



Dave Yost • Auditor of State

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To the residents, elected officials, management, and stakeholders of the Northmor Local 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
June 16, 2015

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Table of Contents

Executive Summary 1

 Purpose and Scope of the Audit..... 1

 Performance Audit Overview 1

 Audit Methodology..... 1

 Summary of Recommendations..... 3

Background..... 5

Recommendations..... 6

 R.1 Eliminate 1.0 full-time equivalent (FTE) educational service personnel (ESP) position 6

 R.2 Eliminate 1.5 FTE other educational staff positions 7

 R.3 Eliminate 1.0 FTE office/clerical position 8

 R.4 Create a comprehensive staffing plan 8

 R.5 Solicit competitive bids for dental insurance 9

 R.6 Increase employee dental and vision insurance contributions 10

 R.7 Reduce severance payouts..... 10

 R.8 Discontinue retirement pickup for all STRS/SERS employees 11

 R.9 Reduce tuition reimbursement expenditure cap 12

 R.10 Develop formal policies and procedures for compiling T-Form data 12

 R.11 Reduce fleet by one regular active bus..... 13

 R.12 Reduce fleet by two spare buses 13

 R.13 Implement a formal preventive maintenance and bus replacement program..... 14

 R.14 Track fuel prices and apply for the Motor Fuel Tax Refund 15

 R.15 Develop a facilities master plan 16

 R.16 Implement a cost allocation plan..... 16

 R.17 Develop formal board policy for forecasting 17

 R.18 Improve communication of financial information 17

Appendix A: Scope and Objectives 19

Appendix B: Additional Comparisons..... 21

Appendix C: Five-Year Forecasts..... 24

Client Response 26

Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) funded this performance audit of the Northmor Local School District (NLSD or the District). In consultation with ODE, AOS selected the District for a performance audit with the goal of improving its financial condition through an objective assessment of the economy, efficiency, and effectiveness of 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, transportation, facilities, and food service. See **Appendix: 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 NLSD, the following Ohio school districts were identified as peers: Allen East Local School District (Allen County), Arcanum Butler Local School District (Darke

County), Black River Local School District (Medina County), Central Local School District (Defiance County), Crestview Local School District (Richland County), Lynchburg-Clay Local School District (Highland County), Miami East Local School District (Miami County), Mohawk Local School District (Wyandot County), Seneca East Local School District (Seneca County), and Waterloo Local School District (Portage 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 including: the Ohio State Employment Relations Board (SERB), the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the National State Auditors Association (NSAA), the National Center for Educational Statistics (NCES), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the Ohio Department of Education (ODE), the Government Finance Officers Association (GFOA), and the United States Department of Agriculture (USDA).

The performance audit involved information sharing with NLSD, 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 Northmor Local School District for their cooperation and assistance throughout this audit.

Summary of Recommendations

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

Summary of Recommendations

| Recommendations | One-Time savings | Annual savings |
|--|------------------|------------------|
| R.1 Eliminate 1.0 full-time equivalent (FTE) educational service personnel (ESP) position | | \$51,700 |
| R.2 Eliminate 1.5 FTE other educational staff positions | | \$59,900 |
| R.3 Eliminate 1.0 FTE office/clerical position | | \$35,000 |
| R.4 Create a comprehensive staffing plan | | N/A |
| R.5 Solicit competitive bids for dental insurance | | \$20,300 |
| R.6 Increase employee dental and vision insurance contributions | | \$51,300 |
| R.7 Reduce severance payouts | | N/A |
| R.8 Discontinue retirement pickup for all STRS/SERS employees | | \$69,000 |
| R.9 Reduce tuition reimbursement expenditure cap | | \$23,500 |
| R.10 Develop formal policies and procedures for compiling T-Form data | | N/A |
| R.11 Reduce fleet by one regular active bus | | \$30,300 |
| R.12 Reduce fleet by two spare buses | \$3,500 | N/A |
| R.13 Implement a formal preventive maintenance and bus replacement program | | N/A |
| R.14 Track fuel prices and apply for the Motor Fuel Tax Refund | | \$8,500 |
| R.15 Develop a facilities master plan | | N/A |
| R.16 Implement a cost allocation plan | | N/A |
| R.17 Develop formal board policy for forecasting | | N/A |
| R.18 Improve communication of financial information | | N/A |
| Cost Savings Adjustments¹ | | (\$4,000) |
| Total One-Time Cost Savings from Performance Audit Recommendations | \$3,500 | |
| Total Annual Cost Savings from Performance Audit Recommendations | | \$345,500 |

¹ FTE reductions identified in **R.1**, **R.2**, and **R.3**, would reduce savings achieved from **R.5**, **R.6**, and **R.8**.

The following table shows the District's ending fund balances as projected in its October 2014 five-year forecast. Included are annual and one-time 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 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---|------------------|------------------|-------------------|--------------------|--------------------|
| Original Ending Fund Balance | \$183,825 | \$95,575 | (\$66,144) | (\$317,602) | (\$708,558) |
| Effect of One-Time Performance Audit Savings | \$0 | \$3,500 | \$3,500 | \$3,500 | \$3,500 |
| Cumulative Annual Performance Audit Savings | \$0 | \$345,500 | \$691,000 | \$1,036,500 | \$1,382,000 |
| Revised Ending Fund Balance | \$183,825 | \$444,575 | \$628,356 | \$722,398 | \$676,942 |

Source: NLSD October 2014 five-year forecast and performance audit recommendations

While the performance audit recommendations are based on the District's operations during FY 2014-15, implementation of all recommendations may not be possible until FY 2015-16 as some recommendations require contract negotiations and others simply would not be possible until the start of a new fiscal year. As a result, cost savings have been applied to FY 2016-17 through FY 2018-19. As shown in the table above, if NLSD implements the recommendations within the performance audit, it could reduce its projected FY 2018-19 deficit of over \$700,000 to a surplus of more than \$670,000.

Background

Financial Status

The Ohio Department of Education (ODE) requested and funded this performance audit of NLSD based on the declining fiscal stability of the District evident in its May 2014 and October 2014 Five-Year forecasts (see **Appendix C**). This declining fiscal condition can also be seen in **Table 1**, which contains an overview of the October 2014 forecast, including the District's year ending fund balances. This forecasted information is an important measure of the future financial health of NLSD. Using this information, AOS and ODE selected NLSD for a performance audit as a means of avoiding future operating deficits.

Table 1: NLSD Financial Condition Overview (October 2014)

| | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|------------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| Total Revenue | \$11,017,291 | \$11,288,232 | \$11,469,861 | \$11,686,530 | \$11,858,789 |
| Total Expenditure | \$11,091,382 | \$11,376,482 | \$11,636,580 | \$11,937,988 | \$12,249,744 |
| Results of Operations | (\$74,091) | (\$88,250) | (\$166,719) | (\$251,458) | (\$390,955) |
| Beginning Cash Balance | \$272,916 | \$198,825 | \$110,575 | (\$56,144) | (\$307,602) |
| Ending Cash Balance | \$198,825 | \$110,575 | (\$56,144) | (\$307,602) | (\$698,558) |
| Ending Fund Balance | \$183,825 | \$95,575 | (\$66,144) | (\$317,602) | (\$708,558) |

Source: NLSD October 2014 five-year forecast

As shown in **Table 1**, the October 2014 five-year forecast projects a deficit of over \$66,000 in FY 2016-17. This deficit condition is a direct result of personal service, benefits, and purchased services expenditures continuing to outpace revenues. Future expenditures are expected to be driven by personal services that are projected to increase 9.3 percent and benefits that are projected to increase 18 percent in the forecasted period. In total, revenues are expected to increase only 7.6 percent in the same time period.

Left unaddressed, increasing expenditures are projected to result in a cumulative deficit of over \$708,000 by FY 2018-19. 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.

Recommendations

R.1 Eliminate 1.0 full-time equivalent (FTE)¹ educational service personnel (ESP) position

ESP positions include K-8 art, music, and physical education (PE) teachers, counselors, librarians, social workers, and visiting teachers. At the start of FY 2014-15, OAC 3301-35-05 required school districts to employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. NLSD is staffed in accordance with this regulation. **Table 2** compares the District's ESP staffing to the peer average on a per 1,000 student basis.

Table 2: ESP Staffing Comparison

| | NLSD | Peer Average | Difference | | |
|--|-------------------|-------------------------|------------------------------|-------------------------------|-----------------------------------|
| Students Educated ¹ | 1054 | 1061.8 | (7.8) | | |
| Students Educated (thousands) | 1.054 | 1.0618 | (0.0078) | | |
| | FTEs ² | FTEs per 1,000 Students | Peer FTEs per 1,000 Students | Difference per 1,000 Students | Total Above/ (Below) ³ |
| ESP Teachers | 5.0 | 4.8 | 4.8 | 0.0 | 0.0 |
| Counselors | 2.0 | 1.9 | 1.9 | 0.0 | 0.0 |
| Librarians / Media Specialists | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 |
| School Nurses | 0.0 | 0.0 | 0.4 | (0.4) | (0.4) |
| Social Workers | 1.0 | 1.0 | 0.1 | 0.8 | 0.9 |
| Visiting Teachers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Educational Service Personnel | | | | | 1.0 |

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

² Staffing data as of March 2015.

³ 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 "Students Educated (thousands)".

As illustrated in **Table 2**, NLSD employed 9.0 FTE ESP staff, which included 1.0 FTE art teacher, 3.0 FTE music teachers, 1.0 FTE physical education teacher, 2.0 FTE counselors, 1.0 FTE librarian, and 1.0 FTE social worker. The total ESP staff is 1.0 FTE higher than the peer average, when comparing the staff on a per students educated basis.

Effective April 24, 2015, OAC 3301-35-05 was revised to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district

¹ According to the *FY 2012-2013 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined by 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.

shall employ educational service personnel to enhance the learning opportunities of all students.” This revision also eliminated State minimum staffing levels for ESP staffing.

Based on its projected financial condition, NLSD may need to incur significant staffing reductions beyond the peer average benchmark. The elimination of the OAC minimum staffing level for ESP provides District management the authority to make decisions based upon the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with their fiduciary responsibility to adapt to financial realities in the District and maintain a solvent operation.

Financial Implication: Eliminating 1.0 ESP FTEs, could save approximately **\$51,700** in salaries and benefits annually. This savings was calculated using the lowest paid ESP positions and includes an average benefit ratio of 50 percent.² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried ESP staff.

R.2 Eliminate 1.5 FTE other educational staff positions

Table 3 compares the District’s other educational staff to the peer average on a per 1,000 student basis.

Table 3: FY 2014-15 Other Educational Staff Comparison

| | NLSD | | Peer Average | Difference |
|---|------------------------|----------------------|----------------------|------------------------------|
| Students ¹ | 1,054 | | 1,062 | (8.000) |
| Students (thousands) | 1.054 | | 1.062 | (0.008) |
| | NLSD | | Peer Average | Difference |
| | FTE Staff ¹ | Staff/1,000 Students | Staff/1,000 Students | /1,000 Students ² |
| Other Educational Staff | 2.0 | 1.9 | 0.5 | 1.4 |
| FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students | | | | (1.5) |

Source: NLSD and EMIS enrollment and staffing data

¹Federally funded staff were not included in this analysis.

²Represents the number of FTEs that would bring the District’s administrative staff per 1,000 students in line with the peer average. Calculated by multiplying “**Difference/1,000 Students**” by the District’s “**Students (in thousands)**”.

The District’s other educational staffing includes a gifted instruction position and an elementary instruction position. As shown in **Table 3**, NLSD is overstaffed by 1.4 FTEs per 1,000 students based on the peer average ratio of 0.5 FTEs per 1,000 students. In order to size the other educational staff category in line with the peer average benchmark, the District would need to reduce staffing by 1.5 FTEs.

Financial Implication: Reducing other educational staffing by 1.5 FTEs could save the District **\$59,900** in salaries and benefits annually. This savings was calculated using the lowest salaried

² Calculated using FY 2013-14 personal services expenditures divided by the employees’ retirement/insurance benefits expenditures from the October 2014 five year forecast.

1.5 other educational staff and includes an average benefit ratio of 50 percent.³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Eliminate 1.0 FTE office/clerical position

Table 4 compares the District’s office and clerical staff on a per 1,000 student basis to the peers.

Table 4: FY 2014-15 Office / Clerical Staffing Comparison

| | NLSD | | Peer Average | Difference |
|---|------------|----------------------|----------------------|------------------------------|
| Students ¹ | 1,054 | | 1,062 | (8.000) |
| Students (thousands) | 1.054 | | 1.062 | (0.008) |
| | NLSD | | Peer Average | Difference |
| | FTE Staff | Staff/1,000 Students | Staff/1,000 Students | /1,000 Students ¹ |
| Clerical Staff (FTE) | 6.0 | 5.7 | 5.5 | 0.2 |
| All Other Office Staff | 1.5 | 1.4 | 0.9 | 0.5 |
| Total Office / Clerical Staff | 7.5 | 7.1 | 6.4 | 0.7 |
| FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students | | | | (0.8) |

Source: NLSD and peers

¹ Represents the number of FTEs that would bring the District’s administrative staff per 1,000 students in line with the peer average. Calculated by multiplying “Difference/1,000 Students” by the District’s “Students (in thousands)”.

As shown in **Table 4**, NLSD is overstaffed by 0.7 office/clerical staff FTEs per 1,000 students based on the peer average ratio of 6.4 FTEs per 1,000 students. To achieve a ratio similar to its peers, NLSD should have an office/clerical staff of 6.5 FTEs, which would require a reduction of 1.0 FTE.

Financial Implication: Reducing 1.0 office/clerical staff FTE position could save the District **\$35,000** in salaries and benefits annually. This savings was calculated using the FY 2014-15 lowest salaries for clerical workers and include an average benefit of 50 percent.⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.4 Create a comprehensive staffing plan

The District does not have a staffing plan to serve as a guide in efficiently and effectively allocating staffing resources. The absence of such a plan could result in decisions to change staffing levels being made on a reactionary basis, using short-term operating data. Furthermore,

³ Calculated using FY 2014-15 personal services expenditures divided by the employees’ retirement/insurance benefits expenditures from the October 2014 five-year forecast.

⁴ Calculated using FY 2014-15 personal services expenditures divided by the employees’ retirement/insurance benefits expenditures from the October 2014 five-year forecast.

some positions may have multiple job functions and/or be misaligned with the mission and goals of the District.

According to *Your Next Move: Strategic Workforce Planning in the Public Sector* (Deloitte, 2006), strategic workforce planning “is an ongoing process for defining and anticipating long-term workforce needs.” Five key stages in developing a strategic workforce plan are as follows:

- Identify critical workforce segments;
- Establish one source of truth (data consistency);
- Perform labor supply/demand analysis;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

Two school districts in Ohio that have developed effective staffing plans are Lakota Local School District (Butler County) and Cincinnati Public School District (Hamilton County). Lakota has a plan that incorporates staffing allocation factors such as State and federal regulation, workload measures, and other leading practices. In general, staffing benchmarks in the plan are calibrated to available general fund revenues, which assist it in ensuring a balanced budget. In addition, Cincinnati has developed a staffing plan that incorporates State requirements, contractual agreements, available resources, and educational goals. This plan includes central and site-based administrators in the staffing process and serves as a valuable tool for the District’s leadership team and administration.

NLSD should develop and implement a comprehensive staffing plan which incorporates staffing allocation factors such as State and federal regulation, workload measures, available resources, contractual agreements and educational goals. A staffing plan with these elements would allow the District to efficiently and effectively allocate its staffing resources according to workload measures, ratios, and performance indicators. This will help to ensure that all goals are being adequately planned for, and increase the likelihood that they are met.

R.5 Solicit competitive bids for dental insurance

The District offers a dental insurance plan with annual premium costs of \$505 for single plans and \$1,299 for family plans; however, competitive bids are not solicited for these premiums. **Table 5** compares dental premium costs to regional averages contained in the 22nd *Annual Report on the Cost of Health Insurance in Ohio Public Sector* (Ohio State Employee Relations Board (SERB), 2014).

Table 5: Dental Premium Comparison

| | NLSD | SERB Regional Average | Difference | Number of Plans | Possible Savings |
|-------------------------------|---------|-----------------------|------------|-----------------|------------------|
| Single | \$505 | \$402 | \$103 | 22 | \$2,266 |
| Family | \$1,299 | \$1,091 | \$208 | 87 | \$18,096 |
| Total Possible Savings | | | | | \$20,362 |

Source: NLSD and SERB

Soliciting competitive bids for dental insurance both through consortiums and open markets will help ensure the District receives the lowest dental insurance prices offered, while keeping the benefit values of dental insurance plans within industry benchmarks. As shown in **Table 5**, the District could save approximately \$20,300 annually if it was able to reduce dental premium costs to the SERB regional averages.

Financial Implication: Aligning the dental insurance premiums with the SERB regional average could save the District approximately **\$20,300** annually.

R.6 Increase employee dental and vision insurance contributions

Current collective bargaining agreements (CBAs) mandate that certificated and classified staff contribute 15 percent of the medical insurance plan premium. However, the CBA does not require contributions for dental and vision insurance plan premiums.

According to the 22nd *Annual Report on the Cost of Health Insurance in Ohio Public Sector* (SERB, 2014) average dental insurance contributions in the same region were \$83 per single plan and \$245 per family plan annually and average vision insurance contributions were \$66 per single plan and \$162 per family plan annually. Requiring employees to bear a portion of the cost of dental and vision insurance will help to alleviate the burden of NLSD's insurance costs while allowing the District to remain competitive within the region.

Financial Implication: Requiring employees to have dental and vision premium contribution levels similar to SERB regional averages could yield a cost savings of **\$51,300** annually.

R.7 Reduce severance payouts

The District's certificated and classified CBA's stipulate that employees can accumulate up to 300 days of sick leave and that retiree severance packages shall be 30 percent of this accumulated and unused sick leave up to a maximum of 250 days (a total of 75 days). Beginning in FY 2016-17, retiree severance packages for certificated employees will increase to 30 percent of accumulated and unused sick leave up to a maximum of 275 days (82.5 days). Severance packages for classified employees will not increase.

The District's maximum severance payout for retiring employees is higher than the peers and significantly higher than ORC minimum requirements. In comparison to the FY 2014-15 peer average, NLSD's severance payout was 10.4 days higher. In addition, a comparison to ORC §124.39, which states that public employees are entitled to receive a quarter of accumulated sick days up to a 30-day payout,⁵ showed the District's severance payout is 45 days higher. Furthermore, after certificated increases scheduled for FY 2016-17, severance payouts will be 52.5 days higher.

The District incurs additional costs by allowing a higher severance payout at retirement. On average, over the past three years, NLSD has paid out approximately \$41,000 more than the ORC requirement. With the expansion of the severance package for certificated employees in FY

⁵ At the employee's ending rate of pay, if the employee retires with at least 10 years of service.

2016-17, the District's costs could escalate. Reducing severance payouts to ORC minimums could result in significant cost avoidance in the future.

R.8 Discontinue retirement pickup for all STRS/SERS employees

Ohio school districts and their employees make retirement contributions into the School Employees Retirement System of Ohio (SERS) or State Teachers Retirement System of Ohio (STRS). In FY 2013-14, SERS required a 14 percent employer contribution and a 10 percent employee contribution and STRS required a 14 percent employer contribution and a 12 percent employee contribution.⁶

The District's certificated and classified employees make retirement contributions to SERS/STRS through salary reduction, however, they do not make the entire contribution. Each employee contributing to SERS/STRS receives a fringe benefit of 1.25 percent extra gross pay from NLSD. According to collective bargaining agreements for certificated and classified employees, the District has agreed to increase this amount by 0.25 percent in FY 2016-17. At that time, NLSD will be paying an additional 1.50 percent of each employee's gross pay, which will be applied towards the employee share of the required contribution.

In offering fringe benefits in this manner, the District cannot be as transparent to its stakeholders regarding the overall compensation of its employees. In addition, offering this benefit to all employees can be costly, as it is rarely factored into total compensation calculations. Paying all or a portion of the employee share of retirement contributions is a method used by districts to control salary costs by offering these fringe benefits in lieu of higher salaries. A comparison to the peer districts, however, revealed that none of these districts offer additional pension pick-ups for certificated and classified employees. NLSD could negotiate several changes to its pension pick-up provision that could result in savings for the District. The greatest impact would be to seek to eliminate pension pick-ups for all employees. However, if the District wishes to include pension pick-up when assessing total compensation, it should consider salary information presented in **Tables B-2 and B-3** of **Appendix B**. At a minimum, seek to contain the projected 0.25 percent increase scheduled for FY 2016-17.

Financial Implication: Eliminating the additional pick-up of retirement contributions could save approximately **\$69,000** in FY 2014-15, and **\$82,800** beyond.⁷ Maintaining the pick-up contribution levels at 1.25% and eliminating the scheduled 0.25 percent increase could save the District **\$13,800** per year in FY 2016-17 and beyond.

⁶ In September 2012, the Ohio General Assembly passed Substitute Senate Bill 342 to improve the financial condition of STRS Ohio. As part of this bill, employee contribution rates are scheduled to increase from 10 percent (in FY 2012-13) to 14 percent (in FY 2016-17). This increase will be phased in at a rate of 1 percent each fiscal year beginning July 1, 2013. The employee contribution rate to STRS is 12 percent for compensation earned on or after July 1, 2014.

⁷ Based on FY 2014-15 salary levels since there is no way to project actual salaries for FY 2016-17.

R.9 Reduce tuition reimbursement expenditure cap

The certificated CBA requires the Board to set aside \$40,000 per year to aid certificated employees “in obtaining additional college training in an approved crediting college.” Reimbursement is made for 100 percent of the actual cost of this education up until the \$40,000 allotment is spent by bargaining unit members. If the actual cost for the year is less than the \$40,000 budgeted, “the difference will be rolled over and included in the following year’s budget.” If the requested reimbursement is greater than the \$40,000 budgeted, the reimbursement for the cost of these courses will be based on a percentage calculated by taking \$40,000 and dividing by the total cost of each person who has taken the coursework.”

Elevated tuition reimbursement requirements could unnecessarily drive up total expenditures. Only six peer districts offer any form of tuition reimbursement, and only four peer districts offer 100 percent reimbursement. Of the four peer districts who set a tuition reimbursement expenditure cap, the peer average for the cap was \$16,500. Reducing tuition reimbursement levels would align NLSLD with its peers and result in a reduction in expenditures.

Financial Implication: Reducing the District’s tuition reimbursement expenditure cap to a level in line with the peer average could save approximately **\$23,500** annually.

R.10 Develop formal policies and procedures for compiling T-Form data

School districts in Ohio are required to report information about transportation operations to ODE on an annual basis in accordance with ORC § 3327.012 and OAC § 3301-83-01. The T-1 Form is used to report information on students, buses, and miles and the T-2 Form is used to report actual expenses incurred for the transportation of eligible students to and from school. The T-1 and T-2 forms are also used to calculate the district’s special education transportation funding. The Transportation Coordinator is primarily responsible for preparing the T-1 and T-2 forms, however, the District does not have formal policies and procedures that could enhance the accuracy of these forms or the proper maintenance of required supporting documentation.

A review of the District’s T-1 and T-2 report data showed NLSLD misreported data submitted to ODE. For example, the District’s FY 2012-13 and FY 2013-14 T-1 Report only counted students for one day rather than taking the average count for five days as instructed by ODE. Also, the District reported the total premium cost of all vehicle insurance on the T-2 Reports for FY 2012-13, FY 2013-14, and FY 2014-15, instead of reporting these costs for only the buses.

ODE’s Office of Pupil Transportation, in conjunction with the Ohio Association of School Business Officials (OASBO) and the Ohio Association of Pupil Transportation (OAPT), has developed a series of trainings that school district administrators and employees can attend at a low cost. The trainings are held several times each year and include a “Back to the Basics” training session. Information about the transportation trainings can be found on OASBO’s website; www.oasbo-ohio.org. In addition, the Office of Pupil Transportation posts statewide emails on its webpage which contain important pupil transportation information.

The lack of formalized standard operating procedures weakens internal controls, especially in the event of employee turnover or absence, and also leads to questions about the reliability of the

District's data, since there is no documentation of how it is collected or costs allocated. This increases risks associated with misreporting and may result in the District receiving an inaccurate amount of State reimbursement. The development of policies and procedures documenting the District's T-Form reporting process and retention of supporting documentation will help ensure accurate reporting of transportation information to ODE in accordance with ORC and OAC standards.

R.11 Reduce fleet by one regular active bus

Table 6 compares the District's FY 2014-15 regular needs ridership to the suggested benchmark contained in *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), September 2006) that buses should operate at 80 percent of capacity.

Table 6: FY 2014-15 Regular Needs Ridership Analysis

| | |
|--|------------|
| NLSD Regular Riders | 906 |
| AASA Benchmark Capacity per Bus @ 80% ¹ | 89.4 |
| Number of Buses Needed Based on Benchmark | 10.1 |
| Total Active Regular Buses Used ² | 12.0 |
| Buses Over(Under) Benchmark | 1.9 |

Source: ODE, NLSD, and AASA

¹ Capacity is based on elementary and high school students plus the number of routes.

² Includes regular student buses, nonpublic, and community school riders.

As shown in **Table 6**, the District could potentially reduce up to one bus from its fleet in order to achieve the benchmark utilization of 80 percent. *Hidden Savings in Your Bus Budget* also states that operating buses more efficiently is one of the most effective ways to achieve savings in a school district's transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. Although NLSD has employed a number of routing methods to improve efficiency, such as multi-tiered routing, cluster stops, and staggered bell schedules, it did not employ the use of automated routing software to make its bus routes more efficient during FY 2014-15 and in prior years. The additional use of routing software could allow the District to increase efficiency while safely transporting students to their schools on time.

Financial Implication: Eliminating one active bus could save the District approximately **\$30,300** annually.⁸

R.12 Reduce fleet by two spare buses

The District had 5 buses designated as spares in FY 2013-14; 26 percent of the total fleet. According to ODE's Office of Pupil Transportation, spare buses typically comprise 20 percent of a district's fleet. Under current operations, the District would need to reduce two spare buses in order to get closer to the 20 percent ratio. Owning more buses than necessary can have an adverse impact on the District's maintenance and insurance costs, particularly considering that

⁸ Savings are based on a reduction of personnel coupled with conservative reduction of fuel, maintenance, and insurance expenditures.

some of the existing vehicles cannot be used for their intended purpose. By maintaining a spare bus fleet in excess of ODE's recommendations, NLSD may be incurring excess costs for insurance and other routine maintenance that the spare buses require.

Financial Implication: The District could generate **\$3,500** in one-time revenue from the sale of two spare buses based on Ohio Schools Council 2012 bus auction sales data.

R.13 Implement a formal preventive maintenance and bus replacement program

NLSD does not have a formal maintenance plan. The absence of a plan has resulted in the District repairing and replacing buses as necessary. **Table 7** compares NLSD's maintenance and repair expenditure ratios to the peer average for FY 2014-15.

Table 7: Maintenance and Repair Expenditures Comparison¹

| | NLSD | Peer Average | Difference | % Difference |
|----------------------|------------|--------------|------------|--------------|
| Per Yellow Bus Rider | \$137.97 | \$160.21 | (\$22.24) | (13.9%) |
| Per Active Bus | \$9,115.86 | \$7,847.49 | \$1,268.37 | 16.2% |
| Per Routine Mile | \$0.51 | \$0.62 | (\$0.11) | (17.7%) |

Source: ODE T-2 Reports

¹ Includes mechanic and mechanic helper salaries.

As shown in **Table 7**, the District's maintenance and repair cost per active bus were significantly higher than the peer average. Increased maintenance and repairs costs are positively correlated with the age of the bus fleet; a district with an aging fleet can expect increased costs to repair and maintain that fleet. The average age of the District's buses is 10 years old with three of the 18 buses being more than 15 years old. Furthermore, maintenance and repairs expenditures was greatly affected by its frequent use of outside bus maintenance vendors during FY 2013-14, and the rural nature of its routes, including hills, potholes and gravel roads.

According to *Public Works Management Practices Manual* (American Public Works Association, 2001), a formal preventive maintenance program should be developed for all equipment that includes scheduling, recording performance, and monitoring the program. 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 documentation to support maintenance action. The implementation of a formal preventive maintenance program would allow the district to manage their fleet in a more efficient manner, allowing them to potentially reduce their maintenance and repair costs per active bus and improve transportation recordkeeping.

In addition to having no preventive maintenance plan, the District also lacks a bus replacement plan. *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services, 2002) emphasizes that 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. Adopting a formal bus replacement plan, even without the

resources to fund the plan, could benefit NLSD as it would set priorities and establish criteria for when funding is available. 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 not funding capital improvements.

R.14 Track fuel prices and apply for the Motor Fuel Tax Refund

According to the District, one vendor has been supplying fuel to the District for several years without competition or written contract. Furthermore, the District is not a member of the Cooperative Purchasing Program (the Co-op) administered by the Ohio Department of Administrative Services (DAS). The Co-op provides political subdivisions in Ohio the benefits and costs savings of buying goods and services through State contracts. From July 2013 to April 2014, the DAS average price per gallon available through the Co-op was \$3.61. In comparison, the District paid an average of \$3.76 per gallon for diesel fuel during this same period. **Table 8** illustrates potential annualized savings of purchasing fuel through the DAS contract based on the price difference determined during this time period.

Table 8: NLSD Fuel Cost Comparison

| | |
|---|----------------|
| Total gallons purchased | 40,818 |
| Savings per gallon – DAS Co-op Difference | \$0.15 |
| Savings - DAS Co-op Difference | \$6,123 |
| Motor Fuel Tax Refund per gallon | \$0.06 |
| Motor Fuel Tax Refund Savings | \$2,449 |
| Total Annual Savings | \$8,572 |

Source: NLSD and DAS

Table 8 shows that the District could have saved \$6,123 annually by using the DAS contract for fuel purchasing during the time period analyzed. In addition, further escalating the District's fuel costs is the fact that it has not historically applied for the Motor Fuel Tax Refund of \$0.06 per gallon available through the Ohio Department of Taxation. This refund is available to government entities that purchase fuel for road use within one year of the fuel purchase and would have saved the District \$2,449.

According to ORC § 125.04(C), a school district may purchase supplies or services from another party, including another political subdivision, instead of through a contract that DAS has entered into on behalf of the school district, if the school district can prove that it can purchase the same supplies or services from another party upon equivalent conditions and specifications but at a lower price. If so, the school district does not have to competitively bid those supplies or services.

The District should consider joining the Co-op to take advantage of fuel prices available through this program when warranted. DAS makes this program available to school districts in Ohio at an annual price of \$100. By joining the Co-op 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 the most competitive fuel prices are obtained.

Financial Implication: Reducing fuel costs to the Co-op contract price per gallon would save over **\$6,100** annually based on a sample of FY 2013-14 data. In addition, applying for and receiving the Motor Fuel Tax Refund of \$0.06 per gallon would save the District over **\$2,400** annually for a total annual savings of over **\$8,500**.

R.15 Develop a facilities master plan

NLSD does not have a master plan for its facilities or a formal capital plan. It currently replaces equipment as it breaks down while not allocating for these specific repairs in the long term.

According to the *Council of Educational Facility Planners International* (Prager & Matschulat, 2010), the facilities master plan should coordinate and align many diverse considerations into a strategic long-term vision for a school district's facilities. The plan should include every capital asset within a district, have a mission statement, and include demographic outlooks. The facilities master plan should also address the district's technology plan, business plan, and tie the educational goals to the projected capital improvement expenditures. Once implemented, master plans should be continuously updated, as conditions and projects change. A useful master plan should assist administrators in the financial forecasting and budgeting of major expenditures associated with the District's facilities.

NLSD should develop a detailed facilities master plan. Creating and implementing this plan will allow the District to more effectively prioritize and allocate funds for appropriate capital improvements, as well as communicate to stakeholders why and how such funds are allocated.

R.16 Implement a cost allocation plan

The District's food service operation is set up as an enterprise fund, which is required to be used to account for services whose costs are partially funded by fees and/or charges. The performance of an enterprise fund is measured in terms of positive and negative operations. NLSD, however, does not charge a percentage of its utilities back to the Food Service Fund. Without having utilities charged back to the fund, its true expenditures are understated and the District is not representing the full cost of its operation.

According to *Measuring the Cost of Government Services* (Government Finance Officers Association (GFOA), 2002), government entities need to attribute the full costs of their operations to the services from which they are derived. This includes the wages and benefits of those employees providing the service as well as other functional costs such as supplies and materials, rent, training, and travel. This also includes indirect costs such as shared administration expenses, human resource expenses, and utilities which should be allocated using a systematic and rational methodology. The *Ohio Revised Code Section 3313.81 Management and Control of Food Service Operations*, specifically notes the importance of all receipts and disbursements that are made in connection with the food service operation be made directly into or out of the Food Service Fund.

By making sure all relevant costs are billed to the Food Service Fund it will allow the District to fully evaluate the program's efficiency and performance and better situate the fund to be fully self-sufficient.

R.17 Develop formal board policy for forecasting

According to *Financial Forecasting in the Budget Preparation Process* (Government Finance Officers Association (GFOA), 2014), key steps in a sound forecasting process should include defining assumptions, gathering information, examining historical data and relevant economic conditions, and then selecting the quantitative/qualitative methods to use for developing the forecast. Furthermore, the forecast should be linked to decision making, with a long term perspective to the budgeting process and emphasizing financially sustainable decisions.

The District does not have a formal Board policy for developing the financial forecast. An effective forecast would allow for improved decision making in maintaining (or achieving) fiscal discipline by considering all relevant economic conditions the District faces.

R.18 Improve communication of financial information

NLSD maintains a publicly-accessible website, but does not use it as an avenue to communicate financial information. The District's financial reporting is limited to its annual financial audit; it does not issue prepared financial reports that are oriented toward a public audience. The District should look to improve public access to its financial information by improving its supplemental reporting and website content.

Supplemental Reporting - the Treasurer indicated that the District does not prepare a comprehensive annual financial report (CAFR), a popular annual financial report (PAFR), or other supplemental information in addition to the annual report. The District can provide supplemental reporting with limited preparation costs. The Association of Government Accountants: Citizen - Centric Reporting (CCR) Initiative is intended to detail information sharing between governments and its citizens. This initiative is a way to feature government finances in a visually appealing, clear and understandable four-page document.

Website - the District's website does not have an area dedicated to the Treasurer's Office or links to financial data. For example, Hopewell-Loudon Local Schools (Seneca County) includes a designated treasurer website and a link to financial data, financial communications policies, and others. Additionally, Columbus Grove Local School District's (Putnam County) web page includes financial information explaining the five year forecast, historical expenditures and revenue forecasts.

Web Site Presentation of Official Financial Documents (GFOA, 2009) specifies that using a government website to disseminate information demonstrates both accountability and transparency to its shareholders in an easily accessible form. The GFOA recognizes the following benefits from having well maintained and updated information available online:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Lowered costs;
- Contribution to sustainability; and
- Broadened potential scope.

The GFOA recommends that all government entities make their financial information, including the budget and financial forecast, available online through their website. In *Documentation of Accounting Policies and Procedures* (GFOA, 2007) the GFOA also notes that advances in technology have made it more cost effective to publish accounting policies and procedures online rather than utilizing traditional hard copy manuals.

By not making all financial information available on its website, the District increases the risk it will not be able to fully engage with the community and provide meaningful input based on its financial information. NLSD should fully utilize its website to strengthen financial communications with the community by making its budget, five year forecast, and Board policies readily available to the public. These steps will help to ensure accountability and transparency to stakeholders.

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: human resources, transportation, facilities, food service and financial management. 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 when applicable. Fourteen of the 32 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 |
|--|---------------------------|
| Human Resources | |
| Is the District's EMIS data reliable for use? | N/A |
| Is the District's staffing efficient compared to peers? | R.1, R.2, R.3, R.4 |
| Are the District's salaries comparable to the peers? | N/A |
| Are the District's collective bargaining agreements consistent with leading practices? | R.9 |
| Is the District's severance payout more generous than peers? | R.7 |
| Does the District contribute more than 14 percent to employee retirement? | R.8 |
| Is the District's tuition reimbursement program more generous than the peers? | R.9 |
| Are the District's benefits comparable to leading practices? | R.5, R.6 |
| Is the District's sick leave usage excessive? | N/A |
| Transportation | |
| Is the District's transportation data reliable? | R.10 |
| Does the District utilize its buses in an efficient manner? | R.11 |
| Does the District make efficient use of routing software? | R.11 |
| Does the District maintain an appropriate amount of spare buses? | R.12 |
| Is the District's bus replacement plan consistent with leading practices? | R.13 |
| Does the District procure fuel in a cost-effective manner? | R.14 |
| Is the District's preventive maintenance plan consistent with leading practices? | R.13 |
| Facilities | |
| Are the District's facilities expenditures comparable to peers and industry benchmarks? | N/A |
| Is the District's facility related data reliable for use? | N/A |
| Is the District's custodial and maintenance staffing efficient compared to leading practices and other benchmarks? | N/A |
| Does the District effectively manage overtime costs? | N/A |
| Are the District's preventive maintenance efforts consistent with best practices? | R.13 |
| Are the District's capital planning efforts consistent with best practices? | R.15 |

Table A-1: Audit Objectives and Recommendations (Continued)

| Food Service | |
|--|-------------|
| Is the Food Service dependent upon the General Fund? | R.16 |
| Is the District's participation rate in line with peer averages and industry benchmarks? | N/A |
| Are meals labor per hour in line with national benchmarks? | N/A |
| Is the District spending more per meal than the peers? | N/A |
| Financial Management | |
| Is the District's financial information valid and reliable? | N/A |
| Does the District maintain an effective process for preparing the financial forecast? | R.17 |
| Are the District's budgeting practices comparable to best practices? | N/A |
| Are the District's purchasing and vendor payment practices comparable to best practices? | N/A |
| Is the District's financial communication consistent with leading practices? | R.18 |
| Is the District's strategic planning process consistent with leading practices? | N/A |

Appendix B: Additional Comparisons

Staffing

Table B-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at NLSD compared to the peer district average. According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013), an FTE is defined by 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. Because staff levels are partially dependent on the number of students served, analyzing staffing data as shown in **Table B-1** decreases differences attributable to the size of the peers. Comparative data is from FY 2014-15 as reported to ODE through EMIS. It should be noted that adjustments were made to the District's EMIS data to reflect accurate staffing at the time of the assessment.

Table B-1: Staffing Comparison Summary (in FTEs)

| | NLSD | Peer Average | Difference | | |
|------------------------------------|---------------|----------------------------------|-----------------------------|--|---------------------------------------|
| Students Educated ¹ | 1,054 | 1,062 | (8.000) | | |
| Students Educated (thousands) | 1.054 | 1.062 | (0.008) | | |
| Staffing Categories | NLSD FTEs | NLSD FTE/1,000 Students Educated | Peer FTE Per 1,000 Students | Difference Per 1,000 Students Educated | Total FTEs Above (Below) ² |
| Administrative | 7.00 | 6.65 | 6.74 | (0.09) | (0.09) |
| Office/Clerical | 7.48 | 7.10 | 6.30 | 0.80 | 0.84 |
| General Education Teachers | 49.00 | 46.49 | 48.93 | (2.44) | (2.57) |
| All Other Teachers | 13.40 | 12.72 | 10.39 | 2.33 | 2.46 |
| Education Service Personnel (ESP) | 9.00 | 8.55 | 7.61 | .94 | .99 |
| Educational Support | 0.00 | 0.00 | 3.08 | (3.08) | (3.25) |
| Other Educational Staff | 2.00 | 1.90 | 0.46 | 1.44 | 1.52 |
| Non-Certificated Classroom Support | 3.50 | 3.32 | 4.73 | (1.41) | (1.49) |
| Operations | 30.50 | 28.94 | 30.19 | (1.25) | (1.32) |
| All Other Staff | 2.0 | 1.90 | 2.29 | (0.39) | (0.41) |
| Total Staff | 123.88 | 117.57 | 120.72 | (3.15) | (3.32) |

Source: ODE and NLSD

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 Educated" by "Students Educated (thousands)".

As illustrated in **Table B-1**, NLSD was at, or below, the peer average in five of ten staffing categories compared. Three categories with higher staffing, office/clerical, ESP, and other educational staff were assessed in **R.3**, **R.1**, and **R.2**, respectively. The all other teachers

category was not assessed despite being higher than the peer average as these teachers are special education related and tied to Individual Education Plans (IEPs).

Salaries

The District's starting wages and step increases were compared to the respective peer averages using negotiated salary schedules from FY 2014-15 collective bargaining agreements for NLSD and the peer districts. **Table B-2** shows the total salary an NLSD employee would receive over the duration of a 30 year career, based on the current contract in comparison to the peer districts.

Table B-2: 30 Year Total Salary Comparison

| | NLSD | Peer Average | Difference | % Difference |
|-----------------------------|-------------|--------------|------------|--------------|
| Certified (Teachers) | | | | |
| Bachelor's Degree | \$1,403,813 | \$1,392,023 | \$11,790 | 0.9% |
| Master's Degree | \$1,583,545 | \$1,613,276 | (\$29,731) | (1.8%) |
| Classified | | | | |
| Aide | \$560,865 | \$557,235 | \$3,630 | 0.7% |
| Administrative Assistant | \$753,959 | \$760,932 | (\$6,973) | (0.9%) |
| Bus Driver | \$485,887 | \$459,760 | \$26,127 | 5.7% |
| Cook | \$525,027 | \$571,632 | (\$46,605) | (8.2%) |
| Custodian | \$1,230,270 | \$954,056 | \$276,215 | 29.0% |

Source: NLSD and SERB

As shown in **Table B-2**, NLSD career compensation levels were comparable to peers except for the bus driver and custodian classifications which were 5.7 percent and 29.0 percent higher than the peer average, respectively. The District spends less on salaries *per square foot* than the peer average to maintain the buildings which includes custodial work. See **Table B-4**.

Table B-3 shows the annual salaries of the Maintenance Supervisor and Head Mechanic compared to the peer average. Annual salaries were used rather than career compensation because NLSD CBAs do not contain salary schedules for these two positions. The peer average was determined using the average salary these two employees would earn commensurate with their level on the salary schedules of the peer districts.

Table B-3: Annual Salary Comparison

| | NLSD | Peer Average | Difference | % Difference |
|------------------------|----------|-----------------------|------------|--------------|
| Maintenance Supervisor | \$49,533 | \$44,590 ¹ | \$4,943 | 11.1% |
| Head Mechanic | \$48,610 | \$36,959 ² | \$11,651 | 31.5% |

Source: NLSD and SERB

¹ Based on employee with 19 years of experience.

² Based on employee with two years of experience.

As shown in **Table B-3**, the NLSD annual salary for Maintenance Supervisor and Head Mechanic was substantially higher than the peer average. The District is 1.3 FTEs below the peer average for Operations employees see **Table B-1**.

Facilities

Table B-4 shows the District's expenditures per square foot compared to the peer average for FY 2014-15.

Table B-4: Facilities Expenditures per Square Foot Comparison

| | NLSD | Peer Average | Difference | Percent Difference |
|---|---------------|---------------|-----------------|--------------------|
| Salaries and Wages ¹ | \$1.59 | \$1.62 | (\$0.03) | (1.9%) |
| Employee Benefits | \$0.97 | \$0.71 | \$0.26 | 36.6% |
| Utilities - Total | \$1.69 | \$1.56 | \$0.13 | 8.3% |
| Electric | \$1.30 | \$1.11 | \$0.19 | 17.1% |
| Gas | \$0.27 | \$0.35 | (\$0.08) | (22.9%) |
| Water & Sewer | \$0.12 | \$0.11 | \$0.01 | 9.1% |
| Purchased Services (Excluding Utilities) | \$0.43 | \$0.77 | (\$0.34) | (44.2%) |
| Supplies and Materials | \$0.25 | \$0.42 | (\$0.17) | (40.5%) |
| Capital Outlay | \$0.00 | \$0.06 | (\$0.06) | (100.0%) |
| Other Objects | \$0.00 | \$0.00 | (\$0.00) | 0.0% |
| Total Expenditures per Square Foot | \$4.93 | \$5.15 | (\$0.22) | (4.3%) |
| Square Feet Maintained | 206,325 | 187,194 | 19,131 | 10.2% |

Source: ODE

¹This includes maintenance and custodial staffing.

As shown in **Table B-4**, NLSD spent 4.3 percent less per square foot than the peer average. The District, however, exceeded the peer average in the following areas: employee benefits (see **R.5** and **R.6**) and utilities (electric and water and sewer). For FY 2013-14, the District purchased electricity through a consortium for a price of \$0.10 per kilowatt hour, a rate lower than the average State commercial rate.

Appendix C: Five-Year Forecasts

Chart C-1 displays the District's May 2014 Five-Year Forecast.

Chart C-1: NLSD May 2014 Five-Year Forecast

| Northmor Five Year Forecast for Fiscal Year 2014 | | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| District Type: Local IRN: 048819 County: Morrow Date Submitted: 6/3/2014 Date Processed: 6/3/2014 | | | | | | | | |
| Line | Actual | | | Forecasted | | | | |
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| 1.010 General Property (Real Estate) | 2,835,681 | 3,426,110 | 2,604,892 | 2,949,105 | 3,037,578 | 3,128,705 | 3,222,567 | 3,319,244 |
| 1.020 Tangible Personal Property Tax | 14,520 | 2,574 | | 249 | 50 | 10 | | |
| 1.030 Income Tax | 1,322,608 | 1,386,215 | 1,469,165 | 1,484,685 | 1,514,379 | 1,544,666 | 1,591,006 | 1,638,736 |
| 1.035 Unrestricted Grants-in-Aid | 4,618,627 | 4,815,890 | 4,914,623 | 4,943,662 | 4,943,662 | 5,042,535 | 5,092,961 | 5,143,890 |
| 1.040 Restricted Grants-in-Aid | 70,042 | 44,065 | 67,745 | 231,244 | 233,556 | 238,228 | 242,992 | 247,852 |
| 1.045 Restricted Federal Grants-in-Aid - SFSF | 625,884 | 58,193 | | | | | | |
| 1.050 Property Tax Allocation | 738,563 | 597,420 | 535,691 | 308,079 | 314,241 | 320,525 | 326,936 | 333,475 |
| 1.060 All Other Operating Revenue | 645,910 | 744,379 | 889,303 | 883,944 | 1,003,944 | 1,024,023 | 1,044,503 | 1,065,393 |
| 1.070 Total Revenue | 10,871,835 | 11,074,846 | 10,481,419 | 10,800,968 | 11,047,410 | 11,298,693 | 11,520,965 | 11,748,590 |
| 2.080 Total Revenues and Other Financing Sources | 10,873,335 | 11,198,025 | 10,481,419 | 10,828,410 | 11,047,410 | 11,298,693 | 11,520,965 | 11,748,590 |
| 3.010 Personnel Services | 5,834,145 | 5,850,116 | 5,357,549 | 5,313,082 | 5,419,344 | 5,581,924 | 5,749,382 | 5,921,863 |
| 3.020 Employees' Retirement/Insurance Benefits | 2,642,619 | 2,425,780 | 2,491,356 | 2,584,460 | 2,687,838 | 2,768,474 | 2,879,212 | 3,023,173 |
| 3.030 Purchased Services | 1,697,477 | 1,784,808 | 1,954,041 | 2,052,869 | 2,073,398 | 2,094,132 | 2,115,073 | 2,136,224 |
| 3.040 Supplies and Materials | 379,736 | 358,613 | 419,676 | 402,596 | 456,264 | 456,264 | 450,000 | 450,000 |
| 3.050 Capital Outlay | 63,494 | 25,736 | 20,424 | 25,132 | 25,000 | 25,000 | 25,000 | 25,000 |
| 4.300 Other Objects | 444,160 | 437,458 | 480,561 | 498,339 | 450,000 | 450,000 | 450,000 | 450,000 |
| 4.500 Total Expenditures | 11,061,631 | 10,882,511 | 10,723,607 | 10,876,478 | 11,111,844 | 11,375,793 | 11,668,667 | 12,006,260 |
| 5.050 Total Expenditure and Other Financing Uses | 11,061,631 | 10,882,511 | 10,723,607 | 10,876,478 | 11,111,844 | 11,375,793 | 11,668,667 | 12,006,260 |
| 6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing | -188,296 | 315,514 | -242,188 | -48,068 | -64,434 | -77,100 | -147,702 | -257,670 |
| 7.010 Beginning Cash Balance | 357,531 | 169,235 | 484,749 | 242,561 | 194,493 | 130,059 | 52,959 | -94,744 |
| 7.020 Ending Cash Balance | 169,235 | 484,749 | 242,561 | 194,493 | 130,059 | 52,959 | -94,744 | -352,413 |
| 8.010 Outstanding Encumbrances | 75,324 | 78,829 | 45,649 | 25,000 | | | | |
| 10.010 Fund Balance June 30 for Certification of Appropriations | 93,911 | 405,920 | 196,912 | 169,493 | 130,059 | 52,959 | -94,744 | -352,413 |
| 12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations | 93,911 | 405,920 | 196,912 | 169,493 | 130,059 | 52,959 | -94,744 | -352,413 |
| 15.010 Unreserved Fund Balance June 30 | 93,911 | 405,920 | 196,912 | 169,493 | 130,059 | 52,959 | -94,744 | -352,413 |

Source: ODE

Chart C-2 displays the District's October 2014 Five-Year Forecast.

Chart C-2: NLSD October 2014 Five-Year Forecast

| Northmor Five Year Forecast for Fiscal Year 2015 | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| District Type: Local IRN: 048819 County: Morrow Date Submitted: 10/30/2014 Date Processed: 5/23/2014 | | | | | | | | |
| Line | Actual | | | Forecasted | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1.010 General Property (Real Estate) | 3,426,110 | 2,604,892 | 2,949,105 | 3,037,578 | 3,128,705 | 3,222,567 | 3,319,244 | 3,385,629 |
| 1.020 Tangible Personal Property Tax | 2,574 | | 249 | 50 | 10 | | | |
| 1.030 Income Tax | 1,386,215 | 1,469,165 | 1,484,685 | 1,514,379 | 1,544,666 | 1,591,006 | 1,638,736 | 1,671,511 |
| 1.035 Unrestricted Grants-in-Aid | 4,815,890 | 4,914,623 | 4,937,616 | 4,943,662 | 5,072,535 | 5,092,961 | 5,143,890 | 5,195,329 |
| 1.040 Restricted Grants-in-Aid | 44,065 | 67,745 | 237,732 | 233,566 | 238,228 | 242,992 | 247,852 | 252,809 |
| 1.045 Restricted Federal Grants-in-Aid - SFSF | 58,193 | | | | | | | |
| 1.050 Property Tax Allocation | 597,420 | 535,691 | 308,110 | 314,241 | 320,525 | 326,936 | 333,475 | 340,145 |
| 1.060 All Other Operating Revenue | 744,379 | 889,303 | 869,922 | 973,825 | 983,563 | 993,399 | 1,003,333 | 1,013,366 |
| 1.070 Total Revenue | 11,074,846 | 10,481,419 | 10,787,419 | 11,017,291 | 11,288,232 | 11,469,861 | 11,686,530 | 11,858,789 |
| 2.060 All Other Financial Sources | 123,179 | | 27,442 | | | | | |
| 2.070 Total Other Financing Sources | 123,179 | | 27,442 | | | | | |
| 2.080 Total Revenues and Other Financing Sources | 11,198,025 | 10,481,419 | 10,814,861 | 11,017,291 | 11,288,232 | 11,469,861 | 11,686,530 | 11,858,789 |
| 3.010 Personnel Services | 5,850,116 | 5,357,549 | 5,271,158 | 5,419,344 | 5,581,924 | 5,693,562 | 5,807,433 | 5,923,582 |
| 3.020 Employees' Retirement/Insurance Benefits | 2,425,780 | 2,491,356 | 2,546,790 | 2,687,838 | 2,768,474 | 2,879,212 | 3,023,173 | 3,174,332 |
| 3.030 Purchased Services | 1,784,808 | 1,954,041 | 2,053,137 | 2,094,200 | 2,136,084 | 2,178,806 | 2,222,382 | 2,266,830 |
| 3.040 Supplies and Materials | 358,613 | 419,676 | 402,325 | 415,000 | 415,000 | 410,000 | 410,000 | 410,000 |
| 3.050 Capital Outlay | 25,736 | 20,424 | 25,132 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 4.300 Other Objects | 437,458 | 480,561 | 485,961 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| 4.500 Total Expenditures | 10,882,511 | 10,723,607 | 10,784,503 | 11,091,382 | 11,376,482 | 11,636,580 | 11,937,988 | 12,249,744 |
| 5.050 Total Expenditure and Other Financing Uses | 10,882,511 | 10,723,607 | 10,784,503 | 11,091,382 | 11,376,482 | 11,636,580 | 11,937,988 | 12,249,744 |
| 6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing | 315,514 | -242,188 | 30,358 | -74,091 | -88,250 | -166,719 | -251,458 | -390,955 |
| 7.010 Beginning Cash Balance | 169,232 | 484,746 | 242,558 | 272,916 | 198,825 | 110,575 | -56,144 | -307,602 |
| 7.020 Ending Cash Balance | 484,746 | 242,558 | 272,916 | 198,825 | 110,575 | -56,144 | -307,602 | -698,558 |
| 8.010 Outstanding Encumbrances | 78,829 | 45,649 | 16,855 | 15,000 | 15,000 | 10,000 | 10,000 | 10,000 |
| 10.010 Fund Balance June 30 for Certification of Appropriations | 405,917 | 196,909 | 256,061 | 183,825 | 95,575 | -66,144 | -317,602 | -708,558 |
| 12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations | 405,917 | 196,909 | 256,061 | 183,825 | 95,575 | -66,144 | -317,602 | -708,558 |
| 15.010 Unreserved Fund Balance June 30 | 405,917 | 196,909 | 256,061 | 183,825 | 95,575 | -66,144 | -317,602 | -708,558 |

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.

Northmor Local Schools

Chad A. Redmon, Superintendent
Tammi L. Cowell, Treasurer

(419) 946-8861
FAX: (419) 947-6255

Mr. David Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor Yost,

On behalf of the Northmor Local Schools, we would like to thank the entire Performance Audit team for their time and effort in preparing the audit report for our district. The staff was thorough and professional during all phases of the performance audit. The district engaged in this audit process to further streamline district operations due to its current financial concerns and those on the horizon.

We appreciate the many accomplishments noted within the report which have helped the Northmor Local Schools to provide effective educational services while maintaining a lean budget. We are deeply committed to continuing our efforts in this area and truly want to use taxpayers' dollars in the most prudent way. The recommendations for improvement identified in the report will help guide district decisions. The district budget process has and will be revised to better reflect district priorities and reduction expenditures.

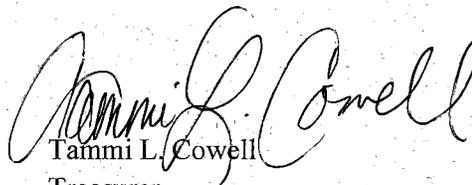
The district staffing analysis has already been used to inform decisions in recent budget reductions, resulting in the elimination of identified positions through attrition and reduction in force (RIF). Prior to the performance audit team completing the audit at Northmor, we eliminated a clerical position as recommended. Additionally, we have eliminated a full time library media specialist position under R.1 of the report, an elementary position through attrition, an administrative position, a dual position instructing physical education and computer courses, and finally, a custodial position. The elimination of these positions nearly mirror the amount of money recommended in the performance audit per cost savings or reductions.

As a result of the audit, the leadership team will continue to monitor finances and use this document to help make informed decisions in regard to the financial future of our school district. Northmor Local Schools will continue to analyze the information gained through the Performance Audit Process for the continued improvement of our school district. We thank you for your time and efforts on behalf of the Northmor Local Schools.

Yours in Education,



Chad A. Redmon
Superintendent



Tammi L. Cowell
Treasurer



Dave Yost • Auditor of State

NORTHMOR LOCAL SCHOOL DISTRICT

FRANKLIN 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
JUNE 16, 2015**