



Dave Yost • Auditor of State





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To the Residents and elected officials of the Indian Creek Local School District:

Based on forecasted financial deficits, a performance audit of the Indian Creek Local School District was initiated on December 19, 2011. The functional areas assessed in the performance audit were Finance, Human Resources, Facilities, Transportation, and Food Service. These areas were selected because they are important components of the District operations that support its mission, which is providing a learning environment where all students are given the opportunity to reach their highest potential. The District is committed to a program of ongoing improvement in curriculum, finance, facilities, staff, and support services that will be a reflection on the Indian Creek School District. Improvements in these areas can assist in financial deficits.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of the operations of Indian Creek Local School District. While the recommendations contained in the audit report are resources intended to assist in eliminating forecasted financial deficits, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

A summary has been prepared which includes the project history; a District overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Indian Creek Local School District and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State



# Table of Contents

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Performance Audit Digest.....	1
Recommendations.....	7
Appendix.....	18
Client Response.....	27



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# Performance Audit Digest

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## Background

Indian Creek Local School District (ICLSD or the District) is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Board of Education adopts the annual operating budget, tax budget, and authorizes all expenditures of the District's tax monies. The District was established in 1966 through the consolidation of existing land areas and school districts. The District serves an area of approximately 75 square miles. It is located in Jefferson County, and includes all of the Village of Wintersville, the Village of Mingo Junction, the Village of Bloomingdale, and Cross Creek Township and portions of the City of Steubenville, Island Creek, Salem, Wayne, and Steubenville Townships.

The Superintendent is the chief executive officer of the school, responsible to the Board for total education and support operations. The Treasurer is the chief financial officer of the District, responsible to the Board for maintaining all financial records, issuing checks, making investments, paying liabilities, and maintaining the minutes of all Board of Education meetings. The District is staffed by 119 non-certified personnel, 159 certified teaching personnel, and 11 administrative employees to provide services to 2,339 students and other community members.

## Audit Methodology and Scope

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

The Auditor of State (AOS) conducted the performance audit of Indian Creek Local School District in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Audit work was conducted between December 2011 and May 2012, and data was drawn primarily from fiscal years (FY) 2009-10 and 2010-11. To complete this report, the auditors gathered data, conducted interviews with District personnel, and reviewed and assessed

information from ICLSD, peer school districts, and other relevant sources. Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS primarily used five districts as peers for benchmarking purposes: Batavia Local School District (Clermont County), Edison (Jefferson County), New Philadelphia City School District (Tuscarawas County), South Point Local School District (Lawrence County), and Wilmington City School District (Clinton County). These districts were selected based upon demographic and operational data, and input from the District. The peer average used in the audit report is comprised of these five school districts, unless noted otherwise. Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), State Employment Relations Board (SERB), Ohio Department of Education (ODE), Ohio Department of Administrative Services (DAS), National Center for Education Statistics (NCES), and National Food Service Management Institute (NFSMI) the American Institute of Certified Public Accountants (AICPA), the National State Auditors Association (NSAA), and the Ohio Ethics Commission (OEC).

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

## **Noteworthy Accomplishment**

Noteworthy accomplishments acknowledge significant or exemplary practices. The following summarizes ICLSD's noteworthy accomplishment identified during the course of the audit.

As a provision within the ICLSD certified collective bargaining agreement (CBA), those members who choose to retire while the current agreement is in place will be paid for 35 percent of their unused sick time, or no more than 40 days. The hard cap of 40 days, set in place by this agreement, is less than the sick leave severance payout options compared to the peer group. Among the peer group, the numbers of days eligible for payout range from 60 to 112.

## Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide ICLSD 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.

### **1. Finance**

In addition to the budget reductions made by the Board in May of 2012, the District should consider the recommendations in this audit to further reduce spending.

### **2. Human Resources**

The District should reduce staffing levels by at least 5.0 FTE regular education teachers, 7.0 FTE teaching aides, 3.0 FTE library aides, and 2.0 FTE education service personnel.

The District should review, develop, and adopt strategies for improving the cost-effectiveness of its health insurance program.

The District should eliminate certain expensive provisions in its certified and classified collective bargaining agreements.

### **3. Facilities**

The District should evaluate facility utilization and consider reconfiguring facilities.

### **4. Transportation**

The District should reduce its active bus fleet from 15 to 8, and eliminate 1.0 FTE mechanic positions.

## 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.

### Summary of Performance Audit Recommendations

Recommendation	Impact
R2.1 Reduce staffing levels by 5.0 FTE regular education teachers, 7.0 FTE teaching aides, 3.0 FTE library aides, and 2.0 FTE education service personnel.	\$651,967
R2.2 Reduce health care costs.	\$297,000
R2.3 Eliminate costly provisions in collective bargaining agreements.	\$36,600
R3.1 Evaluate facility utilization and consider reconfiguring facilities.	\$422,861
R4.1 Eliminate 7.0 buses from the active fleet and 1.0 FTE mechanic positions.	\$345,326
<b>Total Cost Savings from Performance Audit Recommendations:</b>	<b>\$1,753,754</b>

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# Audit Objectives

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The following detailed audit objectives were used to conduct the performance audit of ICLSD. The objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. In some instances, objectives were modified based on actions taken by the District to address its deficit or high risk environments indentified by the auditors during the course of their work.

Based on audit risk and/or comparisons to relevant criteria, the reviews of the audit objectives in **bold** yielded recommendations. The audit objectives in *italics* yielded verbal recommendations. The items not in bold or italics are not presented in the audit report because they did not yield recommendations or issues for further study, or were not necessary to present in the respective Background sections (see Appendix).

## Finance

- Does the District have comprehensive financial policies to guide management, including formal policies and procedures for the forecasting process?
- Does the District have a strategic plan that is consistent with leading practices?
- Does the District's five-year forecast reasonably and logically project future revenues and expenditures to provide a reasonable assurance of accuracy?
- Does the District have an audit committee?
- Does the District actively involve parents and guardians, business partners, and community organizations in the District's decision making and activities?
- *Has the District established an effective performance measurement system?*

## Human Resource

- Is the District's current allocation of personnel efficient and effective?
- Is the District's compensation package in line with other high performing districts, state averages, and industry practices?
- 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 with peers and best practices?
- Does the Board operate in an effective manner?
- *Does the District provide special education programs for students with disabilities in a cost effective manner?*

## Facilities:

- Are the District's custodial and maintenance staffing levels in line with best practices and benchmarks?
- Are the District's maintenance and operations (M&O) costs in line with best practices and peer districts?
- How does the District's building utilization rate compare with industry standards?

- Does the District need to modify building use to increase utilization or meet future educational needs?

**Transportation**

- Does the District maintain an adequate number of active and spare buses?
- Does the District plan its bus routes to ensure efficiency?
- Are the District's transportation costs in line with established peers and industry standards?
- Are the District's fuel procurement and usage policies in line with best practices?
- Are the District's fuel usage policies sufficient as to deter misuse or impropriety?
- Does the District engage in adequate preventative maintenance activities?
- Does the District maintain a bus replacement schedule that is in line with industry standards and best practices?

**Food Service**

- Are staffing levels, within the client's food service operation, in line with industry standards and their peer group?

# Recommendations

## 1. Finance

### R.1 Consider further expenditure reductions.

**In addition to the budget reductions made by the Board in May 2012, the District should consider implementing the recommendations in this audit to further reduce spending.**

The AOS conducted this performance audit from December of 2011 to May of 2012. During that time, the District developed and began implementing their own cost savings strategy, which included one building closure and several staffing reductions.

**Table 1-1:** Compares District-recommended cost cutting measures to those recommended by the AOS.

**Table 1-1: AOS and District Reductions Compared**

AOS Recommendation	Savings	District Recommendation	Savings
Staffing Reductions	\$651,967	Staffing Reduction <sup>1</sup>	\$566,140
Close Bantam Ridge Elementary	\$185,795	Close Bantam Ridge Elementary	\$185,455
Close Wayne Elementary	\$237,066	District Transportation Changes	\$32,000
Health Insurance Changes	\$297,000		
Transportation Changes	\$345,326		
CBA Changes	\$36,600		
<b>Total</b>	<b>\$1,753,754</b>		<b>\$783,595</b>
<b>Difference</b>	<b>\$970,159</b>		

**Source:** AOS performance audit recommendations and District recommended cuts

<sup>1</sup>Does not include staffing reductions reflected in closing Bantam Ridge Elementary.

**Table 1-2** compares five-year cash balance forecast with AOS recommended cost reductions to the five-year forecast that the District released in May of 2012, which includes the District's cost reductions. The recommendations and the District's cost reduction plan eliminate the cash deficit.

**Table 1-2: Forecasted Cash Balances With Recommendations Implemented<sup>1</sup>**

	2012	2013	2014	2015	2016
<b>Cash Balance June 30 from District's Five Year Forecast</b>	\$811,742	\$577,233	\$426,101	\$216,422	(\$146,519)
<b>Accumulated Savings From Implementing Recommendations Table 1-1</b>	\$0	\$970,159	\$1,940,318	\$2,910,477	\$3,880,636
<b>Forecasted Cash Balance With Recommendations Implemented</b>		\$1,547,392	\$2,366,419	\$3,126,899	\$3,734,117

**Source:** May 2012 Five-Year Forecast and AOS performance audit recommendations.

<sup>1</sup> Assumes all recommendations implemented for FY 2012-13

The difference between AOS and District savings estimates are the result of three major savings opportunities. The largest opportunity comes from making the changes to District transportation as recommended in **R4.1**; the second largest comes from making changes to the District health insurance policy as recommended in **R2.2**; and the third largest opportunity comes from the building closure, as is recommended in **R3.1**. Implementing these savings opportunities and CBA changes in addition to those identified by the District will save an additional \$970,159.

**2. Human Resources**

**R2.1 Reduce staffing levels by at least 5.0 FTE regular education teachers, 7.0 FTE teaching aides, 3.0 FTE library staff, and 2.0 FTE education service personnel.**

The District has more FTE employees than peers in several areas (see **Table A2-1**, appendix). District-wide, ICLSD maintains an 18 to 1 regular student to regular teacher ratio while the peer average is 19 to 1. The District would need to eliminate approximately 5.0 FTEs to achieve the peer average student to staff ratio. In addition, ICLSD employs 12.0 FTE teaching aides per 1,000 students while the peer average is approximately 3.0 per 1,000 students. The District would need to eliminate 7.0 FTEs to achieve the peer average. Similar to the teaching aides, the District’s employs more library staff per 1,000 students than the peer average. As a result, the District would need to eliminate 3.0 FTEs to achieve the peer average number of library employees per 1,000 students. Lastly, ICLSD employs 7.6 FTE educational service personnel per 1,000 students while the peer average is 6.7 per 1,000 students. The District would need to eliminate approximately 2.0 FTEs to achieve a ratio comparable to the peer average.

**Table 2: Staffing Reduction Financial Implications**

Position	Avg. Annual Salary & Benefits	Number of FTE Reductions	Projected Savings <sup>1</sup>
Regular Teacher	\$67,025	5.0	\$335,125
Teaching Aides	\$13,153	7.0	\$92,075
Library Staff	\$30,239	3.0	\$90,717
Education Service Personnel	\$67,025	2.0	\$134,050
<b>Total</b>		<b>17.0</b>	<b>\$651,967</b>

Source: District EMIS data  
<sup>1</sup> Includes staffing from one building closure per Board action in May 2012.

**Table 2:** Shows the financial implications of reducing 17.0 FTEs to bring the District more in line with peer staffing levels. See Table 1-1 for District’s projected savings.

**R2.2 Reduce health care costs.**

**The District should review, develop, and adopt strategies for improving the cost-effectiveness of its health insurance program. Potential strategies should include negotiating to increase employee contributions toward monthly premium costs.**

ICLSD has a PPO health plan that covers employees through Medical Mutual. Currently, the Board pays the entire cost of health insurance, dental, and vision premiums for employees who

work 30 hours or more per week. Also, classified employees who work between 25 and 29.99 hours may receive Board paid health insurance. By comparison, all of the peers have entered into agreements whereby all certified employees contribute between 5 percent and 20 percent towards health insurance. Moreover, all of the peers require employee contributions toward health insurance benefits for classified employees.

The District's single plan monthly premium for health insurance exceeded the SERB average by \$162, or 29 percent, while the family plan was comparable to the SERB average of \$1,481. During the course of the audit, ICLSD noted it will receive a 7 percent discount for health insurance during FY 2012-13.

The Patient Protection and Affordable Care Act (PPACA) was signed into federal law in March 2010. Aspects of PPACA can impact employers' decisions regarding the provision of health insurance benefits. More specifically, PPACA allows for plans to be exempt from some of the new regulations, as a grandfathered plan. According to healthcare.gov, grandfathered plans will lose their grandfathered status if they choose to make significant changes that reduce benefits or increase costs to consumers. For example, grandfathered plans cannot decrease the percent of premiums the employer pays by more than 5 percentage points (e.g., decrease their own share and increase the workers' share of premium from 15 percent to 25 percent). Healthcare.gov also states that if a plan loses its grandfathered status, consumers in these plans will gain additional new benefits, including coverage of recommended prevention services with no cost sharing. Reviewing the PPACA legislation before enacting significant changes to its healthcare program will ensure that ICLSD achieves intended results.

*Financial Implication:* Based on District's FY 2011-12 estimates, it could save between \$330,000 and \$495,000 annually by requiring employees to contribute between 10 and 15 percent for health insurance. This amount is reduced to \$297,000 and \$445,000 in order to account for the potential impact of PPACA. Depending upon implementation action and the interpretation of PPACA requirements, the District could be subject to additional costs under PPACA. Although it is difficult to precisely quantify these additional costs, this financial implication was reduced by 10 percent to account for PPACA. This represents a conservative estimate, based on a contribution of 10 percent by the employees and the financial implication being reduced by 10 percent to account for the effects of PPACA.

### **R2.3 Eliminate costly provisions in the collective bargaining agreements.**

**The District should eliminate certain expensive provisions in its certified and classified collective bargaining agreements (CBAs). For the certified CBA, the District should reduce or eliminate tuition reimbursement, the stipends for the Local Professional Development Committee, and special education. For the classified CBA, the District should reduce the holiday pay rate of 2.0 times the per diem rate to 1.5 times the per diem rate. The District should also eliminate the 2 hour minimum call in pay.**

The District has costly provisions in the certified and classified CBAs that are not in the CBAs of peer Districts.

For certified staff the following provisions of the current CBA are out of step with peer CBAs:

- **Tuition Reimbursement:** ICLSD provides an annual pool of tuition reimbursement money to all bargaining unit members. This fund is divided into three, equal payments per year and distributed on a first-come-first-served basis. An elimination of this provision would result in cost-saving in the amount of \$31,000 for the District. Neither Batavia LSD's nor South Point LSD's CBAs provide for a tuition reimbursement program.
- **Local Professional Development Committee (LPDC):** ICLSD provides a \$2,000 annual stipend to each of the four bargaining unit LPDC members (a majority of 7 total committee members) required as part of the agreement. However, Batavia LSD, New Philadelphia LSD, and Wilmington CSD each compensate their bargaining unit committee members approximately \$600. ICLSD could save approximately \$5,600 annually by bringing LPDC stipends in line with the abovementioned peers.
- **Special Education Stipend:** ICLSD provides, for Developmental Handicapped Teachers holding positions as of July 1, 1984, a yearly stipend based on experience and education level. The amount ranges from \$434 to \$778. This provision could not be located in the peer CBAs.

For classified staff the following provisions of the current CBA are out of step with peer CBAs:

- **Holiday Pay:** ICLSD employees are compensated at 2.0 times the per diem rate for hours worked during a holiday. Among the peers, New Philadelphia LSD and Edison LSD both have stated provisions within their CBAs that pay employees 1.5 times their per diem rate of pay for hours worked during a holiday. The language within the overtime provision found in the classified employees' CBA should be reduced to a level more commensurate with their peers.
- **Call-out Time:** ICLSD's classified employees are compensated at a minimum of 2-hours for any alarm or call-out time that requires the employee to return to the school (provided they are not the one responsible for necessitating the alarm or call-out). Compensating for time spent rather than a minimum amount of time would place the District on par with Wilmington CSD and New Philadelphia LSD who do not address call-out minimums in their CBAs.

These five CBA provisions, conservatively estimated, cost the District \$36,600 per year.

### 3. Facilities

#### **R3.1 Evaluate facility utilization and consider reconfiguring facilities.**

Based upon ICLSD's building capacity and utilization rates, the District should seek to reconfigure its building layout and close underutilized buildings. At a minimum, the District should seek to reconfigure and consolidate one elementary school. An alternative option, based on enrollment trends and utilization rates, would be that the District could close two elementary facilities. If the District would decide to close two elementary facilities, District administrative offices could be relocated to the new junior high school. Reconfiguration and the closure of at least one elementary school would increase elementary school utilization rates and result in substantial savings for the District.

Although these options would decrease the District's overall maintenance and operations expenditures, as well as decrease custodial, administrative, clerical, and food service positions, the stagnant enrollment trend within the District indicates that centralizing the District might be advantageous to ICLSD. In May of 2012, the District decided to close Bantam Ridge Elementary.

Table 3-1 shows ICLSD's projected FY 2012-13 total site utilization capacity, which includes the usage of the District's modular units and outbuildings. Except for the Junior High, currently under construction with support of funding through the Ohio School Facilities Commission, completion of all other major construction of schools was before 1968.

**Table 3-1: Total Site Capacity Analysis**

Classification	Facilities	Total Capacity	Total Headcount	Utilization
Elementary School	4	1,731	1,141	66%
Junior High School	1	639	503	79%
High School	1	790	723	91%
Total	6	3,161	2,367	75%

Source: ICLSD

Note: Capacity analysis assumes the usage of the District's new junior high facility, which will house grades 6-8

The District utilizes 12 modular units and a multi-purpose facility at ICHS, and 7 modular units at Hills Elementary to create additional capacity. Due to the addition of these modular units and the multi-purpose facility, the District's total site utilization falls from approximately 88 percent to approximately 75 percent. Further, the District's elementary schools maintain a total capacity of 1,731 pupils, while the District's K-5 headcount is 1,141, a 66 percent utilization rate. Similarly, Indian Creek Junior High School (ICJHS) serving grades 6-8 would operate at approximately 79 percent utilization. The continued use of ICHS's modular units and multi-purpose facility lowers the District's utilization rate to approximately 91 percent. The District's total capacity is 3,161, for 2012-13 while the District's FY 2010-11 headcount was 2,367.

**Table 3-2** breaks down the District's total site utilization rate (**Table 3-1**) according to building.

**Table 3-2: Individual Building Utilization**

Facility	Functional Capacity	Headcount	Over/(Under) Capacity	Utilization
Bantam Ridge Elementary	175	151	(24)	86.6%
Hills Elementary	652	408	(244)	63%
Wayne Elementary	311	187	(124)	60%
Wintersville Elementary	593	395	(198)	67%
Indian Creek Junior High	639	503	(136)	79%
Indian Creek High School	790	723	(67)	91%
<b>Total</b>	<b>3,161</b>	<b>2,367</b>	<b>(794)</b>	<b>75%</b>

Source: ICLSD

**Table 3-2** shows ICLSD's low utilization rates (only 75 percent district wide in FY 2010-11) compared to an optimal rate of 85 percent. (*Defining Capacity* DeJong, 1999). Specifically, Hills Elementary, Wayne Elementary, and Wintersville Elementary are operating under the calculated capacity by 244, 124, and 198 pupils, respectively. Similarly, ICJHS is operating under the calculated capacity by 136 pupils. Alternatively, Bantam Ridge Elementary, which also houses the District administrative offices, and ICHS have utilization rates above 85 percent.

**Table 3-3** further shows the projected enrollment trends for the District based upon historical enrollment trends from ODE through 2015-16. The decline of 31 students or (1.4) percent over the five year period is based on no observable increased housing or job growth in the community.

**Table 3-3: Projected Enrollment Trends (Through FY 2015-16)**

Projection (Trend Analysis for Kindergarten: Cohort for All Other Grades)														
Year	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
<b>FY 2011-12</b>	165	165	163	165	157	181	147	166	165	187	179	176	183	2,200
<b>FY 2012-13</b>	164	163	165	159	167	161	179	150	169	173	193	173	169	2,185
<b>FY 2013-14</b>	162	162	163	161	161	171	159	182	153	177	179	187	167	2,184
<b>FY 2014-15</b>	161	161	161	159	163	165	169	162	186	160	184	173	180	2,183
<b>FY 2015-16</b>	160	160	160	157	161	167	163	172	165	195	166	178	166	2,169

Source: AOS projections based on ODE historical enrollment figures

**Table 3-3** shows that, if the District's slightly declining trend continues, enrollment will be 2,169 students by FY 2015-16. Similarly, declining enrollment will become more apparent in the District's current building configurations, as buildings become further underutilized.

**Table 3-4** displays the impact on the total elementary building utilization rate if the District decided to close one of the follow schools: Bantam Ridge, Hills, Wayne, or Wintersville Elementary.

**Table 3-4: Adjusted Capacity and Utilization - One Elementary Closure**

Facility Closure Scenario	Residual Elementary Capacity	Total Elementary Headcount	Total Elementary Utilization Rate
Bantam Ridge Elementary	1,556	1,141	73%
Hills Elementary	1,079	1,141	106%
Wayne Elementary	1,420	1,141	80%
Wintersville Elementary	1,138	1,141	100%

Source: ICLSD and AOS

As shown in **Table 3-4**, the District could close Bantam Ridge Elementary or Wayne Elementary, since closing either would raise the total elementary utilization rate to 73 percent and 80 percent, respectively. However, Hills Elementary and Wintersville Elementary are not able to be closed, since closing those facilities would put the District's total elementary utilization rate over 100 percent. Therefore, The District could close one of its underutilized elementary schools. Based on capacity and utilization rates, as well as grade configurations, Bantam Ridge Elementary or Wayne Elementary are the only viable options. Closing one of these two buildings would raise the elementary school utilization rates, while keeping utilization rates at both ICHS and ICJHS unchanged. For the District, this would generate a significant maintenance and operations cost savings based on reductions in utilities, supplies, maintenance, and capital outlay expenditures. In addition, there could be a reduction in staffing of 1.0 FTE building principals, 1.0 FTE secretaries, 1.5 FTE custodians, and 0.5 FTE Librarians, depending on the facility the District decides to close.

As shown in **Table 3-4**, closing Bantam Ridge Elementary would increase the utilization rate for the District's elementary schools to 73 percent; however, District administration would need to relocate its offices from Bantam Ridge Elementary to another facility. Given the 79 percent utilization rate at ICJHS and the lower utilization rate at District's other elementary schools, District administration should consider moving its offices to one of these facilities.

**Table 3-5** displays the impact on the District's total utilization rate if the District closed Bantam Ridge Elementary and Wayne Elementary.

**Table 3-5: Adjusted Capacity and Utilization - Two Elementary Closures**

Classification	Total Capacity	Total Headcount	Over/ (under) Capacity	Total Building Utilization Rate
Elementary Schools	1,245	1,141	(104)	92%
Junior High Schools	639	503	(136)	79%
High Schools	790	723	(67)	91%
<b>Total</b>	<b>2,675</b>	<b>2,367</b>	<b>(308)</b>	<b>89%</b>

Source: ICLSD

As **Table 3-5** illustrates, closing both Bantam Ridge Elementary and Wayne Elementary would lower the total elementary capacity to 1,245 pupils, or a 92 percent utilization rate. Alternatively, utilization rates at the junior high and high school would remain unchanged at 79 percent and 91 percent, respectively. Closing both of these facilities would increase the overall building utilization from 75 percent to 89 percent. *Defining Capacity* (DeJong, 1999) states that districts should seek to maintain an 85 percent utilization rate. Utilization rates below 85 percent signal a district is not using space efficiently, while rates above 90 percent signify difficulties in providing extra capacity should student enrollment increase.

*Financial Implication:* If the District were to close one elementary school, it could generate an annual savings of approximately \$70,535 in maintenance and operations expenditures and approximately \$115,259 in salaries and benefits expenditures. This would result in a total potential cost savings of approximately \$185,795, depending on the facility.

If the District were to close both elementary schools, ICLSD could generate an annual savings of approximately \$138,320 in maintenance and operations expenditures and approximately \$285,000 in salaries and benefits expenditures. This would result in total potential cost savings of approximately \$422,861.

It should also be noted that closing two buildings would assist the District in centralizing its facilities. However, additional transportation costs or savings associated with either option could not be quantified.

#### **4. Transportation**

##### **R4.1 Eliminate 7 buses from the fleet and 1.0 FTE mechanic positions.**

**The District should consolidate its bus routes in order to raise the rider utilization rate from 44 percent to 80 percent, as prescribed by the American Association of School Administrators (AASA). Doing so will allow the District to eliminate 7 active buses from its fleet, saving the District the costs related to the maintenance and operation of an active bus. Further, consolidating bus routes and running a reduced number of active buses will reduce the number of buses the District has to replace via direct purchase or lease. Similarly, since ICLSD will be maintaining a smaller fleet compared to its current fleet, the District will be able to reduce its mechanic staff by 1.0 FTE position.**

The District maintains 15 active buses, which run 41 daily routes to transport 1,205 riders. Fourteen of the buses have a rated capacity of 72 passengers, while one bus has a rated capacity of 62 passengers. Despite the District's high-capacity buses, the District only maintains a 44 percent (28 riders) average utilization rate per route. Further, the District is not certain as to how many tiers the Transportation Department runs each day for pupil transportation. While some buses complete only two runs, other buses complete as many as five runs. The Transportation Director stated that the District does not currently use its electronic routing software to route its buses, instead opting to manually route all District buses.

According to *The School Administrator* (AASA, December, 2005), an effective pupil-to-bus ratio should average at least 100 pupils on a double route, two-tier bus system. Actual capacity use should be measured with 80 percent of a bus' rated capacity as a goal. The average peer ratio of active buses to mechanics is approximately 8.5 active buses to 1 mechanic.

*Financial Implication:* Increasing the District's bus utilization rate from 45 percent to 80 percent would allow the District to reduce its active bus fleet from 15 buses to 8. Similarly, the District would be able to reduce the number of routes from 41 to 22. A reduction of 7 active buses would yield savings of approximately \$43,967 per active bus, or a total of \$307,772 for 7 active buses. This includes driver salaries and benefits, maintenance and repair costs, maintenance supplies, and bus insurance premiums. Similarly, the reduction in active buses allows the District to reduce its garage staff by 1.0 FTE mechanic positions, yielding a savings of \$37,554. Thus, a reduction of 7 active buses and 1.0 FTE mechanic positions would yield savings of \$345,326.

#### **R4.2 Utilize routing software to re-evaluate bus routes.**

**The District should utilize its electronic bus routing software in order to design more efficient routes and maximize the utilization of its buses. Once the District develops its building configuration, ICLSD should evaluate its routing in order to continue initiatives to improve efficiency, such as staggered bell schedules, multi-tiered routing, and cluster stops. The use of electronic routing software will also assist the District in eliminating or consolidating underutilized routes in order to achieve maximum ridership.**

ICLSD runs 15 active bus routes, including one route for handicapped and disabled pupils. The District purchased electronic bus routing software, but does not utilize the software to route its buses. Currently, routes are configured and updated by the Transportation Director using Microsoft Excel and computer generated maps of the District. If a student is added or deleted from a bus route, the Transportation Director manually reconfigures the bus route to reflect the necessary change. The Transportation Director stated that District routes the buses manually because of a lack of confidence in the computer systems.

According to *Hidden Savings in Your Bus Budget* (AASA, 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. AASA also recommends buses operate at 80 percent of rated capacity. *School Bus Seat Capacity* (NASDPTS, October 1999) recognizes that school buses transport students of all sizes, and calculates capacity based on three elementary students per seat and two middle or high school students per seat. The ability to run multiple tiers allows a district to maximize bus capacity and reduce the number of buses it needs in its fleet. Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In addition, computer routing software enhances the efficiency of routing buses, identifying optimal routes and allowing rerouting without significant additional labor.

Furthermore, according to *School Bus Routing Goes High-Tech* (ESRI, 2000/2001), routing software can optimize routes, manage student and bus driver information, manage special education busing, and provide driving directions and bus accounting. Bus routing software can also provide accident-tracking information to show the location of dangerous stretches of roadway. Additionally, bus routing software can assist a district's fleet management by showing the number of buses, equipment, engines, and other equipment data required for conducting analyses. Finally, routing software can reduce the time it takes to create state reports and aide in the elimination of bus routes, ultimately saving money.

The District can use routing software to design and optimize each route to increase the amount of capacity used, doing so will allow it to reduce the number of buses needed (see **R4.1**).

### **R4.3 Maintain and monitor fuel controls.**

**In order to mitigate the risk of theft, and provide increased reporting accuracy and efficiency, the District should effectively use all of its electronic tools to ensure proper fuel and supply tracking.**

The District's fuel tracking software uploads real time fuel usage data and is able to detect trends in fuel usage without spending significant time transferring data from paper tracking sheets to a computer software program. The District has cameras, computers, fences, and other controls.

The District maintains two diesel tanks with a rated capacity of 11,000 gallons, and a gasoline tank with a rated capacity of 2,000 gallons. The District's fuel tanks are not centralized. The Transportation Director stated that the District experienced fuel and supply theft a few years ago due to a lack of controls on the fuel and supply storage areas. Since that time, the District has enclosed its fuel tanks inside a locked fence, placed cameras on each of its fuel tanks and in all supply closets, and has tracked fuel usage with electronic software. However, the District has replaced its electronic fuel tracking system, which the District continues to maintain, with a paper based system, which employees use by placing the date, amount of fuel used, vehicle, and driver name on a sign out sheet. The Transportation Director records monthly fuel usage information into an Excel spreadsheet.

The Government Accounting Office (GAO, 1980) states that entities should ensure that all fuel obtained from bulk storage tanks is properly recorded by those taking the fuel. In addition it should be required that reconciliations be made between pump readings and the fuel issued to vehicles. Similarly, the GAO recommends that entities with bulk fuel storage tanks take steps to deter fuel misuse and theft, such as by fencing, securely locking, and monitoring all fuel storage tanks.

The District has increased the risk of theft and inaccurate reporting by not utilizing the technology currently available at the District.

Utilizing the District's fuel tracking software will ensure that fuel usage data is accurate, consistently up to date, and easily managed. Further, reconciling fuel usage records to dispensing data, on at least a monthly basis, will allow the District to better determine the amount of fuel

being used in each area of operations, as well as ensure data reliability and accuracy. Similarly, properly maintaining and monitoring each of the fuel and supply controls will ensure that they are in working condition, and will assist in preventing misuse or theft of District property.

#### **R4.4 Review the appropriateness of the size of the spare fleet**

Once the District makes final decisions regarding future building configurations (see **R3.1**) and bus reductions, it should review the size of its spare bus fleet. ICLSD should strive to achieve the 20 percent spare bus ratio suggested by the Federal Transit Administration (FTA) and ODE.

ICLSD expends \$5,904.33 per active bus on "all other costs," higher than the peer average of \$1,827.07. While \$53,866 of the \$88,565 in the "all other costs" category represents the District's bus lease, eliminating this cost would still place the District above the peer average at \$2,313.36 per active bus.

The District Treasurer stated that \$20,325 from the other costs category is comprised of the following: Professional services for cleaning the undercarriages on all the buses (\$2,749.01); towing services (\$2,625.00); plow repair (\$1,222.26); camera repairs (\$1,599.75); and radio communications (\$12,129.00) in regard to the 911 radio service / radio service agreement. The higher number of spare buses contributes to this variance. Some of the District's bus maintenance costs included in the cost of the spare buses are, maintenance, camera repair, and radio communications costs. Specifically, ICLSD reported using 9 spare buses, which represents 37.5 percent of the total fleet. By comparison, the peers maintained an average of 7 spare buses, which only represents 27.1 percent of the total fleet. The District Transportation Director stated that the District maintains a high number of spare buses due to the age and mileage of the fleet. The median age and mileage of ICLSD's fleet is 11 years with 156,258 miles, respectively. According to the National Association of State Directors of Pupil Transportation, based on average mileage accumulations by school buses in South Carolina, the state believes school buses should be replaced on a 15-year or 250,000 mile cycle.

The Federal Transportation Administration (FTA) states that the number of spare buses should not exceed 20 percent for grantees operating more than 50 active vehicles in a fleet. Further, organizations with less than 50 buses should assess the relative age and mileage of the fleet in order to determine a proper spare ratio. However, an organization with a fleet maximum of 40 buses with more than 8 spares will be considered deficient. Likewise, according to the Transportation Coordinator at ODE, spare buses typically comprise 20 percent of a district's fleet.

The District leases its buses instead of purchasing them directly in order to save money in the short-term. The District spent \$53,866 in FY 2010-11 to lease two new 2012 model buses. Because of fiscal issues, the Transportation Director is not certain when the District will purchase more new buses. Under current operations, the District would need to reduce five spare buses in order to achieve the 20 percent ratio suggested by the FTA. However, future building closures (see **R4.3**), and changes to the active fleet and service levels (see **R4.1**) can impact the number of spare buses to maintain in the future.

# Appendix

## Background

### Finance

This section focuses on the strategic and financial management systems. It analyzes strategic planning, financial policies and procedures, historical revenue and expenditures, and the forecasting processes of the District. Plans, procedures, and operations were evaluated and compared to leading practices, industry benchmarks, operational standards, and selected peer districts (see **Performance Audit Digest** for list of peer districts).

#### *Treasurer's Office Operations*

The Treasurer's Office is responsible for forecasting, budgeting, payroll, accounts payable, accounts receivable, and accounting for the District's grants. The Treasurer's Office consists of the three full-time staff including the Treasurer, an accounts payable clerk and a payroll clerk. The Treasurer has been with the District for about 10 years. All staff are cross-trained. The District shares appropriate financial information with management and the community through monthly board reports.

#### *Historical Expenditures*

**Table A1-1** shows ICLSD's historical expenditures from the Ohio Department of Education (ODE) Expenditure Flow Model (EFM) area for FY 2007-08 through FY 2010-11. **Table A1-2** shows these same expenditures on a per pupil basis.

**Table A1-1: Historical Expenditures**

	2007-08	2008-09	Percent Change	2009-10	Percent Change	2010-11	Percent Change	Average % Change
<b>Administrative</b>	\$2,080,762	\$2,074,620	0.3%	\$2,182,209	5.2%	\$2,190,845	0.4%	(1.8)%
<b>Building Operations</b>	\$4,380,159	\$4,217,065	(3.7)%	\$3,862,425	(8.4)%	\$3,785,761	(2.0)%	(4.7)%
<b>Staff Support</b>	\$664,146	\$482,629	(27.3)%	\$640,238	32.7%	\$611,679	(4.5)%	0.3%
<b>Pupil Support</b>	\$1,360,582	\$1,481,832	8.9%	\$1,504,464	1.5%	\$1,492,818	(0.8)%	3.2%
<b>Instructional</b>	\$10,061,016	\$10,426,333	3.6%	\$10,540,273	1.1%	\$10,452,104	(0.9)%	1.3%
<b>Total Expenditures</b>	\$18,546,665	\$18,682,479	0.7%	\$18,729,609	0.3%	\$18,533,207	(1.1)%	0%
<b>FTE Students</b>	2,258	2,224	(1.5)%	2,193	(1.4)%	2,192	(0.1)%	(1.0)%

**Source:** Ohio Department of Education (ODE) Expenditure Flow Model (EFM) reports

**Table A1-2: Historical Expenditures per Pupil**

	2007-08	2008-09	Percent Change	2009-10	Percent Change	2010-11	Percent Change	Average % Change
<b>Administrative</b>	\$922	\$933	1.2%	\$995	6.7%	\$999	0.4%	2.8%
<b>Building Operations</b>	\$1,940	\$1,896	(2.3)%	\$1,761	(7.1)%	\$1,727	(1.9)%	(3.8)%
<b>Staff Support</b>	\$294	\$217	(26.2)%	\$292	34.5%	\$279	(4.4)%	1.3%
<b>Pupil Support</b>	\$603	\$666	10.6%	\$686	3.0%	\$681	(0.7)%	4.3%
<b>Instructional</b>	\$4,456	\$4,688	5.2%	\$4,806	2.5%	\$4,768	(0.8)%	2.3%
<b>Total EPP</b>	\$8,214	\$8,400	2.3%	\$8,541	1.7%	\$8,454	(1.0)%	1.0%
<b>FTE Students</b>	2,258	2,224	(1.5)%	2,193	(1.4)%	2,192	(0.1)%	(1.0)%

Source: ODE EFM reports

As shown in **Table A1-1** the District's spending was mostly flat between FY 2007-08 and FY 2010-11. The minor drop in overall expenditures was led by a 4.7 percent decrease in buildings and operations expenditures. Instructional and administrative costs each rose by less than 2 percent, and pupil support costs increased by just over 3 percent.

As shown in **Table A1-2**, on a per pupil basis, the overall spending increased by about 1 percent between FY 2007-08 and FY 2010-11. The increase in per pupil spending is due to the District enrollment dropping slightly faster than overall District spending. This is because certain costs, such as administrative and instructional expenses are relatively fixed in the short term whereas pupils can open enroll out of the District any time.

### Peer Comparisons

**Table A1-3** compares ICLSD's FY 2010-11 expenditures per pupil to the peer average.

**Table A1-3: Expenditure per Pupil - Object Level Comparison**

	ICLSD	Peer Average	Difference	Percent Difference
<b>Salaries and Wages</b>	\$4,586.63	\$5,076.30	(\$489.67)	(9.7)%
<b>Employee Benefits</b>	\$2,123.81	\$2,018.78	\$105.03	5.2%
<b>Purchased Services</b>	\$1,084.68	\$603.00	\$481.68	80.0%
<b>Supplies and Materials</b>	\$321.41	\$492.18	(\$170.77)	(34.7)%
<b>Capital Outlay</b>	\$95.00	\$120.18	(\$25.18)	(21.0)%
<b>Other Objects</b>	\$243.40	\$156.88	\$86.52	55.2%
<b>Total Expenditure</b>	<b>\$8,454.93</b>	<b>\$8,467.31</b>	<b>(\$12.38)</b>	<b>(0.2)%</b>
<b>FTE Students</b>	2,192	2,423.2	(231.2)	(9.5)%

Source: ODE EFM reports

Note: Peer data was not tested for data reliability

As shown in **Table A1-3** total District spending was 0.2 percent below peer average for FY 2010-11. The District is above the peer average in employee benefits and below in expenditures per pupil and salaries and wages. The District is significantly below peers in supplies and materials spending and capital outlay and significantly over peer spending in other objects and purchase services.

ICLSD spends more than the peer average on purchased services. The three major functional areas where the District spends more than the peers are Food Service, Special Education, and Student Support Service. The food service expenditure category purchased service is higher than the peer average because the District contracts for food service while only one of the peers contracts for food service. The District spends more on purchased service for Special Education (yielded a verbal recommendation that the District should consider adapting a Response to Intervention plan to improve both their Individual Education Program process and to improve the effectiveness of instruction for students with special needs). While the District does spend \$81 more for purchased services in the Student Support Service, overall spending per student is \$1 more than peers and not significantly material.

### *Five Year Forecast*

**Table A1-4** shows selected lines of the District's February 2012 five-year forecast. The five-year forecast is put together by the District's Treasurer and approved by the School Board and is based on both historical revenue and expenditure trends and on assumptions about the way revenue and spending are likely to trend over the next few years. The auditor evaluated the procedures and assumptions used to make the forecast and concluded that the projections appear to be based on sound judgment and reliable data, and the forecast is consistent with the requirements for budgeting as set forth by ODE. The treasurer's major assumptions are that revenue will decline due to the changes in state or federal policies, such as:

- The phasing out of the tangible personal property tax;
- The phasing out of state aid designed to "hold harmless" districts who lost revenue due to the end of the tangible personal property tax; and
- The end of federal aid associated with American Recovery and Reinvestment Act.

The District anticipates small increases in spending, driven mainly by increases in the cost of benefits and retirement coverage. The District anticipates a deficit of about \$1.1 million. The deficit is expected to grow over 400 percent between FY 2012-13 and FY 2015-16, topping out at about \$6.1 million. (See Table 1-2 for results from implementation of audit recommendations.)

The complete five-year forecast, which contains all line items, including the line items in **Table A1-4** is available on the ODE website.

**Table A1-4: ICLSD Five-Year Forecast**

Line	Forecasted				
	2012	2013	2014	2015	2016
<b>Total Revenues and Other Financing Sources</b>	\$19,573,153	\$18,237,802	\$18,378,391	\$18,483,158	\$18,733,341
<b>Total Expenditure and Other Financing Uses</b>	\$19,620,060	\$19,752,671	\$19,919,897	\$20,134,508	\$20,532,284
<b>Unreserved Fund Balance June 30</b>	\$383,907	(\$1,130,962)	(\$2,672,468)	(\$4,323,818)	(\$6,122,761)

Source: ODE May 2012 Five-Year Forecast

## Human Resources

The Board, Superintendent, and Treasurer oversee the District's human resource functions as follows: the Board at a policy level, the Superintendent for management operations, and the Treasurer for financial transactions. Plans, procedures, and operations were evaluated and compared to leading practices, industry benchmarks, operational standards, and selected peer districts (see **Performance Audit Digest** for list of peer districts).

**Table A2-1** compares the full-time equivalent (FTE) staffing levels per 1,000 students at ICLSD to the peer average for FY 2010-11. (See R2)

**Table A2-1: Staffing Comparison Summary (in FTEs)**

	ICLSD			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
<b>Administrative</b> <sup>1</sup>	11.45	4.34%	5.28	6.21	(0.93)
<b>Office/Clerical</b> <sup>2</sup>	13.60	5.15%	6.29	6.54	(0.25)
<b>General Education Teachers</b> <sup>3</sup>	103.50	39.20%	47.88	45.88	2.00
<b>All Other Teachers</b> <sup>4</sup>	23.00	8.71%	10.65	11.65	(1.00)
<b>Education Service Personnel (ESP)</b> <sup>5</sup>	16.50	6.25%	7.63	6.66	0.97
<b>Educational Support</b> <sup>6</sup>	7.00	2.65%	3.24	3.22	0.02
<b>Other Certificated</b> <sup>7</sup>	1.00	0.38%	0.46	0.51	(0.05)
<b>Non-Certificated Classroom Support</b> <sup>8</sup>	26.00	9.85%	12.03	8.67	3.36
<b>Sub-Total</b>	<b>202.05</b>	<b>76.53%</b>	<b>93.46</b>	<b>89.34</b>	<b>4.12</b>
<b>Operations</b>	56.00	21.21%	25.92	23.91	2.01
<b>All Other Staff</b> <sup>9</sup>	6.00	2.27%	2.77	2.50	0.27
<b>Total Staff</b>	<b>264.05</b>	<b>100.00%</b>	<b>122.15</b>	<b>115.75</b>	<b>6.40</b>

**Source:** ODE EMIS data

<sup>1</sup> Administrative includes central office and building level administrators, directors and coordinators, as well as personal responsible for the planning, management, evaluation, and operation of the District.

<sup>2</sup> Office/Clerical includes all 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).

<sup>3</sup> Teachers include General Education teaching assignment. It does not include ESP Teachers.

<sup>4</sup> All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, LEP teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

<sup>5</sup> Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).

<sup>6</sup> Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

<sup>7</sup> Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

<sup>8</sup> Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

<sup>9</sup> All other staff includes Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

As illustrated in **TableA2-1**, ICLSD's total staff per 1,000 students is higher than the peer average. Examining those staffing categories where the district FTE to student ratio is significantly higher than peers, the District employed 8.61 more FTEs per 1,000 students in the general education teachers (2), education service personnel (.97), non-certificated classroom

support(3.36), operations (2.01), and all other staff (.27) for FY 2010-11 (see **R2.1**). During the course of this performance audit, the District made significant adjustments in staffing (see **R1**).

**Table A2-2** compares the District's average salary to the peer average for FY 2010-11.

**Table A2-2: Average Salary Comparison Summary**

	Average Salaries			Salaries Per Student Educated		
	ICLSD	Peer Avg.	Percent Difference	ICLSD	Peer Avg.	Difference
<b>Administrative</b> <sup>1</sup>	\$61,404	\$73,145	(16.0%)	\$325	\$452	(28.1%)
<b>Office/Clerical</b> <sup>2</sup>	\$24,151	\$30,492	(20.8%)	\$152	\$198	(23.2%)
<b>General Education Teachers</b> <sup>3</sup>	\$42,241	\$51,374	(17.8%)	\$2,023	\$2,354	(14.1%)
<b>All Other Teachers</b> <sup>4</sup>	\$40,075	\$48,732	(17.8%)	\$426	\$560	(23.9%)
<b>Education Service Personnel (ESP)</b> <sup>5</sup>	\$45,123	\$53,541	(15.7%)	\$344	\$354	(2.8%)
<b>Educational Support</b> <sup>6</sup>	\$43,017	\$49,777	(13.6%)	\$139	\$150	(7.3%)
<b>Other Certificated</b> <sup>7</sup>	\$49,364	\$48,837	1.1%	\$23	\$32	(28.1%)
<b>Non-Certificated Classroom Support</b> <sup>8</sup>	\$8,442	\$17,087	(50.6%)	\$102	\$149	(31.5%)
<b>Operations</b>	\$17,478	\$22,915	(23.7%)	\$453	\$534	(15.2%)
<b>All Other Staff</b> <sup>9</sup>	\$17,029	\$37,094	(54.1%)	\$47	\$89	(47.2%)
<b>Total Staff</b>	<b>\$33,027</b>	<b>\$42,335</b>	<b>(22.0%)</b>	<b>\$4,034</b>	<b>\$4,873</b>	<b>(17.2%)</b>

Source: ODE EMIS data

<sup>1</sup> Administrative includes central office and building level administrators, directors and coordinators, as well as personal responsible for the planning, management, evaluation, and operation of the District.

<sup>2</sup> Office/Clerical includes all 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).

<sup>3</sup> Teachers include General Education teaching assignment. It does not include ESP Teachers.

<sup>4</sup> All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, LEP teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

<sup>5</sup> Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).

<sup>6</sup> Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

<sup>7</sup> Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

<sup>8</sup> Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

<sup>9</sup> All other staff includes Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

**Table A2-2** shows that the District-wide average salary was 17.2 percent lower than the peer average.

## Facilities

This section of the performance audit focuses on maintenance and operations (M&O) of facilities. Throughout this section, ICLSD's operations are evaluated against selected peer school districts, recommended or leading practices, and operational standards from applicable sources, including the American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES).

### Summary of Operations

ICLSD is comprised of six educational facilities consisting of Bantam Ridge Elementary (Pre-Kindergarten and Kindergarten), Hills Elementary (Pre-Kindergarten through 6th Grade), Wayne Elementary (Pre-Kindergarten through 6th Grade), Wintersville Elementary (Pre-Kindergarten through 6th Grade), Indian Creek Junior High School (7th and 8th grades), and Indian Creek High School (9th through 12th grades). The District is in the process of completing a new 73,942 square foot junior high facility, which is expected to open in late 2012. The new junior high facility will house classes 6th through 8<sup>th</sup> grades. In addition to the District's educational facilities, the District also owns two bus garages and a multi-purpose facility. The District's multi-purpose facility, located on the Wintersville campus, is used most commonly for band and sporting events.

ICLSD has 19.5 FTE employees that are responsible for the M&O functions for the District's buildings. These functions include cleaning all areas of each school building, maintaining the District's grounds, and completing a variety of building maintenance tasks. The day-to-day operations of ICLSD's M&O function are overseen by the District's Head Custodian. The Head Custodian also serves as the custodian at Bantam Ridge Elementary. Further, 1.0 FTE day shift and 2.0 FTE evening shift custodians are assigned to Hills Elementary, Wintersville Elementary, and Indian Creek Junior High, respectively. The District assigned 2.0 FTE day shift and 2.0 FTE evening shift custodians at Indian Creek High School, while Wayne Elementary is assigned 1.0 FTE day shift and 1.0 FTE evening shift custodian. The District also has 2.0 FTE maintenance staff that are responsible for the maintenance of all of the District's facilities.

### Key Statistics and Indicators

**Table A3-1** compares key statistics for ICLSD's M&O function to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study* (AS&U, 2005 through 2009).

**Table A3-1: Key Statistics and Indicators**

<b>Total Square Feet Cleaned per FTE(17.5 FTEs)</b>	<b>20,359</b>
<i>NCES Planning Guide Benchmark<sup>1</sup></i>	29,500
<b>Total Square Feet Maintained per FTE (2.0 FTEs)</b>	<b>177,265</b>
<i>AS&amp;U Cost Survey National Median<sup>2</sup></i>	95,000

**Source:** ICLSD, National Center for Education Statistics, and American School and University Magazine

<sup>1</sup> According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose any health issues.

<sup>2</sup> The AS&U medians are based on a five-year average (FY 2004-05 to FY 2008-09) derived from the annual national survey.

**Table A3-1** illustrates that on average ICLSD custodial FTE cleans 9,141 square feet less than the NCES benchmark. This is due to the District's grounds keeping responsibilities, as District M&O staff maintain 236.5 acres of grounds. Similarly, ICLSD maintenance employees maintain 177,265 square feet per FTE, or 82,265 square feet more per FTE than the AS&U survey benchmark.

### Financial Data

**Table A3-2** compares ICLSD's M&O facilities expenditures per square foot to the peer average during FY 2010-11, the most recent data available at the time of this performance audit.

**Table A3-2: FY 2010-11 Facilities Expenditures per Square Foot Comparison**

	Client	Peer Average	Difference	Percent Difference
Salaries and Wages	\$1.77	\$2.01	(\$0.24)	(11.6%)
Employee Benefits	\$1.05	\$0.94	\$0.11	11.8%
Utilities	\$1.32	\$1.66	(\$0.34)	(20.5%)
Purchased Services (Excluding Utilities)	\$0.66	\$0.61	\$0.05	8.6%
Supplies and Materials	\$0.32	\$0.31	\$0.01	2.2%
Capital Outlay	\$0.11	\$0.38	(\$0.27)	(70.5%)
Other Objects	\$0.05	\$0.00	\$0.05	5590.3%
<b>Total Expenditures per Square Foot</b>	<b>\$5.28</b>	<b>\$5.91</b>	<b>(\$0.63)</b>	<b>(10.6%)</b>
Square Feet Maintained	354,530	321,498	33,032	10.3%

Source: ODE EFM Reports

**Table A3-2** shows that ICLSD's total M&O expenditures per square foot were lower than the peer average for FY 2010-11. **Table A3-2** also indicates that the District was materially higher than the peer average in four categories: employee benefits, purchased services, supplies and materials, and other objects. The other objects relate to the construction of the District's new junior high instructional facility; as such, this is a one-time anomaly that should not be considered in making decisions. The supplies and materials expenditure difference was determined to be not significant (less than \$4,000) to the audit, and was not examined further. Alternatively, employee benefits were found to be within the scope of the audit (see **R2.2** and **R2.3** in **Human Resources**). The District's purchased services were reviewed to determine why the District's costs were approximately \$18,000 higher than the peer average. District officials stated that they have cut purchased services costs in FY 2011-12 by deciding to cancel a \$50,000 HVAC system preventative maintenance contract.

### Transportation

This section of the performance audit focuses on transportation operations. Throughout this section, ICLSD's operations are evaluated against selected peer school districts, and leading or recommended practices and operational standards from applicable sources. Sources include the Ohio Revised Code (ORC), the Ohio Department of Education (ODE), the Federal Transit Administration (FTA), and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

### Operational Statistics

The Transportation Director oversees the District's transportation operations. ICLSD provided Type I pupil transportation services to 1,203 riders in FY 2011-12. Type I services pertain to

those provided on District-owned yellow buses. **Table A4-1** compares ICLSD's transportation operational data to the peer average for FY 2010-2011.

**Table A4-1: Key Statistics and Ratios Comparison**

Key Statistics	ICLSD	Peer Average
Square Miles	74	99
Enrollment	2,368	2,347
Total Students Transported- All Types	1,350	1,374
<b>Yellow Bus Riders (Type I)</b>		
Public	1,234	1,309
Non-Public	79	21
Community School	0	14
Special Needs	37	22
Total Yellow Bus Riders	1,350	1,365
<b>Buses (Type I)</b>		
Active Buses	15	19
Spare Buses	9	7
<b>Miles (Type I)</b>		
Annual Routine Miles	261,540	314,856
Annual Non-Routine Miles	27,054	21,499
Total Miles	288,594	336,355
<b>Operating Ratios</b>		
Enrollment per Square Mile	32.00	41.91
Riders per Square Mile	18.2	26.9
Public Riders as a Percent of Enrollment	52.1%	59.7%
Yellow Bus Riders per Active Bus	90.0	69.7
Spare Bus Ratio	37.5%	27.1%

**Source:** ICLSD and peer district T-forms

**Table A4-1** illustrates that the District's yellow bus riders per active bus was 90.0 for FY 2010-11, while the peer average was 69.7. While above the peer average, the number does not take into consideration the bus capacities (see **R4.2**). Additionally the ICLSD has more spare buses than the peers (see **R4.4**).

**Table A4-2** compares ICLSD's transportation cost data to the peer average for FY 2010-11.

**Table A4-2: Type I Transportation Cost Ratios**

	ICLSD	Peer Average
<b>Salaries</b>		
Per Yellow Bus Rider	\$229.95	\$415.67
Per Active Bus	\$20,695.40	\$27,447.82
Per Routine Mile	\$1.19	\$1.78
<b>Benefits</b>		
Per Yellow Bus Rider	\$243.67	\$225.59
Per Active Bus	\$21,930.40	\$15,070.80
Per Routine Mile	\$1.26	\$0.96
<b>Maintenance &amp; Repairs</b>		
Per Yellow Bus Rider	\$87.27	\$126.53
Per Active Bus	\$7,854.33	\$8,405.65
Per Routine Mile	\$0.45	\$0.54
<b>Fuel</b>		
Per Yellow Bus Rider	\$89.31	\$129.41
Per Active Bus	\$8,038.20	\$8,546.63
Per Routine Mile	\$0.46	\$0.55
<b>Bus Insurance</b>		
Per Yellow Bus Rider	\$9.46	\$13.72
Per Active Bus	\$851.40	\$856.00
Per Routine Mile	\$0.05	\$0.06
<b>All Other Costs</b>		
Per Yellow Bus Rider	\$65.60	\$26.01
Per Active Bus	\$5,904.33	\$1,827.07
Per Routine Mile	\$0.34	\$0.11
<b>Total Expenditures</b>		
Per Yellow Bus Rider	\$725.27	\$936.93
Per Active Bus	\$65,274.07	\$62,153.97
Per Routine Mile	\$3.74	\$3.99

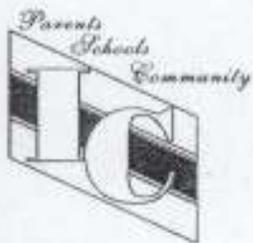
**Source:** ICLSD and peer district T-forms

**Table A4-2** shows that ICLSD's total FY 2010-11 expenditures are slightly lower than the peer average on a per rider and per routine mile basis, but are slightly above the peer average on a per active bus comparison. **Table A4-2** also illustrates that the District is operating below the peer average in salaries, maintenance and repairs, fuel, and bus insurance expenditures. Conversely, ICLSD is above peer average in benefits (see the **Human Resources** section) and all other costs. The elevated other costs expenditures stem from the District's coding of towing costs, professional cleaning of the bus undercarriages, plow repair, bus camera repairs, and the District's 9-1-1 radio agreement to the other costs expenditure category (see **R4.4**). Further, the District's bus lease payment of \$53,866 is also included in the other costs category, explaining the significant difference between the District and the peer average. Additionally, the District's bus lease cost and higher benefits cost account for the higher total expenditures per active bus.

## **Client Response**

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The letter that follows is the Indian Creek 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 the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



# Indian Creek Local School District

First **BEST** Community  
In Jefferson  
County

**Board of Education**  
587 Bantam Ridge Road  
Wintersville OH 43953  
740-264-3502

**Office of the Superintendent**  
587 Bantam Ridge Road  
Wintersville OH 43953  
740-264-3502

**Office of the Treasurer**  
587 Bantam Ridge Road  
Wintersville OH 43953  
740-266-2912

**Indian Creek High School**  
200 Park Drive  
Wintersville OH 43953  
740-264-1163

**Indian Creek Middle School**  
110 Steuben Street  
Mingo Junction OH 43938  
740-266-2916  
740-535-0043

**Hills Elementary**  
707 Wilson Avenue  
Mingo Junction OH 43938  
740-283-2479

**Wayne Elementary**  
5926 County Highway 22A  
Bloomington OH 43910  
740-944-1751

**Wintersville Elementary**  
100 Park Drive  
Wintersville Ohio 43953  
740-264-1691

**Transportation**  
300 Park Drive  
Wintersville OH 43953  
740-264-2526

November 16, 2012

Dave Yost  
Auditor of State  
88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215

Dear Mr. Yost,

First, I would like to thank you for the information that was provided to the Indian Creek Local School District from the performance audit conducted by your staff during the 2011-2012 school year. Their analysis confirmed our beliefs that our District is operating very efficiently through changes we have made during past school years. The performance audit provided detailed recommendations regarding changes we should make in order to sustain our District financially.

Secondly, I want to commend your staff on their professional appearance, attitude and support through the yearlong audit process. James Pyers and Craig Miller worked diligently to ensure our audit was valid and precise. I commend them for their work and want to thank both of these gentlemen for their support and professional knowledge.

As a part of the consultation we had with your staff, we have supplied responses to various areas of the report which are included in the report. We appreciate all of your support to our District in these tough financial times as we streamline our District financially and work to provide the "BEST" education to every student.

We will continue to utilize this report in the future to determine the effectiveness of our financial plans. On behalf of the Indian Creek Local School District Board of Education, I want to thank you for helping our District become more financially cognizant and responsible.

Sincerely,

John Rocchi  
Superintendent

# Performance Audit Response

The Indian Creek Local School District implemented a deficit reduction plan for the 2012-13 school year. This plan was provided to the performance audit team. Components of this deficit reduction plan will be highlighted throughout this response from the district. The Indian Creek School District has reviewed the Performance Audit. The following response is based upon the recommendations in the audit and analysis of our school district internally.

The performance audit contained recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provided an independent assessment of the operations of Indian Creek Local School District. The district will utilize the information to assist in eliminating forecasted financial deficits. The District has assessed overall operations and will implement recommendations in conjunction with alternatives to ensure the students who attend our school district receive an excellent education.

Each section of the audit report contained recommendations that were intended to provide ICLSD with options to enhance its operational efficiency and improve its long-term financial stability. Here is the ICLSD response to the performance audit. The ICLSD attempted a combined bond issue and operating levy in March and November of 2012. The bond issue sought to secure approximately 8 million dollars from the OFCC for construction of a new high school. The bond issue would have provided approximately 5 million dollars in LFI money for renovations to existing facilities. The 1.45 mill 5 year operating levy would have generated approximately \$480,000 annually. Both ballot attempts were unsuccessful. At this time it is undecided as to whether the district will return to the ballot.

## **1. Finance**

*AOS Recommendation R.1 Consider further expenditure reductions.*

*In addition to the budget reductions made by the Board in May 2012, the District should consider implementing the recommendations in this audit to further reduce spending.*

**ICLSD Action Plan:** The District has experienced a decrease in revenue along with state and federal programs, procedures and policies that have had a negative impact on the financial stability of the Indian Creek Local School District. The district is creating more flexible options for students who wish to pursue an education outside of the traditional model. Additionally, a plan is being created to market the Indian Creek Local School District to attract new students and retain current students. Furthermore, the District will maintain a focus toward securing competitive money. The following are concerns that the District is facing:

- Reduction in revenue from the state of over \$1.3 million.

- Annual dollar loss to parental choice options
  - Online community schools - \$320,000
  - Open enrollment to adjacent districts (net loss) - \$800,000.
    - Since 1998, the Indian Creek Local School District has lost nearly \$13 million in funding due to open enrollment.
  - Jon Peterson/Autism Scholarship - \$63,000
  - Increase in demand for flexible educational options (VLA) - \$80,000
- Alternative School placements - \$50,000

The District was unsuccessful at the ballot for a 1.45 mill, 5-Year operating levy which would have generated approximately \$480,000 annually. The District is aware additional reductions must now occur and is in the process of analyzing the best course of action to reduce expenditures, increase revenue and continue to offer a quality education to students. In spite of the financial challenges listed above and described throughout this response, the Indian Creek Local School District has been rated as *Excellent* on Ohio's Local Report Card.

Maintaining this record of academic achievement will continue to become more difficult in the face of decreased funding from the state and increased expenditures. It will become impossible for the district to afford to offer the current programs and opportunities for students that are currently available under the forecasted financial situation of the district. Additionally, as technology increasingly transforms education, the District will be unable to make the needed investment in technology to continue to maintain positive academic outcomes for the students of Indian Creek Local School District.

## **2. Human Resources**

*AOS Recommendation R2.1 The District should reduce staffing levels by at least 5.0 FTE regular education teachers, 7.0 FTE teaching aides, 3.0 FTE library aides, and 2.0 FTE education service personnel.*

**ICLSD Action Plan:** For the 2012-2013 school year, the district made staff reductions totaling approximately \$750,000. The District will continue to evaluate staffing levels and adjust to available funding in order to operate in an efficient manner.

*AOS Recommendation R2.2 The district should review, develop, and adopt strategies for improving the cost effectiveness of its health insurance program. Potential strategies should include negotiating to increase employee contributions toward monthly premium costs.*

**ICLSD Action Plan:** The district made changes to the health insurance plan in April, 2011 to help improve the cost-effectiveness of the program. However,

additional negotiations are needed to bring all employee health care contributions more in line with AOS recommendations.

*AOS Recommendation R2.3 Eliminate costly provisions in the collective bargaining agreements.*

*The district should eliminate certain expensive provisions in its certified and classified collective bargaining agreements (CBA's). For the certified CBA, the District should reduce or eliminate tuition reimbursement, the stipends for the Local Professional Development Committee and special education. For the classified CBA, the District should reduce the holiday pay rate of 2.0 times the per diem rate to 1.5 times the per diem rate. The district should also eliminate the 2 hour minimum call in pay.*

**ICLSD Action Plan:** The district recognizes that the above items are expensive provisions and are not features of peer district CBA's. These items are subject to future negotiations.

### **3. Facilities**

*AOS Recommendation R3.1 Evaluate facility utilization and consider reconfiguring facilities.*

*Based upon ICLSD's building capacity and utilization rates, the District should seek to reconfigure its building layout and close underutilized buildings. At a minimum, the District should seek to reconfigure and consolidate one elementary school. An alternative option, based on enrollment trends and utilization rates, would be that the District could close two elementary facilities. Reconfiguration and the closure of at least one elementary school would increase elementary school utilization rates and result in substantial savings for the District.*

*Although these options would decrease the District's overall maintenance and operations expenditures, as well as decrease custodial, administrative, clerical, and food service positions, the stagnant enrollment trend within the District indicates that centralizing the District might be advantageous to ICLSD. In May of 2012, the District decided to close Bantam Ridge Elementary.*

**ICLSD Action Plan:** The District has evaluated the utilization of all facilities and has reconfigured during the 2012-13 school year. Students at Bantam Ridge Elementary in grades PK and K were moved to Wintersville Elementary. The Bantam Ridge Building is currently being leased by 4 agencies: Jefferson County Farm Bureau, Jefferson County Soil and Water, OSU Extension Office, and Jefferson County Community Action Council Head Start. Income from these leases will offset the operational costs of the Bantam Ridge Administrative Offices. Students in grades 6 district wide have been moved to Indian Creek Middle School for the 2012-13 school year. This move has created open classroom space at Wayne Elementary and Hills Elementary. The district does

not believe portable classrooms provide a safe and productive learning environment and are seeking to eliminate the utilization of portable classrooms. Current building enrollments are being analyzed to determine total site capacity as shown in Table 3-1 page 11 of the performance audit. District facilities are being analyzed to determine renovation and maintenance costs. The district will determine reconfiguration for the 2013-14 school year based upon AOS findings and recommendations.

#### **4. Transportation**

*AOS Recommendation R4.1 Eliminate 7 buses from the fleet and 1.0 FTE mechanic positions.*

*The District should consolidate its bus routes in order to raise the rider utilization rate from 44 percent to 80 percent, as prescribed by the American Association of School Administrators (AASA). Doing so will allow the District to eliminate 7 active buses from its fleet, saving the District the costs related to the maintenance and operation of an active bus. Further, consolidating bus routes and running a reduced number of active buses will reduce the number of buses the District has to replace via direct purchase or lease. Similarly, since ICLSD will be maintaining a smaller fleet compared to its current fleet, the District will be able to reduce its mechanic staff by 1.0 FTE position.*

**ICLSD Action Plan:** The District is continuing to look at route configuration for cost-savings. The District currently offers courtesy bussing for students of the district. The feasibility of courtesy bussing will be examined. The district will look to restructure 1 FTE mechanic position.

*AOS Recommendation R4.2 Utilize routing software to re-evaluate bus routes.*

*The District should utilize its electronic bus routing software in order to design more efficient routes and maximize the utilization of its buses. Once the District develops its building configuration, ICLSD should evaluate its routing in order to continue initiatives to improve efficiency, such as staggered bell schedules, multi-tiered routing, and cluster stops. The use of electronic routing software will also assist the District in eliminating or consolidating underutilized routes in order to achieve maximum ridership.*

**ICLSD Action Plan:** The District is in the process of installation and set-up for bus routing software that will improve the efficiency of transporting students.

*AOS Recommendation R4.3 Maintain and monitor fuel controls.*

*In order to mitigate the risk of theft, and provide increased reporting accuracy and efficiency, the District should effectively use all of its electronic tools to ensure proper fuel and supply tracking.*

**ICLSD Action Plan:** The District has implemented the use of *Fuel Master*, a fuel-tracking software. The District eliminated the Hills Elementary Re-Fueling Station.

*AOS Recommendation R4.4 Review the appropriateness of the size of the spare fleet.*

**ICLSD Action Plan:** The district is assessing the spare fleet to determine appropriate actions.

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# Dave Yost • Auditor of State

INDIAN CREEK LOCAL SCHOOL DISTRICT

JEFFERSON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 29, 2012