )	
<p><b>R3.5.</b> If Vermilion LSD could reduce the amount of sick leave taken; it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the flow of teachers’ curriculum and would reduce the overall substitute costs incurred.</p>		X	
<p><b>R3.6</b> The District should initiate efforts to define requirements to select and implement an automated substitute calling system which will meet the District’s needs if it is determined feasible considering the District’s current fiscal emergency situation.</p>		X (see <b>R3.13</b> )	

<p><b>R3.7</b> Additional strategies Vermilion LSD should consider implementing to reduce the shortage of substitute teachers include the following:</p> <ul style="list-style-type: none"> <li>• Utilizing paraprofessionals with the approval of the ODE</li> <li>• Proposing an increased rate of compensation for substitutes</li> <li>• Mailing letters to student teachers</li> <li>• Placing flyers in university placement offices.</li> </ul>		X	
<p><b>R3.8</b>, Assuming full utilization of substitutes by the District, if Vermilion LSD could reduce the amount of sick leave taken, it would eliminate additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work and reduce the overall substitute costs incurred.</p>		X (see <b>R3.6</b> )	
<p><b>R3.9</b> The District needs to make managing and reducing the amount of sick leave taken a high level of priority among the District’s administration. Vermilion LSD’s HRD should provide departmental management with sick leave reports containing at a minimum, the amount of leave taken by employees, leave balances by employee, reasons for absences and any additional information regarding sick leave taken. Vermilion LSD may need to implement policies to assist with the further reduction of sick leave which may include:</p> <ul style="list-style-type: none"> <li>• Implement a sick leave abuse policy such as a rolling year occurrence policy where employees are held accountable for the number of times taken off rather than the length of each time taken off.</li> <li>• Implement an attendance incentive where teachers are rewarded for perfect attendance for all employees.</li> <li>• Require a certified statement from the employee’s physician if the employee is off sick for three or more consecutive days.</li> <li>• Require all employees to complete a standardized sick leave explanation form.</li> <li>• Require sick leave taken to be a component of the employee’s evaluation.</li> <li>• Do not include sick leave days in the “active pay status” category when calculating an employee’s overtime eligibility. In order for sick leave management to be effective, all administrators should go through initial and on-going training to ensure complete understanding of the policies and consistent implementation of such policies.</li> </ul>		X (see <b>R3.6</b> )	
<p><b>R3.10</b> Vermilion LSD does not require full-time classified employees to contribute towards the monthly premium for benefits. Certificated and classified part-time employees are required to contribute towards the monthly premiums on a prorated basis.</p>		X (see <b>R3.11</b> )	
<p><b>R3.11</b> The District should review the current enhanced severance payout language in the contract and work with the union to clarify that the requirement for enhanced severance payout is based upon the employee’s first retirement eligibility date. Additionally, the District should review all enhanced severance</p>	X		

package applicants and determine if they qualify based on the contractual language. Those that do not qualify, should not receive the enhanced severance package payment, but rather the regular severance package as determined in the contract.			
<b>R3.12.</b> Vermilion LSD should consider negotiating the severance payout policy to lessen the financial burden to District.			X (see <b>R3.5</b> )
<b>R3.13</b> Vermilion LSD should consider negotiating a policy which can reduce costs associated with severance payout. One option might be to limit the use of transferred sick days to long term sick leave only and to stipulate that the days are not eligible for payout at retirement.			X
<b>R3.14</b> Evaluation issues should be written in board policy and not detailed in the contract.			X
<b>R3.15</b> Vermilion LSD should also consider negotiating the contract so that, if an employee is called in and paid for two hours of work, the employee is required to work the entire two hours.			X
<b>R3.16</b> Vermilion LSD should negotiate the severance payout policy to lessen the financial burden to District.			X (see <b>R3.5</b> )
<b>R3.17</b> The District should review its current overtime policy and consider negotiating the policy to be more in line with the guidelines set forth by the FLSA. The District should consider limiting leaves that are included in the “active pay status” category when calculating overtime to only include vacation, holidays and bereavement leaves.			X
<b>R3.18</b> The District should consider negotiating a policy which requires Vermilion LSD’s classified employees working 12 months per year to take their vacation during the summer when regular school is not in session or during the winter (Christmas) or spring (Easter) periods. Additionally, requiring advance notification of vacation dates would assist department heads in scheduling for efficient operations within the district.			X
<b>R3.19</b> The District should negotiate a policy which defines essential employees including administrators, building custodians, assistant custodians, snow plow personnel, 12 month, exempt employees and other personnel necessary to prepare the District for re-opening following a calamity day. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following: <ul style="list-style-type: none"> <li>• Use of a compensatory day</li> <li>• Use of a sick leave day, if ill</li> <li>• Use of a vacation day</li> <li>• Use of a personal leave day</li> <li>• Use of a day without pay</li> </ul>			X
<b>R3.20</b> In order to resolve grievance issues in a timely manner, the District should consider negotiating a requirement that all grievances are to be filed within five or 10 days of the act or condition which is the basis of the grievance.			X



---

# Facilities

---

## Background

This section of the performance audit focuses on Vermilion Local School District's (Vermilion LSD or the District) facility operations. The District's operations were evaluated against selected peer school districts,<sup>1</sup> recommended practices, and operational standards from applicable sources, including the American Schools and University Magazine (AS&U), the National Center for Education Statistics (NCES), and the Government Finance Officers Association (GFOA). In addition, **Appendix 4-A** summarizes the implementation status of the recommendations in the previous performance audit of Vermilion LSD, released in 2000.

### *Organizational Structure and Function*

Vermilion LSD operates four school buildings: one elementary school (kindergarten through 2<sup>nd</sup> grade), one intermediate school (3<sup>rd</sup> through 5<sup>th</sup> grade), one middle school (6<sup>th</sup> through 8<sup>th</sup> grade), and one high school (9<sup>th</sup> through 12<sup>th</sup> grade). The District also operates an administration building, a maintenance building, and leases out the Lake Elementary School to the Vermilion Family YMCA. The District is responsible for the maintenance of the Lake Elementary School.

In FY 2007-08, Vermilion LSD received \$2.4 million through the House Bill 264 (H.B. 264) program. The District used the H.B. 264 proceeds rather than the General Fund to make repairs and upgrades to its buildings. The H.B. 264 project consisted of new boilers, automation controls, lighting sensors, paving, roofing, lighting at stadiums, and the Americans with Disabilities Act (ADA) compliance for student restrooms.

### *Staffing*

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

---

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

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

Classification	Number of Positions	FTEs as Actually Assigned
Operations Coordinator	1.0	1.0
<b>Total Administration</b>	<b>1.0</b>	<b>1.0</b>
Head Custodian Day	4.0	4.0
Head Custodian Night	3.0	3.0
Custodian	10.0	8.8
<b>Total Custodial</b>	<b>17.0</b>	<b>15.8</b>
Maintenance	3.0	1.9
<b>Total Maintenance<sup>1</sup></b>	<b>3.0</b>	<b>1.9</b>
<b>Total Groundskeepers<sup>1</sup></b>	<b>1.0</b>	<b>2.1</b>
<b>Total</b>	<b>22.0</b>	<b>20.8</b>

**Source:** Vermilion LSD interviews, staff directory, and Education Management Information System (EMIS)

<sup>1</sup> The District employs one full-time groundskeeper and three maintenance employees. The District's maintenance staff is also responsible for performing various groundskeeping duties throughout the year. The Operations Coordinator provided a breakdown of the time the maintenance staff spends on each function.

**Table 4-1** shows that Vermilion LSD employs a total of 20.8 FTEs related to facility operations. The collective goal of the custodial, maintenance, and groundskeeping staff is to provide students with a safe, attractive, comfortable, clean, and efficient place in which to learn and develop. The Operations Coordinator contributes towards this goal by overseeing all custodial, maintenance, and grounds personnel to ensure the day-to-day care, upkeep, cleanliness, and safety of the school buildings.

The head day custodians are responsible for supervising all building custodians, instructing custodians in proper cleaning and maintenance procedures, keeping buildings and premises neat and clean, and reporting regular maintenance problems to the Operations Coordinator in a timely manner. The head night custodians are responsible for reviewing the work area of other custodians for completion of assigned tasks, cleaning various areas/items, assuming the responsibility of overall night security of the building, and working with the public on night activities. The head night custodians also complete various custodial duties throughout the year. The custodians are responsible for maintaining building cleanliness by sweeping, dusting, and emptying trash in assigned areas, and cleaning all classrooms and restrooms daily. The custodians also complete minor maintenance building duties, including changing light bulbs and cleaning fixtures as needed. **Table 4-1** shows that Vermilion LSD's custodial staff consists of 4.0 head day custodian FTEs, 3.0 head night custodian FTEs, and 8.8 custodian FTEs.

The maintenance and grounds employees use varying amounts of time to complete their respective functions. For instance, the Operations Coordinator indicated that the maintenance staff also completes groundskeeping work. The total FTEs devoted to maintenance (1.9) and grounds (2.1) are based on Operations Coordinator's estimates of time devoted to these tasks throughout the year. The District's building maintenance responsibilities include performing preventive maintenance on all equipment, completing assigned work orders, and repairing

equipment as required, while the groundskeeping duties include maintaining all athletic fields, plowing snow, mowing grass, and maintaining athletic equipment.

### Key Statistics and Indicators

**Table 4-2** compares key statistics and performance indicators for Vermilion 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: FY 2007-08 Key Statistics and Indicators**

<b>Number of Buildings</b>	7
- School Buildings	4
- Administration Building	1
- Other Buildings <sup>1</sup>	2
<b>Total Square Feet Cleaned</b>	<b>404,475</b>
- Elementary School	66,860
- Intermediate School	78,774
- Middle School	88,610
- High School	137,421
- Administration Building	32,810
<b>Total Square Feet Maintained</b>	<b>443,461</b>
- Elementary School	66,860
- Intermediate School	78,774
- Middle School	88,610
- High School	137,421
- Administration Building	32,810
- Other Buildings	38,986
<b>Square Feet Per FTE Custodial Staff Member (15.8 FTEs)</b>	<b>25,609</b>
<b>NCES Level 3 Standard Square Feet per FTE</b>	29,500 <sup>2</sup>
<b>Square Feet Per FTE Maintenance Staff Member (1.9 FTEs)</b>	<b>233,401</b>
<b>AS&amp;U Median (5 year Average) Square Ft. per Maintenance FTE</b>	95,000
<b>Acres per Groundskeeper FTE (2.1 FTEs)</b>	<b>48<sup>3</sup></b>
<b>AS&amp;U Standard Acres per Grounds FTE (5 years average)</b>	43

**Source:** Vermilion LSD, AS&U, and NCES

**Note:** A five year average for maintenance square feet and acres per grounds FTE was derived using the AS&U 33<sup>rd</sup> through the 37<sup>th</sup> Annual Maintenance and Operations Cost Surveys

<sup>1</sup> Although Vermilion LSD leases out the Lake Elementary School to a third party, the District is still responsible for the maintenance and upkeep of the building. In addition, Vermilion LSD operates a maintenance building.

<sup>2</sup> This represents the mid-point of the *Planning Guide for Maintaining School Facilities* range of 28,000 to 31,000 square feet. Level 3 is the normal standard for most facilities.

<sup>3</sup> Vermilion LSD could not provide documentation for the total number of acres maintained by the District. Therefore, the 100 acres was unable to be verified and is based solely on testimonial evidence provided by the Operations Coordinator.

As illustrated in **Table 4-2**, Vermilion LSD’s custodial staff is responsible for maintaining fewer square feet per employee than the NCES benchmark. In contrast, the District’s maintenance staff is responsible for more square feet per employee than the AS&U benchmark. Lastly, the District’s groundskeeping employees are maintaining the equivalent of 48 acres per FTE, which is slightly above the AS&U average of 43 acres. See **R4.1** for further assessment of staffing, including staffing changes that occurred during the course of this performance audit.

*Financial Data*

**Table 4-3** compares Vermilion LSD’s facility-related expenditures on a per square footage basis to the peer average and the American Schools and Universities (AS&U) national medians.

**Table 4-3: Expenditures per Square Foot**

Object Code	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07	AS&U National Median FY 2006-07	AS&U National Median FY 2007-08
Salaries/Benefits	\$3.20	\$3.09	\$2.83	\$2.56	\$2.05
Purchased Services	\$0.72	\$0.24	\$0.79	\$0.01	\$0.21
Utilities	\$1.43	\$1.57	\$1.72	\$1.71	\$1.52
Supplies and Materials	\$0.22	\$0.31	\$0.33	\$0.32	\$0.38
Capital Outlay	\$0.02	\$0.05	\$0.05	N/A	N/A
Other	\$0.00	\$0.00	\$0.02	\$0.49	\$0.40
<b>Total General Fund</b>	<b>\$5.59</b>	<b>\$5.26</b>	<b>\$5.74</b>	<b>\$5.09</b>	<b>\$4.56</b>
<b>Total Emergency Levy Fund</b>	<b>N/A</b>	<b>\$6.53</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>All Fund Utilities</b>	<b>\$1.43</b>	<b>\$1.57</b>	<b>\$1.72</b>	<b>\$1.71</b>	<b>\$1.52</b>
<b>Total All Funds</b>	<b>\$6.11</b>	<b>\$11.79</b>	<b>\$6.23</b>	<b>\$5.09</b>	<b>\$4.56</b>

Source: Vermilion LSD, peers, and AS&U

**Table 4-3** shows that Vermilion LSD’s total General Fund and all fund expenditures per square foot were approximately 3 and 2 percent lower than the peer averages in FY 2006-07, respectively. Additionally, the District’s total General Fund expenditures per square foot in FY 2007-08 were approximately 8 percent lower than the peer average in FY 2006-07. However, the District’s total all fund expenditures per square foot in FY 2007-08 was approximately 89 percent higher than the peer average in FY 2006-07, due to the H.B 264 project. Lastly, the District’s General Fund and all fund expenditures per square foot are higher than the AS&U National Medians for FY 2006-07 and FY 2007-08, respectively, due to salaries/benefits and purchased services.

**Table 4-3** shows that the District’s General Fund personal service costs (salaries/benefits) per square foot in both years were higher than the peer average and AS&U national medians. The higher personal service costs can be attributed to the longevity and related pay of the custodial

staff, 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 medians for both years, they were below the FY 2006-07 peer average in both years.

## **Audit Objectives for the Facilities Section**

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

- Does the District measure the performance and cost-efficiency of facility operations?
- Does the District obtain and use customer feedback to identify and implement program improvements?
- Is the District's custodial, maintenance, and groundskeeping staffing levels comparable to industry standards and/or leading practices?
- Does the District offer appropriate new-employee training based on leading practices and/or industry standards?
- Are the District's facility management and planning practices, and preventive maintenance program comparable to industry standards and/or leading practices?
- What is the implementation status of each recommendation from the prior performance audit?

Assessments conducted on building capacity and utilization were found to be comparable to benchmarks.

## Recommendations

### Staffing

**R4.1** Vermilion LSD 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 transferring 2.0 custodial FTEs to the maintenance staff. However, before reallocating staff members, the District should account for all staffing changes made in FY 2008-09, and ensure it has accurately captured time devoted to maintenance and grounds activities, and the number acres maintained. This will ensure the District bases staffing decisions on accurate and up-to-date information. The District should also use formal performance measures to ensure it bases staffing decisions on objective data (see R4.5).

Table 4-4 displays the District's custodial staffing allocation by building for FY 2007-08.

**Table 4-4: Custodial Staffing Allocation**

Buildings	Square Feet Maintained per FTE
Elementary (K-2) (3.0 FTEs)	22,287
Intermediate (3-5) (3.0 FTEs)	26,258
Middle (6-8) (3.3 FTEs)	26,899
High (9-12) (6.5 FTEs)	21,142

Source: Vermilion LSD EMIS and staffing directory

As illustrated in **Table 4-4**, the District maintains significantly less square feet per custodian FTE at the elementary and high schools, when compared to the intermediate and middle school. Additionally, **Table 4-2** illustrates that in total, the District's custodians maintain 25,609 square feet per FTE, which is 13.2 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 13.7 custodian FTEs, which would result in a reduction of 2.1 FTEs.

In contrast, **Table 4-2** notes that the District's maintenance staff is responsible for 233,401 square feet per FTE, significantly above the five-year AS&U average of 95,000 square feet per FTE. Furthermore, the District's groundskeepers maintain the equivalent of 48 acres per FTE, which is slightly 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 4.7 maintenance FTEs and 2.3 groundskeeper FTEs, for a total of 7.0 maintenance and grounds FTEs. By comparison, the District employs only a total of 4.0

maintenance and grounds FTEs (1.9 and 2.1, respectively)<sup>2</sup>. However, in total, based on the AS&U and NCES standards, Vermilion LSD should employ approximately 20.7 FTEs (custodians, maintenance, and groundskeepers), which is in line with Vermilion LSD total of 20.8 FTEs. While other factors may impact the District's staffing allocations, the lack of regularly 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 (see **R4.5**).

During the course of the performance audit, the Operations Coordinator indicated that the District adjusted its maintenance and custodial staffing levels. Specifically, the District hired an eight hour maintenance/custodial employee to complete bus garage cleaning and heating, ventilation, and air conditioning (HVAC) activities. However, the District reduced a total of four hours from the custodial function. As a result, the District added a total of four hours (0.5 FTEs) to the total employee hours worked for facility operations. This would result in a total of 21.3 FTEs, which is only 0.6 FTEs above the aforementioned benchmark of 20.7 FTEs

### *Facilities Management*

**R4.2 The District should update the buildings and grounds plan to account for enrollment projections (see R4.4), building utilization, input from stakeholders, and potential financing methods (where applicable), and link the plan to a preventive maintenance schedule (see R4.3) and financial and strategic plans (see financial systems). Taking these actions will provide a roadmap for addressing current and future facility needs.**

The District has a five-year buildings and grounds plan that specifies the projects that have been identified for completion, the timing and sequence of the projects, and their estimated cost. Specifically, the plan details capital improvements planned for each school building, the administration building, and any needed district-wide improvements. The District's buildings and grounds plan covers the timeframe from 2005 through 2009. The Operations Coordinator indicated that the District is currently in the process of developing a new plan that that would span from 2010 to 2015. The District hopes to have the new plan complete by March 1, 2009.

Despite identifying specific capital improvement projects, the District's plan does not account for a building capacity analysis; enrollment projections (see **R4.4**); input from stakeholders (see **financial systems**); and a discussion of various project financing methods.

---

<sup>2</sup> The number of acres maintained by the District was unable to be verified and is based solely on testimonial evidence provided by the Operations Coordinator. Likewise, the total FTEs for maintenance (1.9) and grounds (2.1) are based on the Operations Coordinator's estimates of time devoted to these tasks throughout the year.

*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.

**R4.3 Vermilion LSD should update its work order system to include preventive maintenance tasks. This would allow the District to automatically schedule and track preventive maintenance activities and better plan for preventive maintenance tasks. In addition, this action would help the District anticipate needed facility maintenance, equipment repairs, and replacements.**

The Superintendent indicated that the District does not have a formal preventive maintenance plan. However, the Superintendent and the Operations Coordinator both indicated that the District's buildings are kept up-to-date. For example, the District took advantage of a H.B. 264 project in FY 2007-08, which resulted in the District changing their lights; putting light sensors in all classrooms; replacing exterior doors, rooftop units,

air conditioners, and boilers; and purchasing new windows. The Operations Coordinator also indicated that the District is in the process of using its current work order system to schedule and track the District's preventive maintenance activities. The District has an electronic work order system that has the capability of tracking purchases, the total amount of time spent on each work order request, and the materials used for each work order. In addition, the work order system has the ability to assign work order requests to appropriate staff members and assign a priority level of low, medium, or high.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), work order systems help school districts register and acknowledge work requests, assign tasks to staff, confirm that a work order has been addressed, and track the cost of parts and labor. In terms of utility, a good work order system will also allow preventive maintenance work orders to be included.

**R4.4 Vermilion LSD should develop and formally adopt a five to ten-year forecast methodology for projecting student enrollment. This methodology should consider historical enrollment, live birth data, real estate transactions, historical and projected building permit information, and other housing data. The District should then use the adopted methodology to prepare formal enrollment projections. Subsequently, the District should review and update the enrollment projections on a yearly basis, and compare them with building capacities to address potential capacity issues.**

The District does not have a formal methodology for developing long-term student enrollment projections. The Treasurer consults with the Superintendent about the District's enrollment for forecasting purposes, but the District does not prepare long-term enrollment projections. The Treasurer indicated that enrollment projections were prepared by the Ohio School Facilities Commission (OSFC); however, the District did not use those enrollment projections. The Superintendent noted that this was due to the volatility of the local employment. For example, when the local Ford plant closed, the District's student population significantly decreased.

**Table 4-5** illustrates Vermilion LSD's enrollment trend from FY 1999-00 to FY 2007-08.

**Table 4-5: Vermilion LSD Student Enrollment**

Fiscal Year	Enrollment	Difference from Previous Fiscal Year	% Difference
1999-00	2,569	N/A	N/A
2000-01	2,532	(37)	(1.4%)
2001-02	2,566	34	1.3%
2002-03	2,569	3	0.1%
2003-04	2,525	(44)	(1.7%)
2004-05	2,481	(44)	(1.7%)
2005-06	2,466	(15)	(0.6%)
2006-07	2,414	(52)	(2.1%)
2007-08	2,369	(45)	(1.9%)
<b>Average Annual Trend</b>	2,499	<b>(25)</b>	<b>(1.0%)</b>

Source: ODE Fall Enrollment Report

As illustrated in **Table 4-5**, Vermilion LSD's enrollment has declined by an average of 1.0 percent annually since FY 1999-00. Additionally, the District's enrollment has declined each year after FY 2002-03.

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 the District's 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.

**R4.5 The District 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., salaries, 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 to establish benchmarks for measuring staff and organizational performance, and provide the District with objective information to use in making future decisions.**

The District does not have formal performance measures in place to help manage the facility functions. However, the Operations Coordinator indicated that the District monitors the performance of the maintenance staff based on the time it takes the maintenance staff to complete a work order. Additionally, the custodial staff is evaluated based on audit checklists developed by the Operations Coordinator that stipulate the daily, weekly, monthly, and yearly tasks for the custodial staff to complete beginning the

first of the year. In addition, the Operations Coordinator monitors the District's facility related purchases to determine the cost-efficiency of facility operations.

*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.

- R4.6 Vermilion LSD should consider conducting annual surveys of all employees to solicit feedback, determine satisfaction levels, and assist in determining areas for improvement. The survey should be designed to cover all aspects of Vermilion LSD's operations. This would provide feedback that may result in more efficient operations and improved employee satisfaction.**

Vermilion LSD does not conduct surveys of employees to evaluate customer satisfaction or obtain feedback for future improvement related to facility operations. In addition, the Treasurer noted that the District does not conduct staff surveys to evaluate work climate, job satisfaction, or allow all employees to provide feedback concerning all District-wide 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. GFOA goes on to indicate that surveys are one mechanism that should be considered in promoting stakeholder participation. Likewise, *Conducting a Customer Satisfaction Survey* (University of Florida, 2000) noted 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.

### *Training*

- R4.7 Vermilion LSD should develop a comprehensive new employee orientation training program for its facility staff based on industry standards. The program should be designed to cover critical aspects of employee responsibilities. A formal orientation training program will help to minimize the time for new employees to get acclimated to their environment and job responsibilities.**

The District does not have a formal new employee program for facility staff. According to the Operations Coordinator, the District tries to pair new employees with a trained staff member for the employee's first full week. However, the Operations Coordinator indicated that new employees are typically paired with experienced staff members for one to two days at the most.

*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.

## Appendix 4-A: 2000 Performance Audit

**Table 4-A** summarizes the 2000 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the nine recommendations contained in the 2000 Performance Audit, Vermilion LSD implemented four recommendations, partially implemented four recommendations, and did not implement one recommendation. The 2008 Performance Audit addresses the recommendations in the 2000 Performance Audit if the related issues fell within the current audit scope.

**Table 4-A: 2000 Performance Audit Recommendation Status**

Recommendation	Implemented	Partially Implemented	Not Implemented
<p><b>R4.1</b> In order to be in compliance with H.B. 264, Vermilion LSD should monitor its energy consumption and annually update a report documenting the reductions in energy consumption and the operational and maintenance cost savings that result. In addition, Vermilion LSD should have an independent architect or engineer review the annual report of cost savings and certify the accuracy of the calculations and the savings. This report should also be certified by the treasurer and should be retained in the District files and available upon request.</p>	X		
<p><b>R4.2</b> Unfortunately, enrollment in the Electric Energy consortium is closed at this time. Vermilion LSD should monitor this situation in the future so that another opportunity is not lost to join an electric consortium and take advantage of the energy savings that can be achieved.</p>	X		
<p><b>R4.3</b> Vermilion LSD should review its enrollment projections, which are prepared by Erie-Ottawa County E.S.C., and compare them to the actual head count figures to ensure that the same methodologies are being used.</p>		X (see <b>R4.4</b> )	
<p><b>R4.4</b> The District should consider relocating its administrative offices to vacant space in the schools. It should then consider selling both Lake Elementary School and Valley View Elementary School. As part of the consideration to sell these schools, Vermilion LSD should get an appraisal on the schools to assess their fair market value. Vermilion LSD should also take into consideration such variables as demographics, possible re-opening of the Ford plant, and current and projected excess capacity. To facilitate the sale of these schools, Vermilion LSD should obtain the services of a realtor to better market the schools.</p>			X
<p><b>R4.5</b> Job descriptions for custodial personnel should be reviewed and updated on a regular basis. The descriptions</p>	X		

<p>should include the following types of information: job title, salary information, job summary, specific responsibilities, primary interactions, equipment operation requirements, level of decision making, knowledge, skill and ability requirements, qualifying education, training and experience.</p>			
<p><b>R4.6</b> All employees should receive a performance evaluation at least annually. Evaluations for head custodians should be prepared by the principals, since the principals have daily contact with them and are most familiar with their work. During contract negotiations, Vermilion LSD should try to renegotiate the evaluation process.</p>		<p>X</p>	
<p><b>R4.7</b> Vermilion LSD should consider steps to reduce sick leave usage by the custodial and maintenance employees. In addition, Vermilion LSD should closely monitor sick time use by utilizing sick leave reports which include amount of sick time taken, reasons for absences, and sick leave balance. Because of the excessive amount of sick leave taken per employee and the cost associated with paying two employees, Vermilion LSD should consider implementing policies to assist with the reduction of sick leave which could include:</p> <ul style="list-style-type: none"> <li>• Requiring sick leave to be a component of the employee’s evaluation</li> <li>• Excluding sick leave hours from the “active pay status” category when calculating an employees overtime eligibility.</li> </ul> <p>The policy should also outline disciplinary action to be taken for documented cases of sick leave abuse.</p>		<p>X (see <b>R3.6</b> in the <b>human resource</b> section)</p>	
<p><b>R4.8</b> Vermilion LSD should begin to develop and implement a comprehensive preventive maintenance program. Such a program could be phased in gradually, addressing the higher priorities first.</p>		<p>X (see <b>R4.3</b>)</p>	
<p><b>R4.9</b> Although a significant amount of overtime expenditures are attributable to the vacant maintenance position, the District should monitor overtime use in this area.</p>	<p>X</p>		



---

# Transportation

---

## Background

This section of the performance audit focuses on Vermilion Local School District's (Vermilion LSD or the District) transportation operations. The District's operations were evaluated against selected peer school districts<sup>1</sup>, recommended or leading practices, and operational standards from applicable sources, including the American Association of School Administrators (AASA), the Government Finance Officers Association (GFOA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS). In addition, **Appendix 5-A** summarizes the implementation status of the recommendations in the previous performance audit of Vermilion LSD, released in 2000.

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** and **R5.5** for more information).

### *Operational and Cost Comparisons*

The Transportation Supervisor oversees the District's transportation function. Vermilion LSD provided Type-I pupil transportation services to 1,341 regular needs and 23 special needs riders in FY 2007-08. Type-I services pertain to those provided on District-owned yellow buses.

**Table 5-1** compares Vermilion LSD's transportation operational data to the peer average for FY 2006-07 and includes Vermilion LSD's data for FY 2007-08.

---

<sup>1</sup> 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**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2007-08	Peer Average FY 2006-07	% Difference vs. Peers
<b>Key Demographics</b>				
Square Miles	30	30	34	(11.6%)
ODE Enrollment	2,414	2,372	4,206	(42.6%)
Total Students Transported – All Types	1,352	1,364	2,922	(53.7%)
<b>Yellow Bus Riders (Type I)</b>				
Public	1,252	1,266	2,666	(53.0%)
Non-Public	50	75	181	(72.3%)
Community School	20	0	0	N/A
Special Needs	29	23	31	(6.5%)
Total Bus Riders	1,351	1,364	2,878	(53.1%)
<b>Buses (Type I)</b>				
Active Buses	25	23	39	(35.2%)
Spare Buses	4	4	6	(36.5%)
<b>Miles (Type I)</b>				
Annual Routine Miles	239,400	246,240	418,014	(42.7%)
Annual Non-Routine Miles	45,205	433 <sup>1</sup>	39,763 <sup>2</sup>	13.7%
<b>Operating Ratios</b>				
Enrollment per Square Mile	80.5	79.1	142.0	(43.3%)
Riders per Square Mile	45.0	45.5	94.7	(52.4%)
Total Riders per Active Bus	54	59	77	(29.5%)
Riders per Regular Active Bus	60	67	80	(24.6%)
Riders per Special Needs Active Bus	10	7	14	(30.7%)
Routine Miles per Active Bus	9,576	10,706	10,761	(11.0%)
Non-routine Miles as a Percent of Total Miles	15.9%	14.9% <sup>1</sup>	9.6% <sup>2</sup>	65.0%
Non-routine Miles per Enrollment	18.7	18.2 <sup>1</sup>	10.0 <sup>2</sup>	87.6%
Spare Bus Percentage	13.8%	14.8%	14.3%	(3.3%)
Percent State Reimbursement	49.0%	44.3%	53.4%	(8.3%)
<b>Total Transportation Expenditures as a Percent of the General Fund</b>	5.5%	6.0%	5.4%	2.4%

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

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

<sup>1</sup>The District erroneously reported 433 miles. According to the Transportation Supervisor, non-routine miles totaled 43,276. The percentage of total miles and non-routine miles per student are based on 43,276 non-routine miles.

<sup>2</sup>Excludes one peer that reported 1,980 non-routine miles because it is a significant outlier.

**Table 5-1** shows that in FY 2006-07, Vermilion LSD transported an average of 54 total riders per active bus, which is approximately 30 percent lower than the peer average (77). However, in FY 2007-08, the District eliminated two active buses. While the District's ridership slightly increased to 59 riders per bus, it is still significantly lower than the peer average. Likewise, both riders per regular active bus and riders per special needs bus were lower than the peer average (80 and 14), respectively, in both years. Furthermore, enrollment per square mile and riders per square mile are significantly lower than the peer average, indicating that the District has a lower population density. While a lower population density can contribute to transporting fewer riders per bus, **R5.1** shows that the District could improve the overall efficiency of the transportation function.

**Table 5-1** illustrates that the District's non-routine miles were 13.7 percent higher than the peer average in FY 2006-07. The Transportation Supervisor noted that the District inaccurately reported its non-routine miles on the T-2 report for FY 2007-08. The Transportation Supervisor indicated that the District's non-routine miles for FY 2007-08 totaled 43,276 instead of 433 miles (see **R5.2**). Although the District reduced its non-routine miles by approximately 4 percent (from 45,205 to 43,276) in FY 2007-08, they are still higher than the peer average in total, per enrollment, and as a percentage of total miles (see **R5.7**)

**Table 5-1** also shows that in FY 2007-08, the District's spare buses comprise 14.8 percent of its total fleet, which is similar to the peer average (14.3 percent). However, the District inaccurately reported the number of spare buses on its T-1 report (see **R5.2**). The District reported that it had four spare buses; however, in actuality, the District had six spare buses. When the District's spare bus total is adjusted to account for six spare buses, the District's spare buses comprise 20.7 percent of its total fleet, which is higher than the peer average (see **R5.1**).

Lastly, **Table 5-1** shows that Vermilion LSD's transportation costs reimbursed by the State is lower than the peer average, while the expenditures as a percent of the total General Fund are higher. **Table 5-2** further compares the District's operating costs to the peer average for FY 2006-07, and includes Vermilion LSD's data for FY 2007-08.

**Table 5-2: Transportation Cost Ratio Comparison**

	Vermilion LSD FY 2006-07	Vermillion LSD FY 2007-08	Peer Average FY 2006-07	% Difference vs. Peers
<b>Salaries</b>				
• Per Bus Rider	\$432.10	\$432.17	\$273.72	57.9%
• Per Active Bus	\$23,350.88	\$25,629.48	\$20,760.96	12.5%
• Per Routine Mile	\$2.44	\$2.39	\$1.96	24.2%
<b>Benefits</b>				
• Per Bus Rider	\$148.24	\$135.92	\$109.16	35.8%
• Per Active Bus	\$8,010.88	\$8,060.70	\$8,264.68	(3.1%)
• Per Routine Mile	\$0.84	\$0.75	\$0.77	8.8%
<b>Maintenance &amp; Repairs<sup>1</sup></b>				
• Per Bus Rider	\$112.70	\$132.75	\$79.90	41.0%
• Per Active Bus	\$6,090.32	\$7,872.74	\$6,086.80	0.1%
• Per Routine Mile	\$0.64	\$0.74	\$0.57	11.0%
<b>Fuel</b>				
• Per Bus Rider	\$64.47	\$104.47	\$56.84	13.4%
• Per Active Bus	\$3,483.88	\$6,195.78	\$4,296.40	(18.9%)
• Per Routine Mile	\$0.36	\$0.58	\$0.40	(9.9%)
<b>Bus Insurance</b>				
• Per Bus Rider	\$11.43	\$0.07	\$10.44	9.4%
• Per Active Bus	\$617.48	\$4.26	\$762.22	(19.0%)
• Per Routine Mile	\$0.06	\$0.00	\$0.08	(15.4%)
<b>All Other Costs</b>				
• Per Bus Rider	\$55.57	\$59.84	\$24.69	125.1%
• Per Active Bus	\$3,002.80	\$3,548.48	\$1,712.53	75.3%
• Per Routine Mile	\$0.31	\$0.33	\$0.16	91.1%
<b>Total Expenditures</b>				
• Per Bus Rider	\$824.50	\$865.22	\$554.76	48.6%
• Per Active Bus	\$44,556.24	\$51,311.43	\$41,883.59	6.4%
• Per Routine Mile	\$4.65	\$4.79	\$3.95	17.8%

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

<sup>1</sup> Includes mechanic and mechanic helper salaries

**Table 5-2** shows that the District's FY 2006-07 salary, benefit, maintenance and repair, and all other costs were significantly higher than the peer average on a per rider, per active bus, and per mile basis, with one exception (benefits per active bus). The higher salary and benefit costs are primarily attributed to the lower number of riders per active bus (see **R5.1**), bus driver longevity (see the **human resource** section), and healthcare benefits (see the **human resource** section). The higher maintenance and repair costs are attributed to overtime and personnel costs. **Table 5-2** also shows that the maintenance and repair ratios increased considerably in FY 2007-08. According to the Treasurer, this is due to the fuel tank, and purchasing cameras and radios. Additionally, the mechanic salaries increased 16.2 percent from FY 2006-07 to FY 2007-08, due

to the District completing a salary analysis determining that the District's mechanics were undercompensated when compared to nearby school districts. The District increased the salaries of the mechanics in FY 2007-08 to remain competitive. See **R5.3** for further assessment of maintenance and repairs.

The Treasurer noted that the higher all other costs are attributed to repairs made to the bus garage and purchasing new software. Although **Table 5-2** shows that the District's fuel and insurance costs are higher than the peer average on a per rider basis, they are lower on a per active bus and per mile basis. However, the District's fuel costs ratios increased significantly in FY 2007-08 (see **R5.4**).

In FY 2007-08, the District inaccurately reported costs on the T-2 report for maintenance and repairs, fuel, bus insurance, and all other costs. Although the District incorrectly reported this data, it does not impact on the conclusions reached in this performance audit. For an additional analysis on T-form reporting, see **R5.2**.

## **Audit Objectives for the Transportation Section**

The following is a list of the questions used to evaluate the transportation functions at Vermilion LSD:

- Does the District's transportation policy and procedures meet leading or recommended practices, and ensure efficient and effective operations?
- Are the District's transportation-related indicators and expenditures in line with peer averages and/or industry benchmarks?
- Are yellow bus operations efficient?
- Does the District have an adequate control system over reporting and procurement?
- Is the District's fleet maintenance and management function efficient and effective?
- Is the District providing special needs transportation in an effective and efficient manner?
- What is the implementation status of each recommendation from the prior performance audit?

## Recommendations

### *Operating Efficiency*

**R5.1 The District should continue to conduct annual surveys and expand the practice to include all parents to determine the number of students that will be using other methods of transportation. The District should use the survey results and consider trends in actual ridership to help design efficient routes. The District also should use its routing software to review the overall efficiency of current routes, the feasibility of increasing the walking distance to bus stops by up to one half mile, and the feasibility of increasing the number of runs per bus by reviewing current routes and the potential for adjusting bell schedules. As the District reviews adjustments to the bell times, it should consider student ride times, ensure potential changes would be cost-effective, and ensure the adjusted pick-up and drop-off times are appropriate.**

**Taking the above measures should help the District eliminate three active buses and one spare bus. When determining which buses to eliminate and sell, the District should consider versatility and cost efficiency.**

In FY 2007-08, the District completed approximately two runs (grades K-5 and grades 6-12) per bus to transport all students. As shown in **Table 5-1**, the District transports fewer students per active bus than the peer average. Additionally, according to the article, “Hidden Savings in Your Bus Budget” (December, 2005), published by the American Association of School Administrators (AASA) and authored by a private school transportation firm that conducts audits for more than 30 school districts, “an effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.” The District’s average number of riders per active bus of 59 in FY 2007-08 falls well below the benchmark of 100.

In order to further assess bus utilization, AOS created a target efficiency calculation that assumes three students per seat for regular elementary level transportation and two students per seat for regular middle and high school transportation. This is based on bus manufacturer’s rated capacity and other industry sources. Then, the 80 percent utilization factor from the AASA article is applied to the bus capacity calculations. Based on this analysis, the District could reduce four buses to achieve 80 percent utilization<sup>2</sup>. However, in FY 2008-09, the District reduced two high school bus routes, thereby achieving slightly better utilization rates. In order to achieve a utilization rate close to 80 percent,

---

<sup>2</sup> AOS calculations do not include two regular needs and one special needs student transported on a bus to schools outside the District since no additional students travel to these destinations and would not be able to increase this bus’s capacity.

this would reduce the number of bus reductions to three buses. Furthermore, by reducing three buses and using FY 2008-09 rider counts<sup>3</sup>, the District would transport an average of 68 riders per active bus, which would still be lower than the peer average of 77 in FY 2006-07. This is due to the District's special needs transportation services (see **R5.9**) and lower population density (see **Table 5-1**). For instance, when excluding riders on special needs buses, the District would transport an average of 82 riders per regular active bus, which is comparable to the peer average of 80 in FY 2006-07.

The District's lower transportation efficiency can be attributed to the following:

- **Route Monitoring:** The District inputs eligible riders into the routing software at the beginning of each school year. However, the District does not adjust routes during the year for students who are eligible riders, but have discontinued ridership. For example, if a student obtains a drivers license during the school year and no longer rides a bus, the District does not adjust the routes to reflect the decline in ridership. In this scenario, the District will continue to report the student as an eligible rider until the student graduates, which potentially impacts the District's ability to accurately monitor bus capacity utilization. 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. Prior to the FY 2008-09 school year, the District conducted a survey for only the high school riders. Due to the high school parent responses to the survey, the District eliminated two routes. Coupled with reviewing trends in actual ridership, applying this survey to the other three schools could assist in designing more efficient routes based on students who intend to ride a bus.
- **Cluster Stops:** The District schedules most bus stops to be within 600 feet of students' homes. According to OAC § 3301-83-13, students may walk up to one-half mile to a bus stop (2,640 feet). By scheduling bus stops further apart, buses would save time and fuel by reducing the number of starts and stops, possibly enabling the District to complete more runs per bus and/or accommodate an additional tier in the bell schedules.
- **Bell Schedules:** The District may be able to reduce buses by adjusting the bell schedules for certain grade levels to add one more tier. The current student drop off and release times for the high school and middle school are approximately 7:30 am and 2:20 pm, while the drop off and release time for the elementary and intermediate schools are 8:50 am and 3:20 pm. Depending upon the distance of routes, some buses may be able to complete three routes with an additional route

---

<sup>3</sup> The District reported the same number of active buses in FY 2008-09 as in FY 2007-08. In addition, the District reported 1,355 Type-I riders in FY 2008-09, similar to FY 2007-08 (1,364).

in the middle of the two existing ones, and/or the current start and end times could be adjusted. The District could use its routing software to determine if these options would be feasible to help eliminate buses and save costs.

Although the District inaccurately reported its spare bus total on its FY 2007-08 T-1 reports (see **R5.2**), the District's FY 2008-09 T-1 report shows six spare buses. According to a representative from ODE, spare buses typically comprise approximately 20 percent of a district's fleet. In FY 2008-09, the District's spare bus to total fleet ratio is 20.7 percent, which is comparable to ODE's recommended ratio but higher than the peer average (14.3 percent). However, by reducing the District's active fleet by three buses, the District's total fleet declines to 26 buses. As such, the District's revised spare bus to total fleet ratio (23 percent) exceeds ODE's benchmark. With three fewer active buses, the District would achieve ODE's benchmark by eliminating one spare bus.

*Financial Implication:* It is conservatively estimated that the District could save approximately \$32,000 annually by eliminating three buses. This estimate is based on the District's starting salary for bus drivers, benefit costs<sup>4</sup> for FY 2006-07, and the lowest number of bus driver hours worked per year in FY 2007-08. The District could also receive \$17,500 in additional revenue by selling three active buses and \$5,750 by selling one spare bus, which is based on the average trade in value the District received for buses in FY 2007-08. Furthermore, the District may be able to realize additional costs savings related to salaries and benefits, fuel, insurance, and maintenance repairs, if the above mentioned strategies reduce the number of total miles driven each year and/or route times. For example, based on the District's total cost per active bus in FY 2007-08 after accounting for the T-2 errors (see **R5.2**), eliminating three active buses could save approximately \$154,600 annually.

### *Data Reporting*

**R5.2 Vermilion LSD should establish formal procedures for ensuring 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 to the 4502 financial statements, and identifying and explaining significant variances from prior year reports. Improving the report review process should help ensure that the District receives the appropriate State reimbursements for its transportation services in the**

---

<sup>4</sup> The benefits percentage was based on the FY 2006-07 figures due to the change in health insurance in FY 2007-08. See the **human resources** section for more information.

**future, and uses accurate and reliable data in making decisions regarding transportation operations.**

The District does not have formal procedures to ensure T-forms are accurately prepared, reviewed, and reconciled prior to submission to ODE. Bus drivers complete a student count form to record the number of students transported and miles driven as required by ODE for T-1 reporting. Subsequently, the Transportation Supervisor compiles the information from the student count forms onto a summary form and submits it to the Board office for data entry. The Treasurer provides the financial information for the T-2 report to a secretary in the Board office, who enters all the data for electronic submission to ODE. The Treasurer and Superintendent are responsible for the final sign-off on the completed forms to verify their accuracy before submission to ODE. Although the T-reports are reviewed by the Transportation Supervisor and the Treasurer, AOS noted the following errors on the District's T-reports:

- **Incorrect Ridership:** The Transportation Supervisor indicated that prior to FY 2006-07, the District reported eligible riders rather than actual riders on their T-1 reports. This is inconsistent with ODE's reporting requirements. As a result, the reported number of students transported decreased by 737 students from FY 2005-06 to FY 2006-07. Lastly, the Transportation Supervisor noted that in FY 2007-08, the District entered total miles in the total student column and total students in the total mile column on the T-1 report.
- **Inconsistent Reporting:** In FY 2006-07, the District reported Type 1A costs on the T-2 report, while no corresponding Type 1A students were reported on the District's T-1 report. Furthermore, payment-in-lieu students were reported each year on the District's T-1 reports (FY 2003-04 through FY 2006-07), while no associated costs were reported on the respective T-2 reports. According to the Treasurer, the District does not typically offer payment-in-lieu (see **R5.6**).
- **Inaccurate Buses:** In FY 2007-08, the District reported four spare buses on its T-1 report. However, during the course of the audit, the Transportation Supervisor provided documentation noting that the District had six spare buses during that timeframe. The Transportation Supervisor noted the error occurred due to the reduction of two bus routes in FY 2007-08. Those buses became additional spares that were not included on the T-1 report. This was corrected in the District's FY 2008-09 T-1 report.
- **Incorrect Miles:** In FY 2004-05, 44 special education students were reported on the T-1 report; however, miles were not recorded. Likewise, in FY 2006-07, 20 community school students were reported; however, miles were not recorded. Lastly, in FY 2007-08, the District recorded non-routine miles incorrectly. The

Transportation Supervisor indicated the District should have recorded 43,276 non-routine miles instead of 433 on the T-2 report.

- **Incorrect Costs:** In FY 2007-08, bus insurance was inaccurately reported on the T-2 report as \$98. According to the Treasurer, the actual cost of bus insurance was \$14,198. Additionally, certification and licensing costs of \$8,804 were incorrectly recorded on the T-2 report in FY 2007-08. The Treasurer noted that this was a duplicate entry as physical exams and drug tests also totaled \$8,804; therefore, there were no costs related to certification and licensing. Furthermore, fuel costs of \$6,500 were incorrectly recorded as maintenance supplies on the T-2 report.

Although transportation funding levels were based on percentage increases from prior year's funding levels from FY 2005-06 to FY 2008-09, a new funding formula is expected in FY 2009-10. Therefore, submitting inaccurate data could impact future funding levels and result in faulty-decision making.

### *Maintenance, Repairs and Fuel*

**R5.3 Vermilion LSD should develop and implement procedures to direct the mechanics in determining the frequency of maintenance activities and repairs that should be outsourced. This will better ensure that appropriate tasks are performed at the right intervals, and avoid unnecessary or costly repairs. Subsequently, the District should consider reducing mechanic staffing levels by 0.5 FTEs. The District should also stagger the mechanics' start and end times and/or relieve the mechanics of duties that could be performed by a night-time custodian or other staff to reduce the mechanics' overtime use. These duties include answering phones, scheduling substitute drivers, changing bus videos, and record keeping duties. Additionally, by implementing a fully automated substitute calling system (see the human resources section), the mechanics will be relieved of scheduling substitute drivers. Likewise, establishing formal maintenance procedures could reduce the time spent servicing the buses, which could help the mechanics perform their other duties during normal hours. Finally, the District should review the potential for partnering with a neighboring district to consolidate and pool maintenance services.**

**Table 5-3** compares Vermilion LSD's maintenance and repair expenditures to the peer average for FY 2006-07.

**Table 5-3: Maintenance and Repair Costs<sup>1</sup>**

	Vermilion LSD FY 2006-07	Vermilion LSD FY 2006-07 (Without Overtime)	Peer Average FY 2006-07	Percent Difference
<b>Per Active Bus</b>	\$6,090.32	\$5,216.54	\$6,086.80	0.1%
<b>Per Routine Mile</b>	\$0.64	\$0.54	\$0.57	11.0%

Source: District and peer T-Reports

<sup>1</sup>Maintenance and repair costs include the mechanics salaries, maintenance and repairs, and maintenance supplies.

According to **Table 5-3**, Vermilion LSD's maintenance and repair expenditures are higher than the peer average on a per active bus and per mile basis. **Table 5-3** also shows that overtime contributes to the District's higher costs of maintenance and repairs. When excluding overtime expenditures, the cost per bus and per mile ratios are lower than the peer averages. The District reported through the Education Management Information System (EMIS) that the mechanics were compensated similarly to the peer average (\$40,737 compared to \$39,916, respectively); however, the District's FY 2006-07 T-2 report shows much higher average salary costs (\$52,096) for mechanics than the EMIS average salary. This is due to the T-2 report including overtime expenditures. The District spent approximately \$22,000 for mechanic overtime costs in FY 2006-07 and approximately \$26,000 in FY 2007-08.

The Transportation Supervisor explained that overtime is a common practice at the District because the mechanics are scheduled to work extended hours each day due to their assigned administrative duties. These duties include answering the telephone between the hours of 5:30 a.m. and 6:30 a.m., record keeping, and scheduling substitute drivers that call off. The mechanics are also responsible for changing the video tapes that record student activity in all the buses everyday, which prevents them from leaving before the last bus returns from after school runs at 4:50 p.m.

In addition, Vermilion LSD does not have written procedures for the maintenance and repair of buses specifying when to service buses or the type of services to be completed in house or outsourced. The District allows the mechanics to assume the responsibility of determining the type and frequency of service to perform; consequently, the mechanics service the buses every 2,000 miles. The Superintendent noted that buses are serviced every 2,000 miles to ensure the fleet runs as efficiently as possible. The Superintendent noted the District previously had an old fleet and maintenance costs were very high. Although the District's current fleet is relatively young (average age is five years), the District services the buses on a more frequent basis to avert problem areas that may develop.

According to a Service Manager/Head Technician of a distributor for a bus manufacturer that comprises the majority of the District's fleet, these buses should be serviced every 5,000 to 10,000 miles or every six months (dependent on distance), based on the manual.

However, the Service Manager/Head Technician also noted that the average is usually 10,000 miles. Additionally, according to the bus manufacturer's Field Service Manager, oil and filter changes, under normal conditions, are recommended every 15,000 miles, six months, or 500 hours of service, whichever occurs first. 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.

The North Carolina School Transportation Fleet Manual provides detailed documentation and forms to complete preventative 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 its 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.

Two mechanics service the District's 29<sup>5</sup> total buses. According to the survey reported in *Technician Wages Continue Upward Spiral* (School Transportation News, April/May 2007), the average bus to mechanic ratio is 18.7:1 (159 respondents). Based on the survey, one full-time mechanic and one part-time mechanic (1.5 FTEs) would be sufficient to maintain the District's fleet of 29 buses in FY 2007-08. The fleets in the survey average eight years of age, compared to the District's fleet age average of five years. Additionally, the District's mechanic salary costs equated to \$4,168 per active bus in FY 2006-07 and \$5,266 in FY 2007-08, and \$0.44 per routine mile in FY 2006-07 and \$0.49 in FY 2007-08. These amounts are significantly higher than the peer average of \$2,808 per active bus and \$0.27 per routine mile in FY 2006-07.

Lastly, the District has not considered partnering with other districts as an option for reducing the cost of bus maintenance. By comparison, during a performance audit of the Barberton City School District (Barberton CSD) in 2005, it was noted that Barberton CSD had 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.

Implementing procedures for maintenance and repair activities, combining maintenance and repair services with another district, and finding alternative methods of handling non-

---

<sup>5</sup> Adjusted to account for the accurate spare bus total in FY 2007-08 (see **R5.2**).

mechanic related tasks would help Vermilion LSD reduce overtime, mechanic staffing levels and related cost, and potentially other maintenance costs.

*Financial Implication:* Reducing overtime costs will save the District up to \$25,000 per year based on FY 2007-08 overtime costs. Additional savings of approximately \$35,000 could be obtained by reducing one full-time mechanic position to a part-time position (0.5 FTE) (based on lowest paid hourly mechanic, 35 percent benefit costs<sup>6</sup>). Furthermore, combining maintenance with another district could result in additional cost savings.

**R5.4 The District should document its current procedures to secure fuel. While the procedures in place appear adequate, written procedures will better ensure that the security measures are adhered to in case of a change in personnel. Likewise, while the District's fuel prices appear competitive, it should document quotes for fuel procurement, including comparisons with DAS and other consortiums. Doing so would give the Board a greater assurance that the District receives the best fuel prices.**

While the process to secure fuel appears adequate, the District does not have written procedures to ensure fuel is properly secured. Currently, the District's fuel pumps are kept in a locked fenced area with video camera monitoring activity, which are turned off each night and on each morning from within the bus garage by the mechanics. When drivers approach the fuel pumps, the mechanics can see and hear the buses from the garage.

Each bus has a fuel record that drivers complete when fueling buses. The drivers also sign-off on a clipboard in the garage each time they fuel the bus as a double check for the fuel cards. The cards are reviewed monthly by the mechanics for anomalies in case too much fuel is used, which would indicate a repair may be needed. Furthermore, the mechanic checks the fuel tanks every day for how many gallons were used against the meter on the pump. The District previously looked into prices for a fuel card system; however, it determined the fuel card system was too costly.

Additionally, the District does not document its fuel procurement practices to ensure it is receiving the best available fuel prices. According to the head mechanic, the District purchases fuel from a local supplier. The mechanic noted that at times, the District has obtained multiple quotes over the phone; however, the quotes were not documented. Although Vermilion LSD does not maintain documentation of its fuel quotes, the District's fuel prices that are received from the local supplier appear competitive. Specifically, a review of multiple invoices for different months of the year showed that the District's fuel cost per gallon were lower than the Ohio Department of Administrative

---

<sup>6</sup> The benefits percentage was based on the FY 2006-07 figures due to the change in health insurance in FY 2007-08. See the **human resources** section for more information.

(DAS) averages for the respective time periods. For example, the District's fuel cost per gallon was \$3.20 on September 30, 2008, which was lower than the DAS average (\$3.33) for that same time period. In addition, the DAS supplier also charges a transportation fee, which the District's supplier does not.

### *Transportation Policies*

**R5.5 Based on its financial condition (see financial systems), the District should review its transportation policy to determine if it could achieve cost savings by adopting standards that are closer to the State minimum requirements.**

Vermilion LSD's transportation policies are available on its website to assist students, teachers, parents, and the community in understanding its position on student transportation issues. Additionally, bus rules are posted at the individual schools and provided to students in their handbooks. According to the District's transportation policy, the Board of Education provides "transportation to those students whose distance from their school makes this service necessary within the limitations established by State law." Specifically, the policy states that "children living beyond one mile from their building of attendance shall be entitled to bus transportation." The policy also addresses transportation of eligible vocational and special education students, transportation of non-public school students, and appropriate distances between bus stops. The District's transportation policy states that bus stops are defined as within a "reasonable walking distance from the home of every transported resident student."

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 school;
- Transporting high school students; and
- Designing bus stops less than one-half mile from a student's home (see R5.1).

**R5.6 The District should update its transportation policies to address how payment-in-lieu of transportation should be used as an option to optimize transportation efficiency for all students deemed impracticable to transport. Vermilion LSD should promote payment-in-lieu of transportation to parents whose students are impractical to transport, based on an analysis of potential cost savings that accounts for route reduction or elimination.**

Vermilion LSD does not address payment-in-lieu practices for all students in its transportation policies. Rather, the District's transportation policy notes that eligible students attending non-public and community schools declared impracticable to transport may be transported by their parents as payment-in-lieu and reimbursed the amount established by State law. The District reported one payment-in-lieu student on its T-1 report in FY 2003-04 and FY 2004-05. However, the District reported 12 payment-in-lieu students on its T-1 report in FY 2005-06. According to the Treasurer, this was an error. AOS confirmed the error, due to the District's FY 2005-06 T-2 report not reporting payment-in-lieu costs (see **R5.2**). Additionally, the District reported one payment-in-lieu student on its T-1 report for FY 2006-07. ODE states that the base amount for payment-in-lieu of transportation (minimum per child) is \$172 per child. The maximum districts can pay is the prior year's State average cost per student. In FY 2007-08, the maximum amount permitted was \$637.58.

Districts can use payment-in-lieu of transportation to reimburse parents for costs when it is impractical to transport students. Impractical is addressed in ORC § 3327.02 as:

- The time and distance required to provide the transportation;
- The number of pupils to be transported;
- The cost of providing transportation in terms of equipment, maintenance, personnel, and administration;
- Whether similar or equivalent service is provided to other pupils eligible for transportation;
- Whether and to what extent the additional service unavoidably disrupts current transportation schedules; and
- Whether other reimbursable types of transportation are available.

Once a Board passes a resolution to declare impracticality of transportation with each pupil's name and reason, it needs to report its determination to the State Board of Education.

Riverside Local School District addresses impracticality to transport students in its transportation policies, stating that "The Board declares the transportation of some eligible students to be impractical by school conveyance and authorizes the payment to parents or guardians in lieu thereof." Unlike Vermilion LSD, the policy refers to students in general.

The District spent an average of \$869 per student in FY 2007-08. Since the maximum amount that the District would reimburse the parent (\$637.58) is over \$200 below the Vermilion LSD's cost per student, the District may be able to save money by offering payment-in-lieu as option to some parents. However, savings would depend upon the

District's ability to significantly reduce the length of a run(s), or eliminate a route(s) altogether.

- R5.7 The District should update its non-routine transportation policy to coincide with OAC § 3301-83-16 and charge users for the cost of non-routine trips. This will provide the District with more accurate cost information to use in making decisions regarding its relatively high level of non-routine transportation services. Additionally, the District should try to plan trips more effectively by transporting to the same destination in one trip, which will depend on the timing of events.**

**Table 5-1** shows that the District drove 13.7 percent more non-routine miles than the peer average in FY 2006-07. While the District drove 4.3 percent fewer miles in FY 2007-08, **Table 5-1** shows that its non-routine miles are still higher than the peer average in total, per enrolment and as a percentage of total miles. The Transportation Supervisor noted that all non-routine miles are from field trips and athletics. Additionally, the Transportation Supervisor noted that some non-routine trips (athletic trips) go to the same destination but at different times during a single day.

The District has a Board policy to govern the use of Vermilion LSD 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.

According to the Treasurer, the District does not bill for non-routine trips. Although the District has transportation software that is able to calculate the costs of non-routine trips, the known costs are not billed to respective departments. Additionally, the District does not charge the athletic funds for the costs of transporting students to and from sporting events, choosing instead to pay these costs directly from the General Fund. The Treasurer noted that the athletic department does not have the funding to support the charges for non-routine transportation services and would require additional transfers from the General Fund. While the District does not bill for non-routine trips, its policy states that the cost of non-routine transportation "shall be reimbursed to the Board at a flat IRS rate" and that "insurance of an amount determined by the assistant superintendent for non-routine transportation shall be provided by the sponsoring organization." The policy does not address the other costs identified in OAC § 3301-83-16.

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

### *Fleet Replacement*

**R5.8 The District should develop a bus replacement plan and update it annually. Bus purchases should be based upon economic modeling that allows for replacement at the most advantageous point in the bus' life cycle. The plan should include the number of potential buses to be replaced each fiscal year and criteria for bus 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 should be better able to anticipate future costs and avoid maintaining a costly fleet. Additionally, based on the age and mileage of the current fleet, the District should consider limiting its bus purchases over the remainder of the forecast period.**

According to the Treasurer, the District does not have a formal bus replacement plan. The Treasurer noted that prior to FY 1999-00, the District purchased used buses from other districts, due to the lack of funds. The District's past practice was to purchase three buses per year to help update the fleet; however, the District now tries to purchase two buses annually. While the District has a building and grounds plan which includes the number of buses to be purchased, estimated costs, and specific timeframes, it does not identify funding sources or project bus purchases past FY 2007-08. Additionally, it does not include criteria to determine bus replacements.

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 the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. ODE's *A District's Guidebook to School Bus Purchasing in Ohio* (August 2002) indicates that on average, "districts are matching the payment provided by the State for bus purchasing with an equal amount of local funding. This has resulted in an average Ohio bus lifespan of 17 years."

As of FY 2007-08, the average age of Vermilion LSD's fleet is 5.1 years. Additionally, the average miles per active and spare bus are 63,000 miles and 109,000 miles, respectively, with the overall average mileage of the fleet at 72,601. By FY 2012-13, the District's fleet would average 10.1 years, absent any changes. In addition, based on the total number of miles driven in FY 2007-08, the fleet would average less than 135,000

miles by FY 2012-13, even if the District operated with four fewer buses (see **R5.1**). As a result, the District may not need to replace any buses during the next five years, based on the abovementioned data from NASDPTS and ODE.

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.

*Financial Implication:* If the District were to postpone purchasing two new buses a year over the remainder of the forecast period (FY 2009-10 through FY 2011-12), the District would save a total of approximately \$151,000 annually (based on the cost the District paid for a bus in FY 2007-08).

### *Special Needs Transportation*

**R5.9 The District should include the Transportation Supervisor in individualized education plan (IEP) meetings to identify potentially less costly means of providing the appropriate transportation services to students (e.g., determining whether the student can be transported by regular buses). Additionally, the District should consider negotiating parent/guardian contracts based on a cost-benefit analysis that compares the costs of in-house transportation to parental transportation. Lastly, Vermilion LSD should review the potential for further consolidating special needs transportation services with neighboring districts.**

The District's Transportation Supervisor is not included in IEP meetings or consulted about transportation services that would be most appropriate for a special needs student. OAC § 3301-51-10 states that school district transportation personnel shall be consulted in the preparations of the IEPs when transportation services are required as a related service and when the child's needs are such that information to ensure the safe transportation and well-being of the child is necessary to provide such transportation. In FY 2007-08, the District transported a total of 23 special needs students (22 students on special needs buses and one special needs student was transported with regular students). The Transportation Supervisor noted that there are some limitations in providing its special needs students with transportation services. For example, most special needs students go to remote locations outside the District. Additionally, some special needs students require wheelchair assistance. The Transportation Supervisor noted that the District's regular needs buses are not fitted for wheel chairs. Therefore, it is difficult for the District to include special needs riders with regular riders. In FY 2007-08, each

special needs bus transported two routes, one to a District school and one to a special needs school.

In FY 2003-04, the District reported transporting one special needs student with another district (Type 1A). Although no other Type 1A students were reported on the T-1 report after FY 2003-04, the Transportation Supervisor noted that she contacts a nearby district annually to discuss pooling of transportation services. In FY 2008-09, one student is transported with students from other districts to a school outside the District; and one student is transported in a taxi since it was less expensive than the cost of a school bus.

Additionally, the District does not promote parent/guardian contracts. According to the Special Education Director, if a parent and student have been in the District and both are happy with the transportation services they receive, parental transportation is not offered. However, all transportation options are presented at IEP meetings with some parents, mostly for children having behavior problems who do not wish to ride the special bus. The District did not report any parent/guardian contracts for special needs students from FY 2004-05 to FY 2008-09.

Vermilion LSD's cost per special needs student was \$6,007 in FY 2006-07 and \$8,737 in FY 2007-08, significantly higher than the Statewide average of \$4,819 in FY 2006-07. Exploring the aforementioned options may help the District lower its special needs costs.

*Financial Implication:* If the District could reduce special needs costs per student by half of the difference in FY 2007-08 when compared to the Statewide average in FY 2006-07, it would save approximately \$45,000 annually. This would reduce the expenditure per pupil to \$6,778 in FY 2007-08, which is approximately 13 percent higher than FY 2006-07.

## Financial Implications Summary

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

**Table 5-4: Summary of Financial Implication for Transportation**

<b>Recommendations</b>	<b>Estimated Annual Savings</b>	<b>Estimated One-Time Revenue</b>
<b>R5.1 Eliminate and sell three active buses and one spare bus</b>	\$32,000	\$23,250
<b>R5.3 Lower overtime and consider reducing one mechanic to part-time status</b>	\$47,500 <sup>1</sup>	
<b>R5.8 Limit bus purchases</b>	\$151,000	
<b>R5.9 Reduce special needs transportation costs</b>	\$45,000	
<b>Total</b>	<b>\$275,500</b>	<b>\$23,250</b>

Source: AOS recommendations

<sup>1</sup> This includes only half of the costs related to overtime reduction to be conservative.

## Appendix 5-A: 2000 Performance Audit Recommendations and Implementation Status

**Table 5-A** summarizes the 2000 Performance Audit recommendations and the current implementation status. Each recommendation was categorized as implemented, partially implemented, or not implemented. Of the nine recommendations contained in the 2000 Performance Audit, Vermilion LSD fully implemented three recommendations, partially implemented four recommendations, and did not implement two recommendations. The 2008 Performance Audit addresses the recommendations in the 2000 Performance Audit if the related issues fell within the current audit scope.

**Table 5-A: 2000 Performance Audit Recommendations**

Recommendation	Implemented	Partially Implemented	Not Implemented
<p><b>R5.1</b> Because Vermilion LSD is in a fiscal emergency, all aspects of district operations should be assessed in an effort to reduce operating costs. Cost reductions can be achieved by reducing student transportation to state minimum standards. If the Transportation Department had routing software, it could utilize its capabilities to run various scenarios to determine the impact of the current transportation policy on the district’s transportation costs. A combination of scenarios should be run ranging from moving the District to state minimum standards or to somewhere in-between state minimum standards and the current policy. One scenario that was reviewed during the performance audit was to determine how many students in grades 9-12 would be affected if the transportation policy were changed to exclude the busing of high school students.</p>	<p>X (see <b>R5.1</b> and <b>R5.5</b>)</p>		
<p><b>R5.2</b> Another scenario that was reviewed during the performance audit was to determine how many K-8 students would be affected if the transportation policy for students were moved from one mile to two miles for transportation eligibility. Approximately 434 elementary and middle school students would lose their transportation eligibility.</p>	<p>X (see <b>R5.5</b>)</p>		
<p><b>R5.3</b> The District needs to develop procedures to ensure that accurate reports are prepared. Included in these procedures should be representatives of the Transportation Department, treasurer’s office and superintendent’s office whose signatures on these forms certify the accuracy of the data reported. In addition, there needs to be a review process by a person that is independent of the gathering process to ensure the policy was followed and accurate amounts are reported</p>			<p>X (see <b>R5.2</b>)</p>

<p>to the Ohio Department of Education. Vermilion LSD should contact ODE to receive the necessary assistance and training in meeting these objectives.</p>			
<p><b>R5.4</b> The District should thoroughly examine possibilities to implement any options and tools that could incrementally increase bus capacity levels for regular education students transported on district-owned yellow buses. Additional efficiencies may not be possible using the current manual process. One tool that is available is to purchase new routing software. The use of the available route optimization software during the annual route design process would allow the Department to test multiple route and school bell scenarios that could identify optimally efficient student per bus levels. Options available to help ease the transition and learning curve include training from the vendor or by entering into an annual contract with the vendor for the performance of all route design and optimization duties.</p>	<p>X (see <b>R5.1</b>)</p>		
<p><b>R5.5</b> The District should examine its bus capacity utilization to determine maximum transportation efficiency. To attain a bus utilization capacity of 85 percent, the District should be transporting 120 students per bus.</p>		<p>X (see <b>R5.1</b>)</p>	
<p><b>R5.6</b> The District should still examine the special needs program to determine if lower cost transportation options exist. One option available to the District involves paying the parent/guardian for the transporting of the special needs student. Ideally, the payment amounts achieved should be below the District’s yellow bus cost per student of \$1,945. However, to be financially viable, the District would have to entice enough participation to be able to reduce at least one bus.</p>		<p>X (see <b>R5.9</b>)</p>	
<p><b>R5.7</b> The District should review its current overtime policy and consider negotiating the policy to be more in line with the guidelines set forth by the FLSA. The District should consider limiting leaves that are included in the “active pay status” category when calculating overtime to only include vacation, holidays and bereavement leaves.</p>			<p>X</p>
<p><b>R5.8</b> The District should prepare a formal bus replacement plan. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. The plan should be in compliance with the fiscal emergency commission’s capital replacement plan. Further, the District should investigate and analyze the various potential funding methods for the bus purchases. The funding method(s) selected should be included in the bus replacement plan. One financing method could be participation in the Ohio School Bus Pooled Financing Program.</p>		<p>X (see <b>R5.8</b>)</p>	

<p><b>R5.9</b> The District should consider the use of technology to better manage and increase the efficiency and effectiveness of its Transportation Department as follows:</p> <ul style="list-style-type: none"> <li>• The District should consider using transportation routing software.</li> <li>• Another software consideration is boundary planning/enrollment analysis. This software can accurately tally and locate students living within any area specified by the district and can simulate various school boundary changes which could assist in the closing/opening of schools. Other software could include a custom report writer which would allow the user to generate a wide variety of reports in minutes instead of hours or days. Besides the Transportation Department, the custom report writer could be used by administrators, principals and attendance personnel providing a valuable tool for management analysis and decision making.</li> <li>• In addition, the District should consider the purchase of fleet maintenance software that would allow the district to more efficiently and effectively manage its bus fleet.</li> </ul>		X	
--	--	---	--

Source: 2000 Performance Audit





## **District Response**

---

The letter that follows is Vermilion 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.

The cover letter of the District's official response notes concerns with supporting data for some recommendations and conclusions. The performance audit of Vermilion LSD was conducted in accordance with generally accepted government auditing standards. Those standards require that the Auditor of State (AOS) plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives.

With respect to **R2.2**, the comparisons to the Certificate of Estimated Resources exclude the Ritter Public Library. As noted in the report, the real estate and property tax allocation figures used by AOS as the revised projection for FY 2008-09 reflect the District's updated forecast (October 2008) because the updated projections appear more reasonable than the original projections. In addition, the revised projections for FY 2007-08 reflect the actual figures for FY 2007-08 because they became available during the course of the performance audit. Furthermore, the revisions made to the property tax allocations did not require revisions to the tangible personal property tax projections. Regarding **R2.1**, **R2.5**, **R2.7**, **R3.10**, AOS provided available information to fulfill the District's requests.

**R3.7** recommends eliminating the additional pension benefit for administrative staff, which is based on the fact that the average administrator's salary without the additional pension benefit is approximately one percent higher than the peer average, Vermilion LSD not being required to pay any portion of the employees' retirement contribution, and the District needing to find methods to improve its financial condition. In consideration of these factors, AOS did not research whether the ten peer districts provide an additional retirement benefit for their administrative staff. However, all ten peer districts would need to be paying the full employee retirement contribution for all administrative employees to result in a peer average compensation package similar to that for Vermilion LSD's administrators.



# VERMILION LOCAL SCHOOL DISTRICT

---

Philip M. Pempin, Superintendent  
Amy L. Hendricks, Director of Finance and Business Operations  
Susan L. Kohler, Director of Educational Outcomes

Administration Offices  
1230 Beechview Drive  
Vermilion, OH 44089  
Phone 440-204-1700  
FAX 440-204-1771

June 19, 2009

James W. Penning, Chief Auditor  
State of Ohio, Office of the Auditor  
Performance Audit Section  
615 West Superior Ave – 12<sup>th</sup> Floor  
Cleveland, OH 44113

Dear Mr. Penning:

A post audit conference was held Wednesday, May 13, 2009, with the Board of Education. The Auditor of State's Office conducted the audit as a result of projected negative balances on the district's Five Year Forecast.

The audit provided the district with benchmarks, suggestions and data to assist in the ongoing review of operations. Comparison data with similar districts will serve as a basis to open discussions relating to increasing performance and value for Vermilion. As noted in the report, some recommendations must be approached through the collective bargaining process in the future. It is also difficult to determine the merit of some recommendations and conclusions given the limited supporting data included in the report, so we will be consulting further with the Performance Audit Section to achieve a more complete scope prior to taking action.

Please find attached a summary response to the recommendations included in the Discussion Draft that the Board of Education wishes to have included in the published report.

Respectfully,

Handwritten signature of Philip M. Pempin in cursive.

Philip M. Pempin  
Superintendent

Handwritten signature of Amy L. Hendricks in cursive.

Amy L. Hendricks  
Treasurer/CFO

VERMILION LOCAL SCHOOL DISTRICT

PERFORMANCE AUDIT RESPONSE

**R2.1 The Board should adopt a policy that addresses the process to be used in developing the financial forecast and the participation of other District administrators. The policy should also specify when the Treasurer should formally present the forecast to the Board. In addition, the Treasurer should consider presenting more detailed information and explanatory comments to help support and communicate the significant assumptions used in deriving the projections, and omit historical information that is no longer relevant in the forecast time period. Doing so would help the Board and public better understand the underlying elements of the District's projected financial condition, including the Treasurer's methodology and assumptions.**

The Board would consider any sample policies that are available from AOS that are reasonably adaptable to school districts as well as other forms of presentation to the stakeholders. Additional editing of assumptions/notes will be conducted as appropriate. However, a great deal of historical information is critical and specific to the Vermilion LSD that is included in our assumptions (i.e. Ford Motor Company, etc) and of great value in educating those unfamiliar with the district in how various events have shaped our current financial conditions. This information will remain in our assumptions as the Board and administration deem appropriate.

The District appreciates and acknowledges that the recommendations provided by AOS are "best practices" and always strives to do the best we can everyday in whatever we do. However, we are also charged with doing the best we can on limited resources and staffing which may not always allow for development and maintenance of additional procedures.

**R2.2 The District should ensure that the revenue projections are consistent with existing legislation, historical trends, and the County Auditor's certificate of estimated resources. The District should also add notes in the forecast to fully explain any deviations from these sources. Moreover, Vermilion LSD should ensure that the revenue projections are not overly conservative.**

Real Estate Property Taxes:

There is a key variance in local tax revenue that is not included in the Certificate of Estimated Resources provided by the Erie County Auditor. For approximately 2 years, the District has been involved in an appeal by IRG Lorain on the value of the former Ford Lorain Assembly Plant. The property is on the tax rolls for \$16.5 million, but IRG is appealing and paying taxes based on a value of \$2.5 million that would account for variance of approximately 6% of this line item. Until this valuation appeal is resolved, it is unknown if/when these tax payments will be collected by the district.

Delinquency rates have increased 1-2% in the last 18 months as well based on economic conditions.

The narrative does not list what totals are being compared from the Certificate of Estimated Resources, but it should be noted that for the Vermilion Local Schools, the total tax revenue includes both operating and debt service collections on behalf of the Ritter Public Library that are not included as part of the forecast.

Actual real estate collections for FY09 total \$14,518,568, which falls below the AOS projection by approximately \$180,000 (2%).

#### Property Tax Allocation:

The VLSD is currently funded under a "guarantee" of state revenue in this area. For the current year, this Transitional Aid Guarantee is in excess of \$1.5 million. Each year these guarantees become highly speculative based on state budget issues, and we are looking at a new budget for FY09-10 that has projections that show everything from a 100% guarantee to \$0 being allocated by the legislature for this line item. Additionally, at the time our forecast was submitted in October, 2008, there was information being released that cuts in funding in the 5% plus range from the state were to be anticipated for the current year. Not knowing which line item the State may actually reduce in relation this funding; VLSD has elected to reflect it in this reimbursement line item. Restricted grants-in-aid have also declined 35% from FY08 to estimated FY09.

The changes in the senior citizen eligibility for property tax relief has also caused a shift in dollars from Real Estate Taxes to Property Tax Allocation that is higher than anticipated, but will not impact the bottom line.

As is noted, this category includes the reimbursement for personal property tax losses. This reimbursement, while supported by current budget language is to be funded by proceeds from the CAT tax. It would be reasonable to be conservative in the funding of this reimbursement (in whole or in part) due to the decline in economic activity in the region. It should also be noted that the performance audit revenue adjustments make no reference to the decreases in the Tangible Personal Property Tax line item that merely shifts dollars to this category while not enhancing the bottom line.

#### Other Operating Revenue:

Tuition collections have declined (both local and from other districts) by 56% since FY06 to FY08, and look to remain at a comparable level for FY09. Interest income as noted declined from FY07 to FY08. Based on FTD collections it appears that interest income will decrease an additional 51% to approximately \$236,000 for the current year. The current forecasted amount for FY09 is \$571,480. While this line item is difficult to base merely on historical trends, it accounts for less than 4% of total district revenue in recent years.

**R2.3 Since employee salaries and wages represent nearly 54 percent of the District's total expenditures, the Treasurer should consider plotting each employee based on the salary schedule for each year of the forecast rather than only completing projections for part of the forecast period and for only certificated employees. 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. Additionally, the Treasurer should include separate assumptions for the salary related benefits (i.e., health insurance, retirement, Medicare and worker's compensation) in the forecast notes to 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. Moreover, the Treasurer should ensure that the methodology for projecting benefits aligns with the stated assumptions and is based on appropriate factors. Taking these steps would better ensure reliable projections.**

## Personnel Services

At the time that AOS arrived on site to do the audit, the district was highly involved in negotiations with certificated staff for the 2008-2009 year. (Contract settled mid-September for certificated and re-opened and settled with classified staff in mid-December, 2008). In addition, the district did not complete negotiations with certificated or classified staff for the 2007-2008 school year until January, 2008. Additionally, as a result of a retirement incentive plan at least 15 new teachers were in the process of being employed. Based on these circumstances, best efforts were made to keep the forecasted expenditures and documentation as accurate as possible and believe that based on the comments included in the AOS report, that the District provided that type of forecast without substantial variances.

\*Administrative and classified salary projections have historically been done on a percentage basis and anticipate that variances would be immaterial if a more detailed method were included for future years. Instructional salaries make up over 70% of district payroll and are calculated using recommended methods. The nature of classified staff with hourly rates also makes the percentage method of calculation reasonable. The Treasurer will review other more detailed calculation structures in the future.

\*It is correct that a 2008-2009 certificated salary calculation grid was not complete based on the status of negotiations as noted above in addition to the unusually high number of new employees being hired during this timeframe. No actual salary schedules were in place at this point to do projections in the detail AOS was requesting. The goal of the Treasurer is to have this type of information in place under normal circumstances in this timeframe. Based on the higher than normal influx of new staff, historical trends and percentages will need to be closely monitored in the near future to determine validity or if adjustments should be made when making projections for training and experience as the 2% referenced by AOS is based on a blended rate that includes a higher number of senior employees who are no longer moving through steps on the schedule.

## Benefits

As noted by AOS, the projected amounts appear reasonable, but are not as fully disclosed in the forecast assumptions as they would recommend. As noted above, there was a significant amount of change and uncertainty in benefit levels during this time period. In addition to changes in plan design and contribution rates for insurances, there was also a shift of severance payments for 15 members of the certified staff in to a retirement incentive program that accounts for an increase of approximately \$200,000 per year in fringe benefits through 2011. Additional changes to plan designs as well as contribution rates are going to be phased in through January, 2010, and will require a greater level of calculations and estimates that are employee specific as recommended by AOS and the district will be implementing these recommendations in some form.

**R2.4 The District should closely examine the spending patterns in Tables 2-4 and 2-5, and the cost reductions recommended in the other sections of this report. Doing so would aid in efforts to improve its financial stability, while ensuring an appropriate allocation of resources.**

The Board of Education and staff of the Vermilion Local Schools are committed to ongoing monitoring and evaluation of revenue sources as well as expenses to assure we are offering the best educational opportunities to our community in a cost effective manner. These will include, but are not limited to those cited in the report by AOS.

It should be noted that given the timing of the release of this report, the FY08-09 year will be substantially completed and it is not possible to implement recommendations or changes fully.

**R2.5 In preparing the new strategic plan, the District should incorporate meaningful goals and measurable objectives, and related performance measures and timeframes. The strategic plan should link to the five-year forecast and budget, and evolve as the District changes. Subsequently, the District should formally track progress and update the plan on a regular basis. Along with developing performance measures for the strategic plan, Vermillion LSD should establish and track performance measures for its various departments and operations.**

The district acknowledges that best practice would be to have extensive benchmarking and analysis tools in place for all areas of the district. However, the cost/benefit of these projects would need to be weighed if additional staffing were needed to develop and maintain these systems and data. We continually look for ways to reduce our costs and become more efficient in areas where this is possible. However, when the unique product that we are producing is an educated student prepared for the future, this highly service oriented process is not always easy to track from an efficiency standpoint.

If AOS has existing models or systems that they could offer for this type of measurement in various functions of the district, we would welcome that information.

**R2.6 The District should consider holding public meetings with citizens on a regular (e.g., quarterly) basis. In addition, the District should use the meetings as a forum to discuss a wide range of topics (i.e., financial forecast, budget, strategic plan, etc). The District should also explore other methods to regularly obtain stakeholder feedback, such as through surveys and/or committees.**

Two meetings were recently held (March 26 at the Vermillion Family YMCA and April 7 at Sailorway Middle School) inviting community members to have input in the strategic planning process. In addition, local business owners will be contacted for an additional session. An internal committee has met several times as well as presentations to all district staff by the Superintendent.

On a financial side, an initial meeting was held at the Ritter Public Library regarding the formulation of a Financial Advisory Committee made up of stakeholders who have business and financial expertise. This group would review district financial information as well as business related processes and functions. In addition, this group would receive information and education about the financial side of the district so assist in outreach to the community regarding the complexities that make up school funding in Ohio.

All regularly monthly Board of Education meetings are taped and broadcast on our local education cable channel to allow the public to be informed on all areas of school functions. As a part of the search for our new Superintendent, community meetings and focus groups were held for input. Recently a survey was conducted on our district website to get the communities opinion on adoption of student uniforms. Beyond, those survey and polling methods that are available at little or no cost, the district does not have the resource to allocate to professional survey services.

**R2.7 Vermillion LSD should consider expanding the current policies to address stabilization of funds, use of one-time revenues, revenue diversification, use of unpredictable revenues, contingency**

**planning and debt issuance and management. Addressing such areas would help guide decision making.**

The District would welcome the opportunity to review any sample or suggested policies that are school district appropriate that AOS can provide to comply with this recommendation.

While there may be no board adopted policy, each of the circumstances noted as examples are those taken under strong consideration when they occur and are evaluated based on the unique fact pattern involved. As an example of stabilization of funds, the Board has a Budget Reserve line item on the forecast that has been determined to be a minimum cash balance to be maintained. An additional example of planning for use of one-time revenue was a large settlement of personal tangible property taxes paid in a lump sum by Ford Motor Company. The Board passed a resolution to place these funds in the Permanent Improvement Fund that limited its being absorbed in to the daily operating budget. These funds can only be used for capital projects meeting specific criteria.

**R2.8 Vermillion 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). By making both reports and other financial information available on its website, Vermillion LSD would be using a relatively inexpensive method to help people to understand the District’s operations and financial condition.**

The District agrees that every effort should be made to effectively education stakeholders regarding district finances. At the time that AOS initiated the report, we were in the process of releasing a newly developed website so there had not been adequate time to build all of the desired links and information. Since that time, our FY08 Financial Statements as well as our Audit Report have been added to the website for public inspection. Additionally, samples were provided to AOS staff of the Logline newsletter that is periodically sent to stakeholders. This newsletter always incorporates articles and/or graphs to communicate various financial related topics. As a function of the Financial Advisory Group, the Treasurer intends to further develop communications tools that will increase the community’s awareness of school finance matters at a local and state level.

Absent a compliance requirement to prepare a CAFR, it is not anticipated that the district could justify allocation the additional \$8,000-\$10,000 for services.

**R2.9 Vermillion 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 other appropriate actions to avoid the projected operating deficits. In addition, 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, Vermillion LSD should regularly discuss potential options for reducing costs and/or increasing revenues with stakeholders to help determine long-term strategies for addressing the projected deficits.**

The Board of Education currently reviews estimated vs. actual revenue and expenditures on a monthly basis with a local developed forecast comparison report (sample provided to AOS during review). Suggestions included in the Financial Recovery Plan will be reviewed and evaluated for their impact on the educational opportunities provided in our community. The Board and administration has ongoing dialogue regarding the financial impact of decisions, policies, legislative mandates, etc. and will continue this practice.

**R3.1 Vermillion LSD should develop policies and procedures for preparing and reconciling staff and student data for submission to the Educational Management Information System (EMIS). Vermillion LSD should also ensure that someone independent of the data gathering process reviews the staffing information for consistency and accuracy. Taken collectively, these measures would better ensure the accuracy and reliability of the EMIS data, and subsequently ensure that the district bases management and operational decisions on accurate data. Once the District finalizes the EMIS report for FY2008-2009 and ensures its accuracy, it should use the data to further review staffing levels, identify potential reductions, and determine the performance audit staffing reductions that have been implemented. Lastly, the District should maintain documentation to support the average daily membership (ADM) student data that is entered through the District's Student Information System (eSIS). This will help the District review the ADM Information for consistency, and demonstrate and ensure that the information is accurate.**

The District agrees that accurate reporting of staff and student data via EMIS is an important function and always strives to improve.

#### **R3.2 through R3.4 Human Resources Recommendations - Staffing**

The Vermillion LSD is committed to ongoing evaluation of staffing levels to achieve the best education programs for our students at the best value for our stakeholders. These evaluations include, but are not limited to those cited in the above recommendations.

#### **R3.5 through R3.6 Human Resources Recommendations – Negotiated Agreements**

The Vermillion LSD will evaluate these as well as other options in the appropriate process of collective bargaining.

**R3.7 Vermillion LSD should eliminate the additional pension benefit for administrative staff. This would bring the District's compensation package for administrative employees in line with the peer average, assuming the peers do not have a similar pension benefit.**

The AOS recommendation did not collect data to support this statement or recommendation based on peer average salaries, but merely stated the cost savings "assuming other districts do not offer this benefit". Salary comparisons and surveys conducted by the Greater Cleveland Superintendent's Association as well as LEECA members and other local data that was provided to AOS staff do not support this assumption that other districts do not offer this benefit to administrative staff.

#### **R3.8 through R3.9 Human Resources – Salaries**

The District is committed to providing quality services at a fair rate of compensation for staff with ongoing evaluation to determine these measures.

#### **R3.10 Human Resources – Supplemental Salaries**

A newly formed Labor/Management Committee was developed as a part of the recent VTA contract settlement that is reviewing this topic in great detail to make recommendations. The Treasurer has compiled a detailed comparison of what supplemental positions and salaries currently exist in the West Shore Conference for both athletic and co-curricular activities that is being evaluated by the committee currently along with job descriptions, etc.

The District would like to receive copies of the supporting data collected by AOS in compiling the report in order to more fully evaluate future decisions regarding this area of expenditures and staffing.

### **R3.11 Human Resources – Health and Life Insurance Benefits**

As noted in the report, significant plan design and premium participation was achieved in the most recent union contracts. An Insurance Committee has been in place during the last 3-4 years that has been instrumental in educating employees and facilitation these developments. Ongoing collaboration in this area is a mutual goal.

Also, since the AOS conducted the review, the district was able to save \$2,500 per year by joining the Ohio Schools Counsel MetLife Insurance Program vs. the previous individual employer contract. The rate for the district was originally .125 per \$1,000 of coverage and was reduced to .095 by joining the OSC group rating program.

### **R3.12 Human Resources – Workers Compensation**

The District acknowledges that savings could be achieved by participation on the BWC group rating program. However, given our claim experience, only time to rebuild a better experience rating will allow us to join a group if that is still offered by BWC at that time. Additionally, it should be noted that the District is an active participant in the Lorain County Safety Council to maximize the discounts available from BWC that may lower the expected savings indicated in the AOS estimates. The Board has recommended enrollment in the Drug Free Work Place program to maximize those available savings.

### **R3.13 Technology**

The District changed to a new provider for Emergency Notification Systems in the fall of 2008. Substitute calling is a value added feature that the district has discussed with the vendor and wishes to implement if some technical issues can be worked out prior to the start of the 2009-2010 school year.

It should be noted that the district initiated the use of this new system for the 2008-2009 school year to make routine daily attendance calling by a link to the eSIS software that records student attendance. This has been implemented K-12 and has made time savings for office staff.

### **R5.1 through R5.9 Transportation**

The District is committed to making our transportation operations as safe and cost effective as possible for our community by evaluation these and other cost containment ideas. As noted, the VLSD was able to save costs on high school bussing by surveying ridership for 2008-2009 as a pilot and had already determined based on this success to expand the program district wide for 2009-2010. When purchasing busses, the District has been able to save money not only on the purchase price, but by reducing administrative costs using the Ohio Schools Council Bus Purchasing Cooperative for over 5 years. Fleet replacement schedules have been modified from 3 units per year to 2 units for cost containment. Additional evaluation of non-routine miles from field trips and extra-curricular activities are also being activity evaluated for savings options or alternative sources of funding to cover costs.

### **R4.1 through R4.7 Facilities**

The District has traditionally made the safety, security and maintenance of our facilities a priority. All recommendations will be reviewed as well as other local initiatives to achieve financial goals. Significant

progress has been made in building preventative maintenance work orders in to our system in recent weeks.



**Auditor of State  
Mary Taylor, CPA**

**Office of the Auditor of State of Ohio  
88 E. Broad Street  
Columbus, Ohio 43215  
(800) 282-0370  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)**