



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Newton Falls Exempted Village School District,

At the request of the Ohio Department 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  
December 8, 2015

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# **Executive Summary**

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## **Purpose and Scope of the Audit**

The Ohio Department of Education (ODE) requested and funded this performance audit of the Newton Falls Exempted Village School District (NFEVSD or the District). ODE requested this performance audit with the goal of improving the financial condition of the District through an objective assessment of the economy, efficiency, and effectiveness of its operations and management. See **Table 1** in **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including financial management, human resources, facilities, and transportation. 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).

The Auditor of State's (AOS) Ohio Performance Team (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. During the course of the audit fieldwork, our assessments tested the District's internal controls. In addition, while planning the audit, a review

of the financial audit findings over internal controls revealed low risks and no material weaknesses.

In consultation with the District, two sets of peer groups were selected for comparisons contained in this report. A primary set of peers was selected for general District-wide comparisons. In addition, peer groups were selected for a comparison of compensation, benefits, and bargaining agreements (referred to as surrounding districts). The following table contains the Ohio school districts included in these peer groups.

**Peer Group Definitions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Belpre City School District (Washington County)</li> <li>• Champion Local School District (Trumbull County)</li> <li>• Chippewa Local School District (Wayne County)</li> <li>• Columbiana Exempted Village School District (Columbiana County)</li> <li>• La Brae Local School District (Trumbull County)</li> <li>• Liberty Local School District (Trumbull County)</li> <li>• Martins Ferry City School District (Belmont County)</li> <li>• Oberlin City School District (Lorain County)</li> <li>• Swanton Local School District (Fulton County)</li> <li>• Tuslaw Local School District (Stark County)</li> </ul>
<b>Compensation, Benefits, and Union Contract Peers (Surrounding Districts)</b>
<ul style="list-style-type: none"> <li>• Champion Local School District (Trumbull County)</li> <li>• La Brae Local School District (Trumbull County)</li> <li>• Liberty Local School District (Trumbull County)</li> </ul>

In addition to the peer districts listed above, comparisons were made to industry standards or leading practices where applicable. These include American Schools and Universities (AS&U); the National Center for Education Statistics (NCES); the National Association of State Directors of Pupil Transportation Services (NASDPTS); the Ohio Department of Administrative Services (DAS); the Ohio Department of Education (ODE); and the Ohio State Employment Relations Board (SERB). Compliance with pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) was also assessed.

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 NFEVSD 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 Newton Falls EVSD for their cooperation and assistance throughout this audit.

### Summary of Recommendations

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

#### Summary of Recommendations

Recommendations		Savings
<b>R.1</b>	<b>Negotiate a salary schedule freeze</b>	\$142,400
<b>R.2</b>	<b>Renegotiate CBA provisions</b>	\$42,000
<b>R.3</b>	<b>Reduce vision insurance premiums</b>	\$4,000
<b>R.4</b>	<b>Use DAS cooperative purchasing program for fuel</b>	\$4,700
<b>R.5</b>	<b>Renegotiate special needs transportation contract terms</b>	N/A
<b>R.6</b>	<b>Develop a formal vehicle preventive maintenance program</b>	N/A
<b>R.7</b>	<b>Develop a formal bus replacement plan</b>	N/A
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$193,100</b>

The following table shows the District’s ending fund balances as projected in the October 2015 five-year forecast, with adjustments made to account for additional revenues that will result from the passage of the 6.0 mill emergency levy on November 3, 2015 (see **Table 2**). Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the adjusted ending fund balances.

#### Financial Forecast with Performance Audit Recommendations

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>Revised Ending Fund Balance</b>	<b>\$210,152</b>	<b>\$662,237</b>	<b>\$864,060</b>	<b>\$796,570</b>	<b>\$560,651</b>
<b>Cumulative Balance of Performance Audit Recommendations</b>	<b>\$4,700</b>	<b>\$197,800</b>	<b>\$390,900</b>	<b>\$584,000</b>	<b>\$777,100</b>
<b>Revised Ending Fund Balance</b>	<b>\$214,852</b>	<b>\$860,037</b>	<b>\$1,254,960</b>	<b>\$1,380,570</b>	<b>\$1,337,751</b>

Source: NFEVSD, ODE, and OPT recommendations applied to revised October 2015 five year forecast

While the performance audit recommendations are based on FY 2014-15 operations, implementation of all recommendations may not be possible until FY 2016-17 or later, as some recommendations require contract negotiations and others simply would not be possible until the start of a new fiscal year. As shown above, cost savings from **R.4** have been applied to FY 2015-16 as this recommendation is not subject to negotiation and can be implemented immediately. As shown in the table above, if NFEVSD fully implements the recommendations of this performance audit, it could fully address its projected deficits and generate a surplus of \$1.3 million by FY 2019-20.

# Background

The Ohio Department of Education (ODE) requested and funded this performance audit of NFEVSD based on the declining fiscal stability of the District as first evident in its October 2014 forecast and then further analyzed in its May 2015 five-year forecast (see **Appendix C** for full versions of all five-year forecasts referenced in this performance audit).

**Table 1** shows a summary overview of both five-year forecasts, including the forecasted results of operations, ending cash balances, and ending fund balances. This forecasted information is an important measure of the future financial health of NFEVSD and the October 2014 information was used by AOS and ODE to select the District for a performance audit.

**Table 1: NFEVSD Financial Condition Overview (October 2014 & May 2015)**

October 2014 Forecast	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenues	\$10,311,855	\$10,305,194	\$10,307,451	\$10,309,208	\$10,310,965
Total Expenditures	\$11,075,088	\$10,844,906	\$10,922,406	\$11,245,466	\$11,449,847
<b>Results of Operations</b>	<b>(\$763,233)</b>	<b>(\$539,712)</b>	<b>(\$614,955)</b>	<b>(\$936,258)</b>	<b>(\$1,138,882)</b>
Beginning Cash Balance	\$210,364	(\$541,433)	(\$1,069,709)	(\$1,673,228)	(\$2,598,050)
<b>Ending Cash Balance</b>	<b>(\$541,433)</b>	<b>(\$1,069,709)</b>	<b>(\$1,673,228)</b>	<b>(\$2,598,050)</b>	<b>(\$3,725,496)</b>
Outstanding Encumbrances	\$22,912	22,912	\$22,912	\$22,912	\$22,912
<b>Ending Fund Balance</b>	<b>(\$564,345)</b>	<b>(\$1,092,621)</b>	<b>(\$1,696,140)</b>	<b>(\$2,620,962)</b>	<b>(\$3,748,408)</b>
May 2015 Forecast	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenues	\$11,181,850	\$10,832,077	\$10,833,834	\$10,835,591	\$10,837,348
Total Expenditures	\$11,325,801	\$11,305,102	\$11,315,665	\$11,608,282	\$11,815,233
<b>Results of Operations</b>	<b>(\$143,951)</b>	<b>(\$473,025)</b>	<b>(\$481,831)</b>	<b>(\$772,691)</b>	<b>(\$977,885)</b>
Beginning Cash Balance	\$210,364	\$66,413	(\$406,612)	(\$888,443)	(\$1,661,134)
<b>Ending Cash Balance</b>	<b>\$66,413</b>	<b>(\$406,612)</b>	<b>(\$888,443)</b>	<b>(\$1,661,134)</b>	<b>(\$2,639,019)</b>
Outstanding Encumbrances	\$22,912	\$22,912	\$22,912	\$22,912	\$22,912
<b>Ending Fund Balance</b>	<b>\$43,501</b>	<b>(\$429,524)</b>	<b>(\$911,355)</b>	<b>(\$1,684,046)</b>	<b>(\$2,661,931)</b>

Source: NFEVSD and ODE

As shown in **Table 1**, both version of the District’s five-year forecast projected negative fund balances. However, while the October 2014 five-year forecast showed a deficit beginning in FY 2016-17 and increasing to a cumulative \$2.2 million by 2018-19, the May 2015 five-year forecast identified an escalation of this original condition. Specifically, the forecast projected deficits beginning in FY 2015-16 and increasing to a cumulative \$2.6 million by FY 2018-19. Both deficit conditions were a direct result of expenditures projected to outpace revenues over the forecast periods.

Objectives and analyses conducted in the performance audit focus on the District’s expenditures, as management has the greatest control over operating decisions that have direct impact on expenditures. In contrast, revenue generation is not directly controlled by school districts but instead by federal and State laws and regulations as well as support from local taxpayers. The Tax Effort Index was created by the Ohio Department of Taxation and used by ODE to provide

an indication of the effort made by residents of a district in financially supporting their schools through taxes. A Tax Effort Index above 1.0 indicates that a district's taxpayers are paying a larger share of school taxes in relation to their income when compared to the State average, while an index below 1.0 indicates the opposite. In FY 2014-15, NFEVSD's local tax effort index was 0.77, signifying that residents financially supported the District to a lesser extent, relative to their ability, when compared to both the State average and the peer average of 0.99.

**Subsequent Events**

On June 30, 2015, the Governor signed House Bill 64 which enacted a new State budget and revised school funding formula effective for the FY 2015-16 and FY 2016-17 biennium. Given that no funding formula had been approved at the time that the May 2015 five-year forecast was prepared, the District assumed flat funding from the final projected FY 2014-15 amount; \$6,960,349 for each FY 2015-16 through FY 2018-19. Preliminary estimates showed an increase for NFEVSD of approximately \$341,000 for FY 2015-16 and an additional \$326,000 for FY 2016-17; however, due to a decrease in students in FY 2014-15, the District did not receive the estimated amount of funding. Specifically, as of October 23, 2015, the settlement payment for FY 2015-16 was calculated to be \$6,031,472, a level more in line with the amount projected in the October 2015 forecast.

On November 3, 2015, voters approved a 6.0 mill, five-year emergency levy that is expected to provide approximately \$739,000 in additional tax revenue annually. The impact of this new revenue on the District's financial condition as projected in its October 2015 five-year forecast is shown in **Table 2**.

**Table 2: Revised October 2015 Five Year Forecast**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Previous Total Revenue	\$11,232,144	\$11,469,748	\$11,463,683	\$11,457,617	\$11,451,552
Levy Revenue <sup>1</sup>	\$369,742	\$739,483	\$739,483	\$739,483	\$739,483
Revised Total Revenues	\$11,601,886	\$12,209,231	\$12,203,166	\$12,197,100	\$12,291,035
Total Expenditures	\$11,540,492	\$11,757,146	\$12,001,343	\$12,264,590	\$12,426,954
<b>Results of Operations</b>	<b>\$61,394</b>	<b>\$452,085</b>	<b>\$201,823</b>	<b>(\$67,490)</b>	<b>(\$235,919)</b>
Beginning Cash Balance	\$153,758	\$215,152	\$667,237	\$869,060	\$801,570
<b>Ending Cash Balance</b>	<b>\$215,152</b>	<b>\$667,237</b>	<b>\$869,060</b>	<b>\$801,570</b>	<b>\$565,651</b>
Outstanding Encumbrances	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<b>Ending Fund Balance</b>	<b>\$210,152</b>	<b>\$662,237</b>	<b>\$864,060</b>	<b>\$796,570</b>	<b>\$560,651</b>

Source: NFEVSD and ODE<sup>1</sup> In FY 2015-16, the District will receive the first semi-annual tax revenue payment.

As shown in **Table 2**, the new levy revenue is expected to completely eliminate all year-end General Fund deficits projected in the October 2015 five-year forecast. Although the District is still expected to incur negative results of operations in the latter two years of the forecast, the ending fund balance in FY 2019-20 is expected to accumulate to approximately \$560,600 as a result of the levy passage.

# Recommendations

## R.1 Negotiate a salary schedule freeze

Wages for certificated and classified employees were compared to surrounding district averages using pay schedules contained in the respective collective bargaining agreements (CBAs). **Table 3** shows the average annual compensation over an employee’s 30-year career in comparison to the surrounding district average.

**Table 3: Salary Comparison**

	NFEVSD	Surrounding District Average	Difference	% Difference
<b>Certificated (Teachers)</b>				
Bachelor’s Degree	\$1,538,806	\$1,440,927	\$97,879	6.8%
Master’s Degree	\$1,701,361	\$1,637,024	\$64,337	3.9%
<b>Classified</b>				
Office/Clerical	\$975,416	\$960,294	\$15,122	1.6%
Cafeteria	\$606,148	\$535,080	\$71,068	13.3%
Custodian	\$1,021,592	\$1,000,798	\$20,794	2.1%
Bus Driver	\$422,643	\$414,972	\$7,671	1.8%

Source: NFEVSD and surrounding districts

As shown in **Table 3**, all employee classifications had higher career compensation than the surrounding district average. Higher career compensation can be caused by higher starting salaries, greater step increases, or a combination of both. Comparing the District’s salaries at each step of the salary schedule showed the higher level of classified and certificated compensation at NFEVSD was caused by a combination of higher starting salaries and greater step increases during the course of a career.

NFEVSD should consider a freeze on base salaries, and a freeze on step increases, for both certificated and classified employees, in order to bring compensation more in line with the surrounding districts.

**Financial Implication:** The District could save approximately **\$142,400** annually by negotiating a base salary and step freeze. This savings was calculated based on the District’s forecasted salary increases for FY 2016-17.

**R.2 Renegotiate CBA provisions**

Certificated and classified employees are covered under CBAs between the Newton Falls Classroom Teachers Association, the Newton Falls Association of Classified Employees, and the Newton Falls Exempted Village School District Board of Education. These contracts were compared to similar provisions contained in peer district CBAs and ORC minimum requirements. This analysis found that many provisions contained in the NFEVSD contracts were comparable to like provisions in the peer contracts. Due to the District’s financial condition, however, further analysis was completed using ORC minimum requirements as a baseline. The following provisions were identified as exceeding these minimum levels:

**Severance Payouts** – Both CBAs permit retirement eligible employees to accumulate and receive payment for unused sick leave up to a maximum payout of 55 days. In comparison, ORC § 124.39 entitles public employees to a minimum payout of only 30 days at retirement. **Table 4** shows potential savings from reducing severance payouts to a level aligned with the ORC based on the average of that last three years of historical data

**Table 4: Severance Payout Comparison**

	Severance Payout	ORC Minimum Payout	Difference
<b>FY 2011-12</b>	\$159,579	\$83,526	\$76,053
<b>FY 2012-13</b>	\$50,878	\$24,381	\$26,497
<b>FY 2013-14</b>	\$57,502	\$34,032	\$23,470
<b>Three-Year Average Savings</b>			<b>\$42,007</b>

Source: NFEVSD and ORC

**Sick Leave Accumulation** – NFEVSD certificated employees can accumulate a maximum of 308 sick days and classified employees can accumulate a maximum of 300 sick days. In comparison, ORC § 3319.141 sets a maximum accumulation of 120 workdays. Direct savings from reducing the sick leave accumulation by 188 days and 180 days to align with ORC could not be quantified. This reduction, however, would increase the number of available work hours for each employee affected at no additional cost to the District.

**Minimum Bus Driver Staffing** – The NFEVSD classified CBA states a minimum of 11.0 FTE bus drivers must be maintained unless the District receives a fiscal watch designation, at which time bus drivers would become subject to reduction in force. In comparison, none of the peer district contracts had a similar provision. NFEVSD should renegotiate to eliminate minimum staffing provisions for bus drivers. In doing so, the District would be able to manage its staffing more efficiently.

Provisions within collective bargaining agreements that provide benefits beyond what is required or typically offered in other school districts can create an 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 sick leave severance payments consistent with ORC minimum requirements could save **\$42,000** annually.

**R.3 Reduce vision insurance premiums**

The District provides vision coverage to 110 employees, of which 81 are enrolled in family plans and 29 are enrolled in single plans. A comparison to the SERB Regional Average showed that the District’s FY 2014-15 premiums were substantially higher, which could indicate more generous benefits. In order to analyze this more fully, a comparison of the District’s vision insurance plan was made to that which is offered to State employees by the Ohio Department of Administrative Services (DAS). This comparison showed that the District’s benefits levels were in line with DAS, however, its vision premiums were still slightly higher than the SERB and DAS premium offerings. **Table 5** compares the District’s vision insurance premium to the DAS premiums, as provided by the *Ohio Joint Health Care Committee* (DAS, 2015).

**Table 5: Vision Annual Premium Comparison**

	Employees Covered	NFEVSD Premium	SERB Premium	Difference per Employee	DAS Premium	Difference per Employee
Family	81	\$374.64	\$176.16	\$198.48	\$331.32	\$43.32
Single	29	\$135.72	\$71.76	\$63.96	\$120.48	\$15.24

Source: NEVSD and DAS

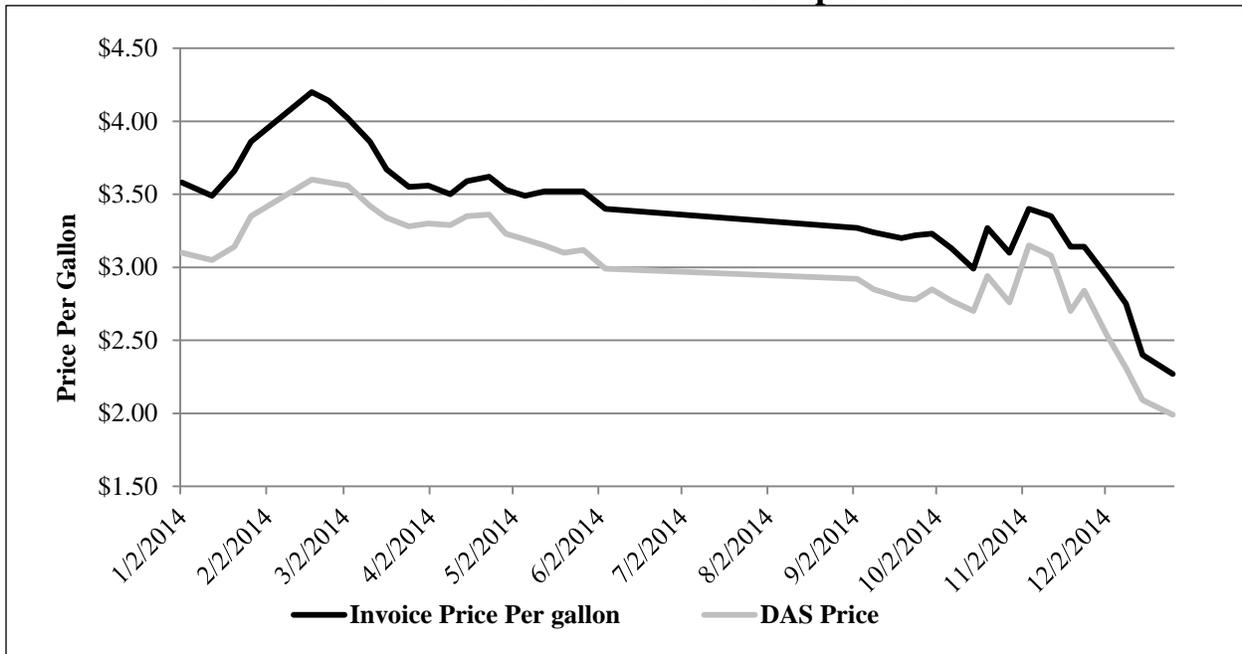
As shown in **Table 5**, the District’s vision insurance premium was more expensive than the SERB and DAS offerings for both single and family plans. While the District purchased its medical insurance through the Trumbull County Schools Insurance Consortium, it did not purchase its vision plan through a consortium, although vision plans were available. During the course of the audit, the District joined the Trumbull County Insurance Consortium to reduce vision premiums and has estimated its savings to be \$12,000 annually.

Financial Implication: Aligning vision insurance premiums with DAS levels could save approximately **\$4,000** annually based on the cost difference per employee and the number of employees covered.

**R.4 Use DAS cooperative purchasing program for fuel**

The District does not participate in a cooperative purchasing program for diesel fuel, electing to instead purchase directly from a vendor. The District’s fuel costs were compared to prices available through DAS Cooperative Purchasing Program (CPP). This program offers Ohio political subdivisions, including school districts, the benefits and cost savings of procuring goods and services through State contracts. **Chart 1** shows a comparison between the price per gallon of diesel fuel paid by the District and the prices offered through the CPP on the same dates during 2014.

**Chart 1: Diesel Fuel Price Comparison**



Source: NFEVSD and DAS

As shown in **Chart 1**, the District consistently paid more per gallon for diesel fuel compared to the DAS contract in 2014. In addition, ORC § 125.04(C) states, "A [school district] may purchase supplies or services from another party, including a political subdivision, instead of through participation in contracts...if the [school district] can purchase those supplies or services from the other party upon equivalent terms, conditions, and specifications but at a lower price than it can through those contracts." As shown above, the District did not obtain lower pricing than was offered through the CPP.

The District should consider joining the CPP in order to take advantage of lower fuel prices. DAS makes this program available to school districts in Ohio at an annual price of \$100. By joining the CPP, or providing sufficient evidence that ensures the District obtains fuel at a lower price than offered by DAS, it can maintain compliance with ORC § 125.04(C) and help to ensure that the most competitive fuel prices are obtained.

**Financial Implication:** Purchasing diesel fuel through the CPP could save approximately **\$4,700** annually. This savings is based on the average difference between the District’s diesel fuel expenditures and the CPP contract prices for 2014, reflective of the number of gallons purchased.

**R.5 Renegotiate special needs transportation contract terms**

In FY 2013-14, NFEVSD purchased special education transportation service through the Trumbull County Educational Service Center (ESC). The District provides regular transportation in house. **Table 6** shows the difference in expenditures between regular and special needs transportation on a per rider basis when compared to the three peer districts that also contract out special needs busing.

**Table 6: Per Pupil Transportation Expenditures Comparison**

	NFEVSD	Peer Average	% Difference
Regular Transportation Cost per Rider	\$504.36	\$519.10	(2.8%)
Special Education Transportation Cost per Rider	\$171.01	\$3.44	4,871.2%
<b>Total Transportation Cost per Rider</b>	<b>\$675.36</b>	<b>\$522.54</b>	<b>29.3%</b>

Source: NFEVSD and ODE

Note: The peer districts of Belpre CSD, Champion LSD, and LaBrae LSD also contracted out for special needs transportation.

As shown in **Table 6**, the District’s special education transportation expenditures per rider were significantly higher than the peer average, resulting in total transportation expenditures per rider that exceeded the peer average by 29.3 percent.

**Table 7** shows the District’s historical special needs transportation costs as a percentage of total transportation costs for FY 2011-12, FY 2012-13, and FY 2013-14. This is important to examine, as it provides an indication on the cost of special needs transportation relative to total transportation costs.

**Table 7: Historical Special Needs Expenditures**

	FY 2011-12	FY 2012-13	FY 2013-14
Regular Transportation Expenditures	\$683,943	\$690,078	\$594,083
Special Needs Transportation Purchased Services	\$160,438	\$161,126	\$201,429
Total Transportation Costs	\$844,380	\$851,204	\$795,512
<b>Special Needs Percentage of Total Cost</b>	<b>19.0%</b>	<b>18.9%</b>	<b>25.3%</b>

Source: NFEVSD and ODE

As shown in **Table 7**, contracted special education transportation services accounted for 25.3 percent of the District’s transportation expenditures in FY 2013-14, an increase from approximately 19.0 percent for the previous two years. According to the District, the costs were higher for NFEVSD due to its outlying location from the other participating schools in the area. A review of the billing invoice from the provider showed a separate cost category for average daily membership (ADM) distribution that fed into an excess cost charge, which for NFEVSD was higher than for the other participating schools.

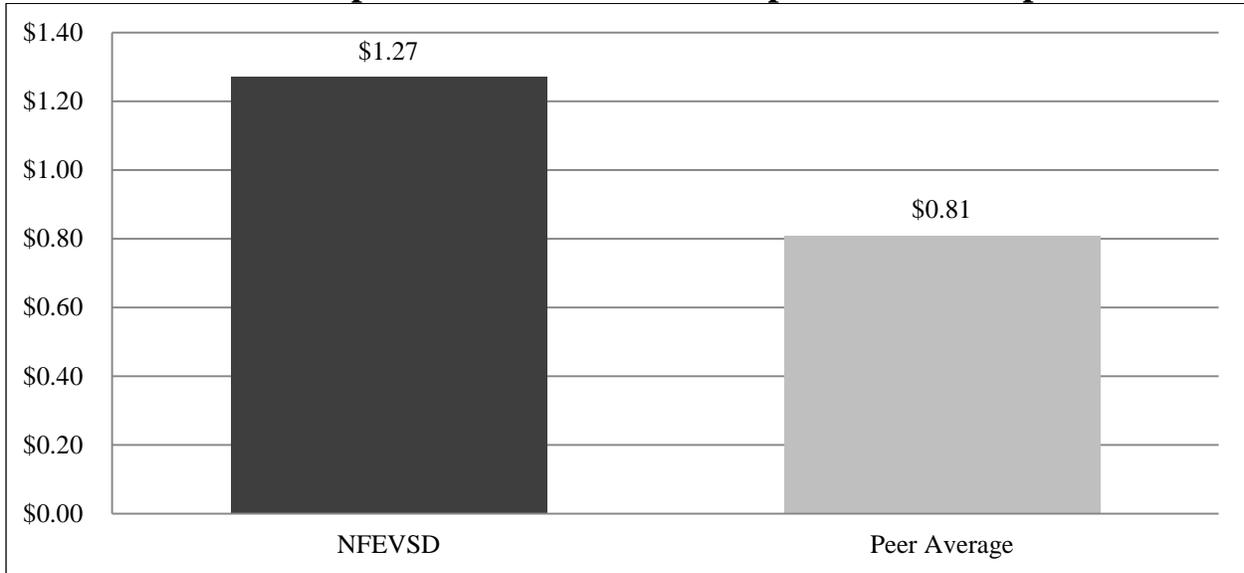
The District should review its existing special needs transportation contract to see where costs can be contained and work with its provider to reduce the excess charges wherever possible. It should also consider all other available options; including partnering with surrounding counties, for providing special needs transportation.

**R.6 Develop a formal vehicle preventive maintenance program**

NFEVSD does not have a formal preventive maintenance program for its vehicles or use software to track and monitor parts inventory or vehicle maintenance activities. Preventive maintenance activities are informal in nature and based on daily needs of the fleet as opposed to being performed according to a documented, long-term preventive maintenance program.

**Chart 2** compares NFEVSD’s transportation maintenance expenditures per mile to the peer average for FY 2013-14.

**Chart 2: Transportation Maintenance Expenditures Comparison**



Source: NFEVSD and ODE

As shown in **Chart 2**, the District spent approximately 56 percent more per routine mile for maintenance and repair costs than the peer average in FY 2013-14.

The *Public Works Management Practices Manual* (American Public Works Association, 2001) indicates that fleet managers should develop a preventive maintenance program for all equipment and that preventive maintenance programs address the type of equipment, the duty cycle of the equipment, and provide for routine inspection and maintenance of the fleet to meet the life expectancy. Planning preventive maintenance activities includes: definition of work to be performed; diagnosis of work to be performed prior to scheduling; estimate of labor hours, materials, shop space and time; and formal documentation to support maintenance action.

The District should develop a formal preventive bus maintenance program. It should review various computerized maintenance management systems (CMMS) packages and determine if any can track and report vehicle maintenance activities in addition to inventory and expenses. Many companies offer free and effective CMMS packages, which the District could use to implement a more formalized transportation maintenance program. The implementation of a formal preventive maintenance program as well as a CMMS would allow the District to manage its fleet in a more efficient manner, potentially reduce maintenance and repair costs, and improve transportation recordkeeping.

**R.7 Develop a formal bus replacement plan**

NFEVSD does not have a formal bus replacement plan. Instead, the District repairs and replaces buses as necessary, ultimately resulting in an aged and expensive fleet (see **R.6**). Specifically, the average age of the District's active bus fleet is 10.5 years, and six of the District's 15 operational buses are at least 14 years old. While the District purchased a bus and removed a bus in FY 2014-15, it was not done so in accordance with guidance outlined in a formal bus replacement policy.

According to *School Bus Replacement Considerations* (NASDPTS, 2002) the replacement of school buses should be a planned process. A district's finances are certainly an important consideration in the replacement of buses, and may be an obstacle to replacing them on the schedule set by the district. Ultimately, a bus replacement plan allows a district to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state of the fleet.

The NASDPTS states that the anticipated lifetime of a conventional bus under normal operating conditions is 12 to 15 years. The report also highlights a life cycle cost study performed in South Carolina which found that buses with high annual mileage accumulations should be replaced based on mileage, instead of age because high annual mileage buses tend to become more expensive to maintain at a faster rate than lower annual mileage buses. Thus, the state of South Carolina has set a bus replacement benchmark of a 15-year, or 250,000 mile life cycle.

The District should develop a formal bus replacement plan. In addition, it could help to anticipate and avoid the need to replace a major portion of the fleet at the same time and allow the District to demonstrate the impact of capital expenses

# 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 ODE and the District, OPT identified the following scope areas for detailed review: financial management, human resources, facilities, and transportation. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** shows the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Eleven of the 18 total 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
<b>Financial Management</b>	
What is the financial history and condition?	N/A
Is the financial information reliable for use?	N/A
What is the financial forecasting process?	N/A
What impact will the performance audit recommendations have on the forecast?	N/A
<b>Human Resources</b>	
Is the EMIS data reliable for use?	N/A
Are staffing levels comparable to peers?	N/A
Are salaries comparable to the peers?	R.1
Are the collective bargaining agreements comparable to the peers, ORC, and OAC?	R.2
Are benefits comparable to industry standards?	R.3
Is the sick leave policy comparable to best practices?	N/A
<b>Facilities</b>	
Is Building and Grounds staffing efficient compared to benchmarks?	N/A
Are facilities expenditures per square foot comparable to peers?	N/A
<b>Transportation</b>	
Is T-form information reliable for use?	N/A
Is bus routing efficient?	N/A
Is fuel procured in an efficient manner?	R.4
Is the fleet maintained efficiently?	R.6
Are bus replacement practices consistent with leading practices?	R.7
Is there an effective practice for transporting special education students?	R.5

# Appendix B: Additional Analyses

## Staffing

**Table B-1** compares the full-time equivalent (FTE) staffing levels per 1,000 students at NFEVSD to the peer average. 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 NFEVSD’s EMIS data to reflect accurate staffing levels for FY 2014-15.

**Table B-1: NFEVSD Staffing Comparison**

	NFEVSD		Peer Average		Difference
Students Educated	1,233.0		1,257.1		(24.1)
Students (thousands)	1.233		1.257		(0.024)
Staffing Categories	NFEVSD FTEs	NFEVSD FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below)
Administrative	7.00	5.68	6.42	(0.74)	(0.91)
Office/Clerical	9.56	7.75	6.65	1.10	1.36
General Education Teachers	52.27	42.39	44.75	(2.36)	(2.91)
Educational Service Personnel	8.37	6.79	7.28	(0.49)	(0.60)
Non-Certificated Classroom Support	1.00	0.81	6.08	(5.27)	(6.50)
Other Professional and Technical Staff	2.00	1.62	3.15	(1.53)	(1.89)

Source: NFEVSD and ODE

As shown in **Table B-1**, NFEVSD employed fewer administrative, teaching, support, professional, and technical staff than the peer average. However, the District employed more office/clerical positions than the peer average in FY 2014-15, however, once the federally funded position (1 FTE) was subtracted, NFEVSD was more in line with the peer staffing levels.

### Facilities Expenditures

**Table B-2** compares NFEVSD's facilities expenditures per square foot for FY 2013-14 to the peer average.

**Table B-2: Expenditures per Square Foot Comparison**

	Client	Peer Average	Difference	% Difference
Salaries and Wages	\$1.33	\$1.51	(\$0.18)	(11.9%)
Employee Benefits	\$0.67	\$0.73	(\$0.06)	(8.2%)
Purchased Services (Excluding Utilities)	\$0.58	\$0.73	(\$0.15)	(20.5%)
Utilities	\$1.68	\$1.21	\$0.47	38.8%
Water & Sewage	\$0.11	\$0.14	(\$0.03)	(21.4%)
Sub-Total Energy	\$1.57	\$1.07	\$0.50	46.7%
Electric	\$1.29	\$0.71	\$0.58	81.7%
Gas	\$0.28	\$0.34	(\$0.06)	(17.6%)
Other Energy Sources	\$0.00	\$0.02	(\$0.02)	(100.0%)
Supplies & Materials	\$0.34	\$0.39	(\$0.05)	(12.8%)
Capital Outlay	\$0.08	\$0.12	(\$0.04)	(33.3%)
Other Objects	\$0.00	\$0.01	(\$0.01)	(100.0%)
<b>Total Expenditures per Square Foot</b>	<b>\$4.68</b>	<b>\$4.70</b>	<b>(\$0.02)</b>	<b>(0.4%)</b>

Source: NFEVSD and ODE

As shown in **Table B-2**, NFEVSD spent less in every category with the exception of utilities, which was driven specifically by electricity expenditures. The high electricity cost was due to inaccurate metering and billing, resulting in back charges and higher rates in the future. Overall, NFEVSD's facilities expenditures per square foot were consistent with the peer average.

### Facilities Staffing

Staffing levels within the Facilities Department were assessed based on workload measures contained in the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) and *Maintenance & Operations Cost Study* (American School & University, 2005 to 2009). **Table B-3** shows the District's facilities staffing levels compared to these industry benchmarks.

**Table B-3: Facilities Staffing Needs**

<b>Groundskeeping Staffing</b>	
Groundskeeper FTEs <sup>1</sup>	0.0
Acreage Maintained	92.4
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	2.3
<b>Groundskeeper FTEs Above/(Below) Benchmark</b>	<b>(2.3)</b>
<b>Cleaning Staffing</b>	
Custodial FTEs	8.0
Square Footage Cleaned	258,302
NCES Level 3 Cleaning Benchmark - Square Footage per FTE	29,500
Benchmarked Staffing Need	8.8
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>(0.8)</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	1.0
Square Footage Maintained	258,302
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.7
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(1.7)</b>
<b>Total Facilities Staffing</b>	
Total FTEs Employed	9.0
Total Benchmarked Staffing Need	13.8
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(4.8)</b>

Source: NFEVSD, AS&U, and NCES

<sup>1</sup>The Maintenance Supervisor performs groundskeeping as part of his duties.

As shown in **Table B-3**, the District employs 4.8 fewer building and grounds FTEs in relation to the industry benchmarks.

*Transportation Expenditures*

**Table B-4** compares the District’s transportation expenditures for FY 2013-14 to the peer average.

**Table B-4: Transportation Expenditure Comparison**

	<b>NFEVSD</b>	<b>Peer Average</b>	<b>Difference</b>	<b>% Difference</b>
Per Yellow Bus Rider	\$715.56	\$694.18	\$21.38	3.1%
Per Active Bus	\$48,002.25	\$48,839.35	(\$837.10)	(1.7%)
Per Routine Mile	\$7.05	\$4.49	\$2.56	57.0%

Source: NFEVSD and ODE

As shown in **Table B-4**, the District’s transportation expenditure ratios were higher than the peer average on a per rider and per mile basis. Although fuel costs were not higher than the peer average, analysis showed that there is potential for additional savings by purchasing fuel through the CPP (see **R.6**). Improving maintenance and bus replacement practices could also contribute to reducing transportation expenditures (see **R.8** and **R.9**). Additionally, the special needs transportation contract was contributing to the higher transportation costs (see **R.7**).

# Appendix C: Five-Year Forecasts

Chart C-1 shows the District's October 2014 Five-Year Forecast as reported to ODE.

**Chart C-1: NFEVSD October 2014 Five-Year Forecast**

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	2,530,164	2,556,038	2,676,426	2,187,549	2,189,306	2,191,063	2,192,820	2,194,577
1.020 Tangible Personal Property Tax	66,468	71,489						
1.035 Unrestricted Grants-in-Aid	7,226,465	7,083,659	7,274,184	6,903,034	6,877,970	6,877,970	6,877,970	6,877,970
1.040 Restricted Grants-in-Aid	66,298	63,584	265,279	315,464	332,110	332,110	332,110	332,110
1.045 Restricted Federal Grants-in-Aid - SFSF	355,811	58,533						
1.050 Property Tax Allocation	317,592	477,691	484,644	373,636	373,636	373,636	373,636	373,636
1.060 All Other Operating Revenue	371,547	371,725	502,348	532,172	532,172	532,672	532,672	532,672
1.070 Total Revenue	10,934,345	10,682,719	11,202,881	10,311,855	10,305,194	10,307,451	10,309,208	10,310,965
2.040 Operating Transfers-In		787,540						
2.050 Advances-In	14,300	49,756	17,838	17,838	17,838	17,838	17,838	17,838
2.060 All Other Financial Sources	87,829							
2.070 Total Other Financing Sources	102,129	837,296	17,838	17,838	17,838	17,838	17,838	17,838
2.080 Total Revenues and Other Financing Sources	11,036,474	11,520,015	11,220,719	10,329,693	10,323,032	10,325,289	10,327,046	10,328,803
3.010 Personnel Services	6,313,577	6,103,536	5,754,669	5,928,297	5,802,818	5,877,522	5,960,327	6,041,413
3.020 Employees' Retirement/Insurance Benefits	2,519,545	2,523,288	2,402,575	2,150,088	2,097,336	2,041,659	2,299,778	2,444,952
3.030 Purchased Services	2,292,937	2,081,259	2,693,381	2,509,185	2,533,221	2,588,664	2,567,740	2,542,770
3.040 Supplies and Materials	503,102	206,431	429,610	300,000	303,000	306,030	309,090	312,181
3.050 Capital Outlay	2,809	90,977	10,151	84,987	6,000	6,000	6,000	6,000
4.300 Other Objects	83,877	89,339	213,569	102,531	102,531	102,531	102,531	102,531
4.500 Total Expenditures	11,715,847	11,094,830	11,503,955	11,075,088	10,844,906	10,922,406	11,245,466	11,449,847
5.010 Operational Transfers - Out	41,784	833,145	6,402	6,402	6,402	6,402	6,402	6,402
5.020 Advances - Out	49,756	17,838						
5.040 Total Other Financing Uses	91,540	850,983	6,402	6,402	6,402	6,402	6,402	6,402
5.050 Total Expenditure and Other Financing Uses	11,807,387	11,945,813	11,510,357	11,081,490	10,851,308	10,928,808	11,251,868	11,456,249
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(770,913)	(425,798)	(289,638)	(751,797)	(528,276)	(603,519)	(924,822)	(1,127,446)
7.010 Beginning Cash Balance	1,696,713	925,800	500,002	210,364	(541,433)	(1,069,709)	(1,673,228)	(2,598,050)
7.020 Ending Cash Balance	925,800	500,002	210,364	(541,433)	(1,069,709)	(1,673,228)	(2,598,050)	(3,725,496)
8.010 Outstanding Encumbrances	137,771	48,183	22,912	22,912	22,912	22,912	22,912	22,912
10.010 Fund Balance June 30 for Certification of Appropriations	788,029	451,819	187,452	(564,345)	(1,092,621)	(1,696,140)	(2,620,962)	(3,748,408)
11.020 Property Tax - Renewal or Replacement				601,641	601,641	300,821		
11.300 Cumulative Balance of Replacement/Renewal Levies				601,641	1,203,282	1,504,103	1,504,103	1,504,103
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	788,029	451,819	187,452	37,296	110,661	(192,037)	(1,116,859)	(2,244,305)
15.010 Unreserved Fund Balance June 30	788,029	451,819	187,452	37,296	110,661	(192,037)	(1,116,859)	(2,244,305)

Source: NFEVSD and ODE

Chart C-2 shows the District's May 2015 Five-Year Forecast as reported to ODE.

**Chart C-2: NFEVSD May 2015 Five-Year Forecast**

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	2,530,164	2,556,038	2,676,426	2,678,183	2,679,939	2,681,696	2,683,453	2,685,210
1.020 Tangible Personal Property Tax	66,468	71,489						
1.035 Unrestricted Grants-in-Aid	7,226,465	7,083,659	7,274,184	6,984,457	6,960,349	6,960,349	6,960,349	6,960,349
1.040 Restricted Grants-in-Aid	66,298	63,584	265,279	236,013	252,658	252,658	252,658	252,658
1.045 Restricted Federal Grants-in-Aid - SFSF	355,811	58,533						
1.050 Property Tax Allocation	317,592	477,691	484,644	494,003	484,620	484,620	484,620	484,620
1.060 All Other Operating Revenue	371,547	371,725	502,348	471,356	431,511	431,511	431,511	431,511
1.070 Total Revenue	10,934,345	10,682,719	11,202,881	10,864,012	10,809,077	10,810,834	10,812,591	10,814,348
2.010 Proceeds from Sale of Notes				300,000				
2.040 Operating Transfers-In		787,540						
2.050 Advances-In	14,300	49,756	17,838	17,838	23,000	23,000	23,000	23,000
2.060 All Other Financial Sources	87,829							
2.070 Total Other Financing Sources	102,129	837,296	17,838	317,838	23,000	23,000	23,000	23,000
2.080 Total Revenues and Other Financing Sources	11,036,474	11,520,015	11,220,719	11,181,850	10,832,077	10,833,834	10,835,591	10,837,348
3.010 Personnel Services	6,313,577	6,103,536	5,754,669	5,895,758	5,854,950	5,879,028	5,961,799	6,039,266
3.020 Employees' Retirement/Insurance Benefits	2,519,545	2,523,288	2,402,575	2,154,976	2,123,478	2,134,224	2,299,111	2,443,911
3.030 Purchased Services	2,292,937	2,081,259	2,693,381	2,701,659	2,769,969	2,780,794	2,763,097	2,741,387
3.040 Supplies and Materials	503,102	206,431	429,610	378,000	381,780	385,598	389,454	393,348
3.050 Capital Outlay	2,809	90,977	10,151	78,987	6,000	6,000	6,000	6,000
4.020 Debt Service: Principal-Notes							60,000	65,000
4.060 Debt Service: Interest and Fiscal Charges					52,504	13,600	12,400	9,900
4.300 Other Objects	83,877	89,339	213,569	93,421	93,421	93,421	93,421	93,421
4.500 Total Expenditures	11,715,847	11,094,830	11,503,955	11,302,801	11,282,102	11,292,665	11,585,282	11,792,233
5.010 Operational Transfers - Out	41,784	833,145	6,402	23,000	23,000	23,000	23,000	23,000
5.020 Advances - Out	49,756	17,838						
5.040 Total Other Financing Uses	91,540	850,983	6,402	23,000	23,000	23,000	23,000	23,000
5.050 Total Expenditure and Other Financing Uses	11,807,387	11,945,813	11,510,357	11,325,801	11,305,102	11,315,665	11,608,282	11,815,233
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(770,913)	(425,798)	(289,638)	(143,951)	(473,025)	(481,831)	(772,691)	(977,885)
7.010 Beginning Cash Balance	1,696,713	925,800	500,002	210,364	66,413	(406,612)	(888,443)	(1,661,134)
7.020 Ending Cash Balance	925,800	500,002	210,364	66,413	(406,612)	(888,443)	(1,661,134)	(2,639,019)
8.010 Outstanding Encumbrances	137,771	48,183	22,912	22,912	22,912	22,912	22,912	22,912
10.010 Fund Balance June 30 for Certification of Appropriations	788,029	451,819	187,452	43,501	(429,524)	(911,355)	(1,684,046)	(2,661,931)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	788,029	451,819	187,452	43,501	(429,524)	(911,355)	(1,684,046)	(2,661,931)
15.010 Unreserved Fund Balance June 30	788,029	451,819	187,452	43,501	(429,524)	(911,355)	(1,684,046)	(2,661,931)

Source: NFEVSD and ODE

Chart C-3 shows the District’s October 2015 Five-Year Forecast as reported to ODE.

**Chart C-3: NFEVSD October 2015 Five-Year Forecast**

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	2,556,038	2,676,426	2,674,858	2,674,858	2,676,858	2,678,858	2,680,858	2,682,858
1.020 Tangible Personal Property Tax	71,489							
1.035 Unrestricted Grants-in-Aid	7,083,659	7,274,184	7,004,066	7,297,840	7,619,000	7,619,000	7,619,000	7,619,000
1.040 Restricted Grants-in-Aid	63,584	265,279	241,341	237,623	237,623	237,623	237,623	237,623
1.045 Restricted Federal Grants-in-Aid - SFSS	58,533							
1.050 Property Tax Allocation	477,691	484,644	498,919	500,012	500,012	491,947	483,881	475,816
1.060 All Other Operating Revenue	371,725	502,348	482,411	521,811	436,255	436,255	436,255	436,255
1.070 Total Revenue	10,682,719	11,202,881	10,901,595	11,232,144	11,469,748	11,463,683	11,457,617	11,451,552
2.010 Proceeds from Sale of Notes			323,129					
2.040 Operating Transfers-In	787,540							
2.050 Advances-In	49,756	17,838						
2.060 All Other Financial Sources			276					
2.070 Total Other Financing Sources	837,296	17,838	323,405					
2.080 Total Revenues and Other Financing Sources	11,520,015	11,220,719	11,225,000	11,232,144	11,469,748	11,463,683	11,457,617	11,451,552
3.010 Personnel Services	6,103,536	5,754,669	5,834,812	5,902,791	5,914,090	6,035,197	6,067,012	6,167,276
3.020 Employees' Retirement/Insurance Benefits	2,523,288	2,402,575	2,232,787	2,231,249	2,308,401	2,409,136	2,524,145	2,639,080
3.030 Purchased Services	2,081,259	2,693,381	2,741,490	2,722,527	2,820,308	2,848,237	2,876,326	2,904,575
3.040 Supplies and Materials	206,431	429,610	285,884	509,019	512,799	516,617	520,473	524,367
3.050 Capital Outlay	90,977	10,151	78,987	6,000	86,567	6,000	88,178	6,000
4.020 Debt Service: Principal-Notes				5,400	7,475	78,650	80,950	78,150
4.300 Other Objects	89,339	213,569	93,561	149,421	93,421	93,421	93,421	93,421
4.500 Total Expenditures	11,094,830	11,503,955	11,267,521	11,526,407	11,743,061	11,987,258	12,250,505	12,412,869
5.010 Operational Transfers - Out	833,145	6,402	14,085	14,085	14,085	14,085	14,085	14,085
5.020 Advances - Out	17,838							
5.040 Total Other Financing Uses	850,983	6,402	14,085	14,085	14,085	14,085	14,085	14,085
5.050 Total Expenditure and Other Financing Uses	11,945,813	11,510,357	11,281,606	11,540,492	11,757,146	12,001,343	12,264,590	12,426,954
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(425,798)	(289,638)	(56,606)	(308,348)	(287,398)	(537,660)	(806,973)	(975,402)
7.010 Beginning Cash Balance	925,800	500,002	210,364	153,758	(154,590)	(441,988)	(979,648)	(1,786,621)
7.020 Ending Cash Balance	500,002	210,364	153,758	(154,590)	(441,988)	(979,648)	(1,786,621)	(2,762,023)
8.010 Outstanding Encumbrances	48,183	22,912	1,713	5,000	5,000	5,000	5,000	5,000
10.010 Fund Balance June 30 for Certification of Appropriations	451,819	187,452	152,045	(159,590)	(446,988)	(984,648)	(1,791,621)	(2,767,023)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	451,819	187,452	152,045	(159,590)	(446,988)	(984,648)	(1,791,621)	(2,767,023)
15.010 Unreserved Fund Balance June 30	451,819	187,452	152,045	(159,590)	(446,988)	(984,648)	(1,791,621)	(2,767,023)

Source: NFEVSD and ODE

## **Client Response**

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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.

NEWTON FALLS EXEMPTED VILLAGE SCHOOLS  
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November 23, 2015

Mr. David Yost  
Auditor of State  
88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, OH 43215

Dear Auditor Yost,

On behalf of the Newton Falls Exempted Village School District, we would like to thank the entire performance audit team for their time and effort in preparing the audit report for our District. The leadership of the District has reviewed all recommendations from the audit and will be addressing them as listed below:

Recommendations 1 & 2: These recommendations will be addressed through negotiations in the spring of 2016. We would like to comment on recommendation 2 regarding severance payments. Your audit stated that our District could save \$42,000 annually by reducing severance payments; however, Table 4 shows that we can save \$42,007 over a three-year period. We would also like to clarify that this savings can only be achieved if the District has a large number of employees retire.

Recommendation 3: The District began a new vision insurance plan effective October 1, 2015, for an annual savings to the District of \$12,000.

Recommendation 4: We are currently in the process of joining the DAS cooperative purchasing program for fuel.

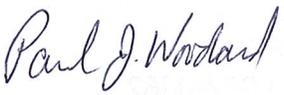
Recommendation 5: We are currently negotiating with Community Bus Service and the county transportation consortium to reduce our special needs transportation expenses.

Recommendation 6: We plan to develop a formal vehicle preventative maintenance program.

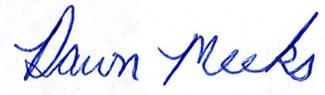
Recommendation 7: We plan to implement a bus replacement plan.

Newton Falls Exempted Village School District will continue to monitor our finances and use the performance audit as a tool to help us make informed decisions. We thank you for the time and effort that your team put into this audit. Your efforts are greatly appreciated.

Sincerely,



Paul J. Woodard  
Superintendent



Dawn Meeks  
Treasurer/CFO

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# Dave Yost • Auditor of State

**NEWTON FALLS EXEMPTED VILLAGE SCHOOL DISTRICT**

**TRUMBULL 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  
DECEMBER 8, 2015**