



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Bowling Green City School District,

At the request of the Board of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

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

Dave Yost
Auditor of State
May 12, 2015

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Executive Summary

Purpose and Scope of the Audit

The Bowling Green City School District (BGCSO or the District) requested the Auditor of State's (AOS) Ohio Performance Team (OPT) conduct a performance audit in order to provide an objective assessment of the economy, efficiency, and effectiveness of the District's operations and management.

The following scope areas were selected for detailed review and analysis in consultation with the District: financial management, human resources, facilities, transportation, and food service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight 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.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including; peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in the report. A primary set of peers was selected for general District-wide comparisons. In addition, peer groups were selected for a comparison of compensation and

bargaining agreements (referred to as surrounding districts) and a separate set for a comparison of transportation service. The following table contains the Ohio school districts included in these peer groups.

Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Geneva Area City Schools (Ashtabula County) • Louisville City Schools (Stark County) • Talawanda City Schools (Butler County) • Vandalia-Butler City Schools (Montgomery County) • Wooster City Schools (Wayne County)
Compensation and Bargaining Agreement Peers (Surrounding Districts)
<ul style="list-style-type: none"> • Anthony Wayne Local Schools (Lucas County) • Maumee City Schools (Lucas County) • Springfield Local Schools (Lucas County)
Transportation Peers
<ul style="list-style-type: none"> • Cloverleaf Local Schools (Medina County) • Eaton Community City Schools (Preble County) • Greenville City Schools (Darke County) • Jonathan Alder Local Schools (Madison County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), American School and University (AS&U), and the National Center for Education Statistics (NCES).

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Bowling Green City School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following noteworthy accomplishments were identified during the course of this audit.

- **Salary Schedules:** Effective July 1, 2014, BGCS and its bargaining units negotiated to eliminate salary schedules for certificated and support staff hired prior to that date. Certificated employees receive fixed percentage increases to their salary rate and support staff employees receive fixed percentage increases to their hourly rate. Neither bargaining

unit will receive step increases. In addition, the District negotiated new salary schedules for certificated and support staff hired after July 1, 2014 that reduced the number of steps for all staff and the number of education achievement columns for certificated staff.

- **Facilities overtime, temporary, and substitute wages:** The District's FY 2013-14 non-regular wages, which constitutes overtime, temporary, and substitute wages, equaled 2.4 percent of total salaries. This was significantly lower than the peer average of 8.3 percent of total wages. BGCSO has taken several steps to limit the need for non-regular labor, including: not requiring custodial presence during athletic practices; requiring that any private entity contracting the use of school facilities pays for an on-site custodian; and scheduling high school and middle school athletic events during normal custodial hours whenever possible.

Issue for Further Study

Issues are sometimes identified by AOS that are not related to the objectives of the audit but could yield economy and efficiency if examined in more detail. The following issue for further study was identified during the course of this audit.

- **Review Performing Arts Center (PAC) operations:** The District operates its Performing Arts Center (PAC) as an enterprise fund. In FY 2013-14, the District's PAC Fund received approximately \$9,300 in revenue for services provided. PAC expenditures are for the PAC Director's salaries and benefits. The PAC Fund incurred a loss of approximately \$37,000 in FY 2013-14 which prompted a \$40,000 transfer from the General Fund. The District should examine ways to increase revenue or decrease expenditures.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 6.0 full time equivalent (FTE) general education teaching positions	\$274,000
R.2 Eliminate 5.0 FTE educational service personnel (ESP) positions	\$244,900
R.3 Renegotiate collective bargaining agreement provisions	\$186,200
R.4 Complete T-2 Form as prescribed by ODE	N/A
R.5 Utilize routing optimization software	N/A
Total Cost Savings from Performance Audit Recommendations	\$705,100

The following table shows the District's ending fund balances as projected in the October 2014 financial forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Financial Forecast with Performance Audit Recommendations

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Original Ending Fund Balance	\$4,689,620	(\$198,193)	(\$8,157,038)	(\$18,170,481)
Cumulative Balance of Performance Audit Recommendations	\$705,100	\$1,410,200	\$2,115,300	\$2,820,400
Revised Ending Fund Balance	\$5,394,720	\$1,212,007	(\$6,041,738)	(\$15,350,081)

Source: BGCS D Five Year Forecast for Fiscal Year 2015 (October 2014) and performance audit recommendations

Note: Although the District could seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2015-16 through FY 2018-19 only.

As shown in the table, by implementing the performance audit recommendations contained in this report, the District could delay projected deficits for one year, instead experiencing a positive ending fund balance in FY 2016-17. In addition, negative ending fund balances projected for the latter two years of the forecast would decrease with a cumulative impact of over \$2.8 million in FY 2018-19. The savings tied to staffing reductions are conservative given ODE has not placed BGCS D in a fiscal designation. If the District is unable to generate additional revenue or identify other savings, it may need to consider general education teacher and ESP staffing levels that approach State minimums, which would save an additional \$1.4 million annually.

Background

Financial Status

School districts in Ohio are required to prepare and submit two five year financial forecasts to ODE each year.¹ Information contained in these forecasts provides an important measure of the financial health. **Table 1** summarizes the District's October 2014 five year forecast and includes year-end fund balances.

Table 1: Financial Condition Overview

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenue	\$30,342,161	\$28,385,059	\$26,731,779	\$25,370,642	\$23,709,599
Total Expenditure	\$30,792,092	\$29,947,128	\$31,619,592	\$33,329,486	\$33,723,042
Results of Operations	(\$449,931)	(\$1,562,069)	(\$4,887,813)	(\$7,958,844)	(\$10,013,443)
Beginning Cash Balance	\$6,756,619	\$6,306,688	\$4,744,620	(\$143,193)	(\$8,102,038)
Ending Cash Balance	\$6,306,688	\$4,744,620	(\$143,193)	(\$8,102,038)	(\$18,115,481)
Estimated Encumbrances	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000
Ending Fund Balance	\$6,251,688	\$4,689,620	(\$198,193)	(\$8,157,038)	(\$18,170,481)

Source: BGCS D Five Year Forecast for Fiscal Year 2015 (October 2014)

As shown in **Table 1**, the District projected expenditures in excess of revenue in each year depleting its cash balance by FY 2016-17. The significant decrease in revenue is due to an emergency levy and operating levy both expiring at the end of calendar year 2015 and a school district income tax expiring at the end of calendar year 2017. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$18.1 million by FY 2018-19.

In March 2012, the District's voters passed a 0.50 percent income tax renewal. However, voters rejected a 0.75 percent income tax increase in November 2012 and a 6.75 mill operating levy in May 2013. ODE uses the Local Tax Effort Index to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. The District's local tax effort was 1.2274 for FY 2012-13 while the peer average was 0.9421, signifying that BGCS D receives 30 percent more means-adjusted local taxpayer support than its peers.

Eliminating future fund balance deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, BGCS D's operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District. If the

¹ These forecasts are required to be submitted to ODE in May and October of each year.

District's revenue increases, it may be able to address projected deficits without making significant reductions to operations. However, revenue is not directly controlled by school districts, but instead by federal and State laws, regulations, and support from local residents.

Recommendations

R.1 Eliminate 6.0 full time equivalent² (FTE) general education teaching positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) 3301-35-05 requires a district-wide ratio of general education teachers to students of at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel.

Table 2 presents three options for staffing reductions in which the District would continue to operate within State requirements for general education teacher staffing levels based on FY 2014-15 staff data and FY 2013-14 student data.

Table 2: General Education Teacher Comparison

General Education FTEs						128.2
Regular Student Population						2,484.3
Staffing Ratio (Students: Teachers)						19.4:1
Options	Staffing Ratio by Option (Students:Teachers)	Proposed Staffing for each Option	Difference Above / (Below)	Proposed Reduction for this Option	Annual Savings	
Option 1: Peer Average	20.4:1	121.8	6.4	6.0	\$274,064	
Option 2: 10% Above State Minimum	22.5:1	110.4	17.8	17.0	\$824,907	
Option 3: State Minimum	25:1	99.4	28.8	28.0	\$1,473,311	

Source: BGCS, peer districts, and OAC

As illustrated in **Table 2**, the District has several options for reducing general education teachers. The selection of an appropriate course of action is ultimately District management's responsibility based on the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities in BGCS to maintain a solvent operation.

The District could gain financial efficiency by bringing its operations more in-line with the peer districts as demonstrated in Option 1. Should its financial condition worsen, however, the District could consider the more serious options, which include a staffing reduction to State minimum levels. While it is not a common practice in Ohio to operate at or near State minimums, some districts have had to make staffing reductions of that magnitude to address budget deficits.

² According to the *FY 2014 EMIS Reporting Manual* (ODE, 2014) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time.

Financial Implication: Eliminating 6.0 FTE general education teaching positions would save approximately **\$274,000** in salaries and benefits annually. These savings were calculated using the six lowest paid full-time general education teachers' salaries and an average benefit ratio of 38.3 percent. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.2 Eliminate 5.0 FTE educational service personnel (ESP) positions

ESP positions traditionally include K-8 art, music, and physical education teachers; counselors; librarians; school nurses; social workers; and visiting teachers. In FY 2014-15, BGCS D employed 23.0 FTE ESP staff, which included 5.0 FTE art teachers, 3.0 FTE music teachers, 4.0 FTE physical education teachers, 7.0 FTE counselors, 3.0 FTE librarians, and 1.0 FTE school nurse. OAC 3301-35-05 gives school districts responsibility for the scope and type of educational services they provide. **Table 3** compares the District's ESP staffing to the peer average.

Table 3: ESP Comparison

ESP FTEs	23.0				
Regular Student Population	2,484.3				
Staffing Ratio (ESP per 1,000 Students)	9.3				
	Staffing Ratio (ESP per 1,000 Students)	Proposed Staffing	Difference Above / (Below)	Proposed Reduction	Annual Savings
Peer Average	7.2	17.8	5.2	5.0	\$244,923

Source: BGCS D and peer districts

As illustrated in **Table 3**, BGCS D employs more ESP positions than the peer average, signifying that financial efficiency could be gained by bringing its operations more in-line with this staffing level. Although reductions beyond the peer average remain an option, the District's course of action is ultimately management's responsibility based on the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with the fiduciary responsibility to adapt to the financial realities in the District to maintain a solvent operation.

Financial Implication: Eliminating 5.0 FTE ESP positions would save approximately **\$244,900** in salaries and benefits annually. These savings were calculated using the five lowest paid full-time ESP salaries and an average benefit ratio of 38.3 percent. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Renegotiate collective bargaining agreement provisions

The District has negotiated agreements with the Bowling Green Education Association (certificated CBA) and the Ohio Association of Public School Employees (support staff CBA). An analysis of these CBAs identified certain provisions that exceeded State minimum standards and/or typical provisions in Ohio school districts. The following provisions exceeded the surrounding district average or guidelines outlined in the Ohio Revised Code (ORC):

- Sick Leave Accrual and Payout:** The District's CBAs allow employees to accrue unlimited days of unused sick leave. The surrounding peers' support staff CBAs have an average maximum sick leave accrual of 273 days and the certificated CBAs have an average of 298 days. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. Providing an accrual rate in excess of State minimum levels represents the potential for increased financial liability when sick leave is paid out to retiring employees. Effective July 1, 2014, the District negotiated to reduce sick leave payout to a maximum of 55 days for both certificated and support staff. The surrounding districts are more generous than BGCS D. Maumee CSD provides certificated and support staff with a maximum payout of 90.45 days, Anthony Wayne LSD provides certificated employees with up to 82 days paid out at retirement, and Springfield LSD certificated employees are eligible for 31.3 percent of unlimited sick leave at retirement. Although BGCS D has a lower payout level than the peers, it provides higher payout than required in ORC § 124.39 which allows a school employee to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement. Allowing employees to receive a payout in excess of State minimums becomes costly at employee retirement. Higher payout provisions cost the District an additional \$383,600 in FY 2012-13 and \$84,200 in FY 2013-14, based on historical severance data.
- Vacation:** The District's support staff CBA allows employees to accrue 540 vacation days over the course of a 30-year career. This is higher than the surrounding district average of 517 days and ORC § 3319.084 minimum of 460 days. Direct savings from reducing the vacation schedule could not be quantified. However, a reduction would increase the number of available work hours at no additional cost to the District.

Table 4 uses historical severance payout data to calculate what BGCS D would have paid at its current maximum of 55 days and the State minimum of 30 days.

Table 4: Severance Payouts

	FY 2011-12	FY 2012-13	FY 2013-14
Payout at 55 Days	\$387,836	\$609,057	\$158,826
Payout at 30 Days	\$193,211	\$311,177	\$92,471
Difference	\$194,625	\$297,880	\$66,355
Total Difference over 3-year Period			\$558,860
Average Severance Payout Savings			\$186,287

As illustrated in **Table 4**, the District could have saved an average of \$186,287 annually if severance payouts were at State minimums.

Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create unnecessary financial burden on the District and limit management's ability to control costs. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights would be beneficial to the District's financial position.

Financial Implication: Reducing the sick leave severance payout to the ORC minimum would save approximately **\$186,200** annually based on an average of severance payout data for the last three fiscal years.

R.4 Complete T-2 Form as prescribed by ODE

ODE provides detailed instructions for completing the T-2 Forms, which measure expenditures incurred by districts for the transportation of students. In particular, ODE provides guidelines detailing which transportation-related expenditures should be included and excluded from the T-2 Forms. Furthermore, ODE provides guidelines as to how long supporting documentation related to the completion of the T-2 Forms should be held by districts.

BGCSD reported expenditures for FY 2013-14 transportation operations that were not consistent with ODE T-2 Form instructions. Specifically, the District included transportation expenditures for enrichment activities and did not exclude fuel expenditures for non-routine trips. An assessment of the District's total fuel expenditures on the FY 2013-14 T-2 Report found that fuel expenditures listed varied from those reported in the financial records by 0.6 percent, despite non-routine miles constituting 9.0 percent of total miles traveled. According to ODE T-2 Form instructions, expenditures for non-routine use of school buses, such as summer school, after school events, athletic trips, and educational field trips, should not be included on the T-2 Form. In addition, the District does not maintain documentation to support the expenditures reported on the T-2 Form. ODE instructions require districts to retain a copy of all transportation reports and supporting documentation for five years.

BGCSD should complete T-2 Forms in accordance with guidance provided by ODE.

R.5 Utilize routing optimization software

In FY 2013-14, BGCSD transported a total of 1,376 riders on 20 active buses. All buses, except for two special education buses, have a rated capacity of 78 passengers. The District operates on a multi-tier routing system that transports middle school and high school students during the first route and elementary school students on the second route. Despite the District's high capacity buses, it maintains only a 60.7 percent (39 students) average utilization rate per route. Although the District uses routing software, it does not use the routing optimization features available. The District's support staff CBA includes a minimum work day for bus drivers and requires the Transportation Director to establish routes as equal as possible. The District does not feel this provision creates routing inefficiencies given its size (118 square miles) and population density (11.7 riders per square mile).

Furthermore, the District's ODE efficiency target increased from 1.10 in FY 2011-12 to 1.43 in FY 2012-13, the most recent year available. Efficiency targets are calculated based on a number of factors including geographical size, population, number of tiers, and T-1 Report data. According to ODE, districts with a ratio over 1.0 are defined as efficient relative to other school districts and higher ratios indicate higher relative efficiency.

The District should utilize the routing optimization features included in its routing software. Doing so will allow the District to identify routing inefficiencies and may afford it the ability to reduce active buses. Additionally, the District should evaluate bus routes to ensure the CBA provision is not creating inefficiencies.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. 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 consultation with the District, OPT identified the following scope areas for detailed review: financial management, human resources, facilities, transportation, and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation, where applicable. Fifteen of the nineteen objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Is financial data reliable for use?	N/A
What is the current financial condition?	N/A
Are expenditures per pupil in line with peer expenditures?	N/A
Does the District have a Business Advisory Council?	N/A
Human Resources	
Is EMIS data reliable for use?	N/A
Is staffing efficient compared to peers and OAC/State minimums, where applicable?	R.1, R.2
Are salaries comparable to peers?	Table B-3
Are collective bargaining agreements consistent with leading practices?	R.3
Are insurance benefits consistent with leading practices?	Table B-4, Table B-5
Facilities	
Is facilities data reliable for use?	N/A
Is custodial and maintenance staffing efficient compared to benchmarks?	Table B-2
Are facilities expenditures comparable to peers?	Table B-6
Transportation	
Is T-Form information reliable for use?	R.4
Is the transportation operation efficient?	R.5
Does the District use an efficient process for procuring fuel?	N/A
Does the District effectively secure its fuel supply?	N/A
Is the fleet maintained efficiently?	N/A
Are bus replacement practices consistent with leading practices?	N/A
Food Service	
Is the food service operation self-sufficient?	Table B-7

Appendix B: Additional Comparisons

Staffing

Table B-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at BGCS D and the average of the peer districts. According to the *FY 2014 EMIS Reporting Manual* (ODE, 2014) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district. Staffing levels are presented on a per 1,000 student basis as they are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers. The latest available peer data was from FY 2013-14 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing at the time of the assessment.

Table B-1: BGCS D Staffing Comparison

	BGCS D		Peer Average	Difference	
Students ¹	2,815		2,946	(131)	
Students (in thousands)	2.815		2.946	(0.131)	
	BGCS D		Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ²
	FTEs	FTEs Per 1,000 Students			
Administrative	14.0	5.0	4.9	0.1	0.3
Office/Clerical	18.7	6.6	7.1	(0.5)	(1.4)
General Education Teachers	128.2	45.5	43.1	2.4	6.8
All Other Teachers	28.8	10.2	14.2	(4.0)	(11.3)
Educational Service Personnel (ESP)	23.0	8.2	6.4	1.8	5.1
Educational Support	7.5	2.7	3.2	(0.5)	(1.4)
Other Certificated	1.0	0.4	1.5	(1.1)	(3.1)
Non-Certificated Classroom Support	0.7	0.3	11.0	(10.7)	(30.1)
Other Professional and Technical Staff	9.0	3.2	3.9	(0.7)	(2.0)

Source: BGCS D provided data for FY 2014-15 and peer district FY 2013-14 data as reported to ODE

Note: The District's operational staffing, including bus drivers, custodians, maintenance workers, and food service employees are not included in the peer comparison. Where applicable, these areas were assessed based on industry and operational standards.

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average. Calculated by multiplying "Difference Per 1,000 Students" by BGCS D "Students (in thousands)".

As shown in **Table B-1**, staffing levels were comparable to the peer average in each position category, with the exception of general education teachers and educational service personnel.

Assessments of these position categories are discussed in greater detail in **R.1** and **R.2**, respectively.

Staffing levels within the Maintenance and Grounds Department were assessed based on workload measures included in the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) and *Maintenance & Operations Cost Study* (American School & University, 2005-2009). **Table B-2** illustrates the District's facilities staffing levels compared to these industry benchmarks.

Table B-2: Maintenance & Grounds Department Staffing Need

Grounds-keeper Staffing	
Grounds FTEs	2.2
Acreage Maintained	120.7
AS&U Benchmark - Acres per FTE Grounds-keeper	40.2
Benchmarked Staffing Need	3.0
Groundskeeper FTEs Above/(Below) Benchmark	(0.8)
Cleaning Staffing	
Custodial FTEs	18.4
Square Footage Cleaned	481,128
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	16.3
Custodial FTEs Above/(Below) Benchmark	2.1
Maintenance Staffing	
Maintenance FTEs	1.8
Square Footage Maintained ¹	473,171
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Staffing Need	5.0
Maintenance FTEs Above/(Below) Benchmark	(3.2)
Total B&G Staffing	
Total FTEs Employed	22.4
Total Benchmarked Staffing Need	24.3
Total FTEs Above/(Below) Benchmark	(1.9)

Source: BGCSD, AS&U Maintenance and Operations Annual Cost Study, and NCES

¹ BGCSD leases its administrative office space and is not responsible for maintenance of the facility.

As show in **Table B-2**, the District's overall facilities staffing is below the benchmark.

Salaries

Wages for certificated and support staff were compared to surrounding district averages using FY 2014-15 salary schedules contained in the respective collective bargaining agreements. **Table B-3** shows the career compensation the District should expect to pay certificated or support staff over the duration of a 30 year career in comparison to the surrounding district average.

Table B-3: Total Compensation Comparison

	BGCSD	Surrounding District Average	Difference	Percent Difference
Certificated (Teachers)				
Bachelor's	\$1,316,767	\$1,644,831	(\$328,064)	(19.9%)
Master's	\$1,494,365	\$1,982,440	(\$488,075)	(24.6%)
Support Staff				
Custodian	\$847,080	\$1,087,674	(\$240,594)	(22.1%)
Maintenance	\$931,819	\$1,266,824	(\$335,005)	(26.4%)
Cook	\$231,392	\$295,916	(\$64,523)	(21.8%)
Bus Driver	\$397,524	\$519,934	(\$122,410)	(23.5%)
Clerical/Secretary	\$817,086	\$941,375	(\$124,289)	(13.2%)

Source: BGCSD and surrounding district collective bargaining agreements

As shown in **Table B-3**, career compensation for every position is significantly below the surrounding district average.

Health Insurance

BGCSD offers its employees a Preferred Provider Organization (PPO) plan and a High Deductible Health Plan (HDHP) through the Wood County School Consortium. The State Employment Relations Board (SERB) surveys public sector entities regarding health insurance costs and publishes this information on an annual basis. The purpose of this survey is to provide data on various aspects of health insurance, plan design, and cost for government entities in Ohio. The 2015 monthly cost of benefits for BGCSD was compared to data contained in the 22nd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2014). **Table B-4** shows the comparisons for single and family plans.

Table B-4: Health Insurance Premiums Comparison

	BGCSD	SERB Average	Difference	Percent Difference
Health Insurance PPO				
Single	\$560.53	\$513.00	\$47.53	9.3%
Family	\$1,496.63	\$1,368.00	\$128.63	9.4%
Dental Insurance				
Single	\$34.00	\$36.42	(\$2.42)	(6.6%)
Family	\$93.91	\$88.96	\$4.95	5.6%
Vision Insurance				
Single	\$14.97	\$8.58	\$6.39	74.5%
Family	\$14.97	\$21.19	(\$6.22)	(29.4%)

Source: BGCSD and SERB

Note: The HDHP plan was excluded from the analysis because of limited enrollment.

As illustrated in **Table B-4**, BGCS D's PPO premium costs for a single and family plan, family dental plan, and single vision plan are higher than the SERB averages for the Toledo Region, while the premiums for a single dental plan and a family vision plan are lower.

Although BGCS D has higher premiums than reported by SERB, the District's employee contributions are comparable to or higher than SERB benchmarks. Further, in July 2014, BGCS D negotiated higher deductibles and out-of-pocket maximums for certificated and support staff bringing these plan benefits in line with SERB averages. As a result of these changes, the District experienced a slight decrease in the health insurance premiums from August 2014 to January 2015.

Table B-5 compares the actual cost of monthly premiums incurred by the District effective January 1, 2015 to the average employer cost for Wood County effective January 1, 2014, the most recent year available. This comparison takes premium levels and employee contribution amounts into consideration.

Table B-5: Employer Cost Comparison

	BGCS D	Wood County Average	Difference	Percent Difference
Single	\$476.53	\$469.99	\$6.54	1.4%
Family	\$1,273.63	\$1,270.90	\$2.73	0.2%

Source: BGCS D and SERB

As shown in **Table B-5**, monthly premium costs incurred by BGCS D are comparable to the averages for Wood County.

Facility Expenditures

Table B-6 illustrates BGCS D's FY 2013-14 facility expenditures per square foot compared to the peers.

Table B-6: Facilities Expenditures per Square Foot Comparison

	BGCS D	Peer Average	Difference	Percent Difference
Salaries and Wages	\$2.52	\$1.74	\$0.78	44.8%
Employee Benefits	\$1.19	\$0.81	\$0.38	46.9%
Purchased Services (Excluding Utilities)	\$0.46	\$1.47	(\$1.01)	(68.7%)
Utilities	\$1.03	\$1.50	(\$0.47)	(31.3%)
Electric	\$0.67	\$1.05	(\$0.38)	(36.2%)
Gas	\$0.27	\$0.34	(\$0.07)	(20.6%)
Other Energy Sources	\$0.00	\$0.00	\$0.00	0.0%
Subtotal Energy	\$0.94	\$1.39	(\$0.45)	(32.4%)
Water and Sewer	\$0.09	\$0.11	(\$0.02)	(18.2%)
Supplies and Materials	\$0.22	\$0.35	(\$0.13)	(37.1%)
Capital Outlay	\$0.01	\$0.09	(\$0.08)	(88.9%)
Other Objects	\$0.02	\$0.00	(\$0.02)	0.0%
Total Expenditures per Square Foot	\$5.45	\$5.96	(\$0.51)	(8.6%)

Source: BGCS D and ODE

As shown in **Table B-6**, the District's overall expenditures are lower than the peer average. Although salaries and wages and benefits costs per square foot were higher, these were analyzed in **Table B-3**, **Table B-4**, and **Table B-5** and found to be line with benchmarks.

Food Service

Table B-7 shows the District's Food Service Fund revenues and expenditures for the last four fiscal years.

Table B-7: Food Service Fund

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Charges for Services/Sales	\$622,245	\$589,056	\$572,916	\$492,148
Operating Grants & Contributions	\$624,019	\$634,982	\$655,601	\$631,219
Total Revenue	\$1,246,264	\$1,224,038	\$1,228,517	\$1,123,367
Total Expenditures	\$1,203,705	\$1,186,734	\$1,168,370	\$1,092,188
Net Revenue	\$42,559	\$37,304	\$60,147	\$31,179

Source: BGCSD audited financial statements

As shown in **Table B-7**, the Food Service Fund ended each of the last four fiscal years with a positive balance.

Appendix C: Five Year Forecast

Chart C-1: BGCSD October 2014 Five Year Forecast

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	15,397,172	15,348,807	15,604,736	15,505,986	13,813,833	12,160,553	12,190,954	12,238,373
1.020 Tangible Personal Property Tax	8,572	1,322						
1.030 Income Tax	2,816,897	2,929,239	3,209,757	3,100,000	3,100,000	3,100,000	1,708,461	
1.035 Unrestricted Grants-in-Aid	6,449,706	6,617,672	7,136,834	7,729,000	7,500,000	7,500,000	7,500,000	7,500,000
1.040 Restricted Grants-in-Aid	32,851	103,841	381,302	321,469	285,520	285,520	285,520	285,520
1.045 Restricted Federal Grants-in-Aid - SFSF	333,230							
1.050 Property Tax Allocation	3,747,295	3,207,839	3,230,345	3,285,706	3,285,706	3,285,706	3,285,706	3,285,706
1.060 All Other Operating Revenue	655,776	553,026	771,435	400,000	400,000	400,000	400,000	400,000
1.070 Total Revenue	29,441,499	28,761,746	30,334,408	30,342,161	28,385,059	26,731,779	25,370,642	23,709,599
2.080 Total Revenues and Other Financing Sources	29,441,499	28,761,746	30,334,408	30,342,161	28,385,059	26,731,779	25,370,642	23,709,599
3.010 Personnel Services	18,350,771	17,302,622	16,414,228	16,491,330	16,111,531	17,056,196	18,020,992	17,842,866
3.020 Employees' Retirement/Insurance Benefits	6,501,833	6,620,936	6,404,077	6,511,400	6,449,556	7,095,384	7,757,440	8,331,653
3.030 Purchased Services	3,177,140	3,318,946	3,523,880	4,142,150	4,183,572	4,225,407	4,267,661	4,310,338
3.040 Supplies and Materials	1,295,287	963,524	1,241,989	1,576,432	1,307,800	1,320,878	1,334,087	1,360,769
3.050 Capital Outlay	143,121	25,874	202,706	428,500	269,000	270,345	271,697	273,055
4.300 Other Objects	920,267	1,003,854	771,066	1,202,280	1,285,669	1,311,382	1,337,610	1,364,362
4.500 Total Expenditures	30,388,419	29,235,756	28,557,946	30,352,092	29,607,128	31,279,592	32,989,486	33,483,042
5.010 Operational Transfers - Out	450,000	340,000	340,000	440,000	340,000	340,000	340,000	240,000
5.040 Total Other Financing Uses	450,000	340,000	340,000	440,000	340,000	340,000	340,000	240,000
5.050 Total Expenditure and Other Financing Uses	30,838,419	29,575,756	28,897,946	30,792,092	29,947,128	31,619,592	33,329,486	33,723,042
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-1,396,920	-814,010	1,436,462	-449,931	-1,562,068	-4,887,813	-7,958,844	-10,013,443
7.010 Beginning Cash Balance	7,531,087	6,134,167	5,320,157	6,756,619	6,306,688	4,744,620	-143,193	-8,102,038
7.020 Ending Cash Balance	6,134,167	5,320,157	6,756,619	6,306,688	4,744,620	-143,193	-8,102,038	-18,115,481
8.010 Outstanding Encumbrances	411,405	433,616	320,054	55,000	55,000	55,000	55,000	55,000
9.030 Budget Reserve	500,000	500,000	500,000	500,000	500,000	500,000	500,000	
9.080 Total Reservations	500,000	500,000	500,000	500,000	500,000	500,000	500,000	
10.010 Fund Balance June 30 for Certification of Appropriations	5,222,762	4,386,541	5,936,565	5,751,688	4,189,620	-698,193	-8,657,038	-18,170,481
11.010 Income Tax - Renewal							1,400,000	3,100,000
11.020 Property Tax - Renewal or Replacement					1,692,153	3,384,198	3,384,198	3,384,198
11.300 Cumulative Balance of Replacement/Renewal Levies					1,692,153	5,076,351	9,860,549	16,344,747
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	5,222,762	4,386,541	5,936,565	5,751,688	5,881,773	4,378,158	1,203,511	-1,825,734
15.010 Unreserved Fund Balance June 30	5,222,762	4,386,541	5,936,565	5,751,688	5,881,773	4,378,158	1,203,511	-1,825,734

Source: ODE

Client Response

The letter that follows is the 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.



April 29, 2015

Dave Yost
Auditor of State

Dear Auditor Yost,

As noted in your report, the Bowling Green Board of Education did indeed contract with the Auditor of State's Ohio Performance Team to conduct a performance audit of the District at a cost of approximately \$74,000. The Board and management appreciate the professionalism and courtesy of your staff as well as the status updates provided. The Board and management welcome this opportunity to respond to the report to give the readers and stakeholders our perspective.

First, we would like to remind the reader that the Auditor's focus is strictly financial, and does not take educational value into consideration. We are committed to continuing our excellent, diversified educational programming for our students.

As noted in the report, several districts were selected to be used as "peers". Criteria used to select the five primary peers included student enrollment, expenditures per pupil, district local tax effort, Performance Index score, percent of students in poverty and percent of students with disabilities. Your team did agree to include, and we thank you for that, two districts as primary peers even though their expenditures per pupil were higher than ours as they also serve as college towns and one is a district often used for comparisons by the Ohio Department of Education (ODE). We would like to share those statistics for Bowling Green and each peer for fiscal year 2014 from ODE's website for the reader's information:

District	Student enrollment	Expenditures per pupil	Performance Index Score	% Student in Poverty	% Students with Disabilities	% Gen Fund Revenue from Local Sources
BG	3125	\$8,974	101.1	35.34%	12.70%	64.29%
Geneva	2645	\$7,686	99.7	47.39%	13.40%	39.50%
Louisville	3161	\$7,268	103.6	37.28%	12.10%	35.66%
Talawanda	3098	\$10,539	102.6	35.13%	8.90%	69.20%
Vandalia-Butler	3324	\$8,443	102.6	32.72%	15.10%	65.82%
Wooster	3837	\$9,210	100.6	48.06%	14.90%	61.40%

Dr. Ann F. McVey
Superintendent

Rhonda L. Melchi, CPA
Treasurer

Dr. Todd M. Cramer
Executive Director
of Teaching & Learning

Dr. Robert W. Yenrick
Executive Director
of Pupil Services

Dawn M. Dazell
Human Resource Administrator

Beth C. Krolak
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Special Needs Coordinator

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Bowling Green City Schools

Bowling Green High School
Jeff Dever, Principal
Dan Black, Assistant Principal
419-354-0100

Bowling Green Middle School
Gary Keller, Principal
Eric Radabaugh, Assistant Principal
419-354-0200

Conneaut Elementary
Jim Lang, Principal
419-354-0300

Crim Elementary
Melanie Garbig, Principal
419-354-0400

Kenwood Elementary
Kathleen Daney, Principal
419-354-0500

Before addressing specific recommendations, we would like to point out to the reader that amounts listed in the Auditor's tables regarding the Financial Forecast (the Original Ending Fund Balance on the Financial Forecast with Performance Audit Recommendations table on page 4 and the Ending Fund Balance on Table 1 under Financial Status on page 5) are prior to inclusion of the revenue that will be generated by the renewals of the 4.2 mill and 1.65 mill levies. Revenues from renewals are required to be presented separately in the bottom of a District's forecast and as such are not included in the balances presented on these tables. The Board took action in January, 2015, to place both renewals on the May 5, 2015 ballot and has confidence that the voters will renew those levies. As can be seen in Appendix C on page on Page 18, the District's forecasted ending balances are positive through June 30, 2018 with passage of these levies as well as a school district income tax renewal in 2017.

Staffing

The Auditor has recommended the District eliminate 6.0 full-time general education teaching positions and 5.0 educational service personnel positions to achieve staffing **averages** of the five primary peers cited above. Table B-1 on page 13 shows that while Bowling Green's General Education Teachers and Educational Service Personnel exceed the peer averages by the amounts the auditor recommends be eliminated, Bowling Green's All Other Teachers are below the peer average by almost this same total. Other positions listed on Table B-1 also show that Bowling Green's staffing is below peer averages. It is important for us to share with the readers that this District has already reduced its staff by 34 teachers since 2010. With each retirement the District has, and will continue, to evaluate the need to continue staffing the vacated position in the next fiscal year.

Surveys conducted with the public have indicated our public values smaller class sizes and enriching the education of children with courses in the arts, health and physical education and several other electives as well as by making counselors, media specialists and a school nurse available. This support seems to be further evidenced by the amount of local funding support in the chart on the first page of this response. Those "peers" with the lowest expenditures per pupil have the least amount of local funding support. Further, although Ohio Administrative Code Section 3301-35-05 requires a district-wide ratio of *at least* (emphasis added) 1.0 FTE classroom teacher for every 25 students, the language infers that a higher number of teachers is actually expected to be provided. Again, the District will continue to evaluate staffing levels, however, educational programming will also be a factor in that evaluation.

Collective Bargaining Agreement Provisions

The Auditor recommends that sick leave and severance provisions be reduced to State minimums. As pointed out in Table B-3 on page 15, the District's wages are already lower than the surrounding district average and sick leave payout at retirement is also lower than those same districts. The report does not mention that District employees received 0% increases in base salaries for fiscal years 2012 and 2013 and took a total pay freeze during fiscal year 2014.

Bowling Green City Schools must provide some incentive to attract and retain the best employees to serve our students.

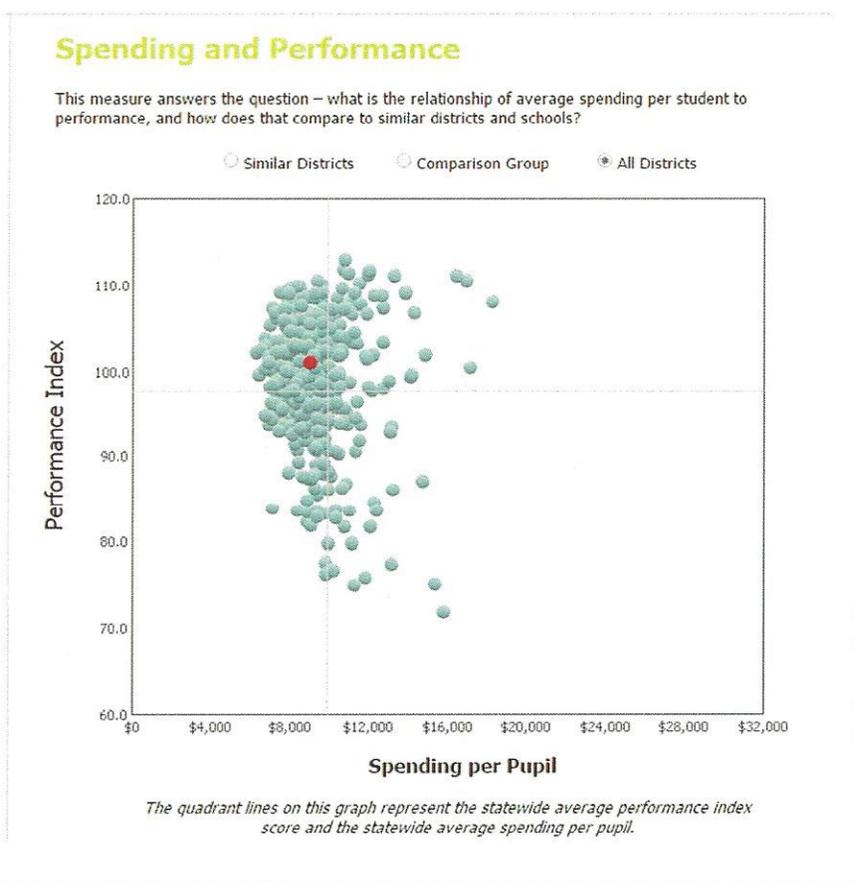
Complete T-2 Form as prescribed by ODE

We believe the change in personnel in the transportation department resulted in the inconsistencies in the information reported and the deficiencies are clerical in nature. We will take action to remedy this in the future.

Routing Optimization Software

The District will continue to seek training on how best to use all features of the software. Depending upon the impact of increased riding time for a child, routes may or may not be adjusted. ODE sets annual Pupil Transportation Efficiency Targets by student per bus value for each district in the state. Districts with a rating over 1.0 are defined as efficient relative to other school districts. Bowling Green received a 1.4 efficiency rating from ODE for 2014.

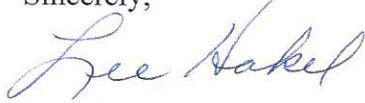
Finally, we would like the readers to be aware that in terms of spending versus performance, Bowling Green City Schools perform better than state average. The graph below, with Bowling Green indicated by a red dot, is taken from the ODE's report card:



We recognize that Bowling Green City Schools does have room for improvement in all aspects. We will continue to strive for excellence while practicing good stewardship of public dollars.

Thank you again for the opportunity to respond to the report.

Sincerely,



Board President



Superintendent



Dave Yost • Auditor of State

BOWLING GREEN CITY SCHOOL DISTRICT

WOOD 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
MAY 12, 2015**