



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Shadyside 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

March 3, 2015

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Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Shadyside Local School District (SLSD or the District). ODE requested this performance audit with the goal of improving the District's financial condition through an objective assessment of the economy, efficiency, and effectiveness of the District's 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 services. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

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

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

This performance audit provides objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Audit Methodology

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

In consultation with the District, the following Ohio school districts were identified as peers: Ada Exempted Village School District (Hardin County), Columbus Grove Local School District

(Putnam County), Franklin-Monroe Local School District (Darke County), Hopewell-Loudon Local School District (Seneca County), Joseph Badger Local School District (Trumbull County), Lowellville Local School District (Mahoning County), McDonald Local School District (Trumbull County), Osnaburg Local School District (Stark County), Toronto City School District (Jefferson County), and Weathersfield Local School District (Trumbull County).

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the 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 the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

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

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices identified during the course of this audit. The following summarizes a noteworthy accomplishment concerning the District's financial operations.

Financial Systems: In FY 2013-14, the District had per pupil expenditures that were 11.9 percent lower than the peer average. The District was able to accomplish this despite losing over \$850,000 in revenue due to the closure of the FirstEnergy R. E. Burger Power Plant.

FY 2013-14 General Fund Expenditure per Pupil (EPP) Peer Comparison

	SLSD	Peer Average	EPP	% Difference
Instruction	\$4,890.67	\$5,175.29	(\$284.62)	(5.5%)
Supporting Services	\$2,572.80	\$2,928.04	(\$355.24)	(12.1%)
Operation of Non-Instructional Services	\$0.00	\$68.80	(\$68.80)	(100.0%)
Extracurricular Activities	\$122.93	\$237.16	(\$114.23)	(48.2%)
Total Operating Expenditures	\$7,586.40	\$8,409.29	(\$822.89)	(9.8%)
Facilities Acquisition and Construction Services	\$0.00	\$19.08	(\$19.08)	(100.0%)
Debt Service	\$0.00	\$0.00	\$0.00	0.0%
Other Uses of Funds	\$16.31	\$206.16	(\$189.85)	(92.1%)
Total Expenditures	\$7,602.71	\$8,634.52	(\$1,031.81)	(11.9%)

Source: Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 9.0 full-time equivalent (FTE) general education teacher positions	\$410,000
R.2 Eliminate .5 FTEs office/clerical position	\$15,700
R.3 Develop a comprehensive staffing plan	N/A
R.4 Revise salary schedules	N/A
R.5 Reduce employee health insurance premiums	\$137,000
R.6 Increase employee health insurance contributions	\$22,700
R.7 Revise sick leave policies	N/A
R.8 Reduce sick leave severance	\$64,000
R.9 Increase transportation efficiency	N/A
R.10 Develop formal policies and procedures for completing T-Forms	N/A
R.11 Eliminate two spare buses from the bus fleet	\$3,500 ¹
R.12 Implement a formal bus maintenance and replacement program	N/A
R.13 Develop a comprehensive preventive maintenance plan	N/A
R.14 Develop a facilities master plan	N/A
R.15 Promote and advertise the food service program	N/A
R.16 Develop a strategic plan and link it to the budget	N/A
R.17 Use competitive bidding for purchases	N/A
R.18 Increase financial communication	N/A
Cost Savings Adjustments²	(\$24,600)
Total Cost Savings from Performance Audit Recommendations	\$628,300

¹ Represents a one-time revenue enhancement and is not included in the annual cost savings calculation.

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

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

Financial Forecast with Performance Audit Recommendations

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Original Ending Fund Balance	\$1,579,499	\$654,213	(\$635,065)	(\$2,271,419)
Cumulative Balance of Performance Audit Recommendations	\$0	\$628,300	\$1,249,600	\$1,874,400
Revised Ending Fund Balance	\$1,579,499	\$1,282,513	\$614,535	(\$397,019)

Source: SLSD October 2014 Five Year Forecast and performance audit recommendations

While the performance audit recommendations are based on the District's operations during FY 2013-14, implementation of all recommendations may not be possible until FY 2015-16 as some recommendations require contract negotiations and others simply would not be implementable until the start of a new fiscal year. As a result, cost savings have been applied to FY 2015-16

through FY 2017-18 only. If SLSD implements the recommendations within the performance audit, it could reduce its projected FY 2017-18 deficit from over \$2.2 million to approximately \$397,000.

Background

Financial Status

Due to an adverse financial operating condition, SLSD was designated in fiscal caution, and has operated under such designation, since April 12, 2004. Placing further strain on the revenues of the District was the closure of the FirstEnergy R.E. Burger Power Plant, located in the District, in 2011. This closure resulted in a decrease in annual revenues by approximately \$850,000. **Table 1** shows the District's financial condition as projected in its October 2014 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of conditions leading to fiscal status designation by AOS and ODE.

Table 1: SLSD Financial Condition Overview

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total Revenue	\$6,652,031	\$6,139,663	\$5,956,206	\$5,883,647	\$5,834,053
Total Expenditure	\$5,835,028	\$6,776,445	\$6,881,492	\$7,122,925	\$7,470,407
Results of Operations	\$817,003	(\$636,782)	(\$925,286)	(\$1,239,278)	(\$1,636,354)
Beginning Cash Balance	\$1,401,404	\$2,218,407	\$1,581,625	\$656,339	(\$632,939)
Ending Cash Balance	\$2,218,407	\$1,581,625	\$656,339	(\$632,939)	(\$2,269,293)
Ending Fund Balance	\$2,183,074	\$1,579,499	\$654,213	(\$635,065)	(\$2,271,419)

Source: SLSD October 2014 Five Year Forecast

As shown in **Table 1**, the District is projecting its fund balance to decrease from approximately \$1.5 million in FY 2014-15 to a deficit exceeding \$2.2 million by FY 2017-18. Major events included in the forecast that are projected to have a significant impact on the District's financial results are a reduced personal property tax agreement and additional levy revenues. In February 2011, Belmont County, Shadyside Local School District and FirstEnergy entered into a personal property tax agreement that allows FirstEnergy to make decreasing annual payments based on a percentage of its established annual personal property tax beginning in 2012 and ending in 2016 as a result of the plant closure. In addition, in November 2013, voters passed a five year emergency levy that is estimated to raise an additional \$365,000 annually.

A reduction of future projected deficits could be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, the District's operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District. Unlike expenditures, 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. ODE's Local Tax Effort Index¹ is a tool designed to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education while considering the residents' ability to pay. In FY 2013-14, the District's Local Tax Effort Index was 0.4729. The average of

¹ A value of 1 indicates average local tax support, while values below 1 or above 1 reflect below average or above average support, respectively.

the other six school districts in Belmont County was 0.5263. If the District's means-adjusted revenue increases to a rate closer to the state average, the District may be able to address the projected deficits without fully implementing some of the cost-cutting measures identified in this report.

Recommendations

R.1 Eliminate 9.0 full-time equivalent² (FTE) general education teacher positions

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

Table 2 compares SLSD's general education teaching staff ratio to the State minimum requirements for FY 2013-14.

Table 2: FY 2013-14 General Education Teacher Comparison

General Education FTEs						37.5
Regular Student Population						699.2
Options	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for each Option	Difference Above/ (Below)	Proposed reduction for this option	Annual Savings	
Option 1: Peer Average	19.51:1	35.8	1.7	2.0	\$74,434	
Option 2: 10% Above State Minimum	22.5:1	30.8	6.7	6.0	\$251,216	
Option 3: State Minimum	25:1	28.0	9.5	9.0¹	\$410,160	

Source: SLSD and OAC

¹ It is recommended the District reduce 9.0 FTEs instead of 9.5 FTEs to compensate for expected increases in future enrollment.

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

Due to its projected financial condition, the District should implement Option 3. Although the savings associated with this staffing reduction when coupled with the rest of the recommendations in this report would not provide adequate savings to bring the five-year forecast back into balance, it would have the greatest impact on the District's financial condition. SLSD should be cognizant that it is not a common practice in Ohio to operate at or near State minimums, however, the District may need to make significant staffing reductions to address

² 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.

potential deficits if savings cannot be identified and achieved in areas of operation not identified in this audit.

Financial Implication: Eliminating 9.0 FTE general education teacher positions would save **\$410,000** in salaries and benefits annually. This savings was calculated using the nine lowest general education teacher salaries for FY 2013-14 and includes an average benefit ratio of 40.6 percent.³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.2 Eliminate 0.5 FTEs office/clerical position

The District employs 6.0 FTEs office/clerical staff that are responsible for general office activities or are building, departmental, or administrative secretaries. **Table 3** compares office/clerical staff on a per 100 student basis to the peers.

Table 3: Office/Clerical Staffing Comparison

	SLSD	Peer Average	Difference
Students ¹	808	810.78	(2.78)
Students (in hundreds)	8.0800	8.1078	(0.0278)

Staffing Categories	SLSD ² FTEs	SLSD FTEs per 100 Students	Peer FTEs per 100 Students	Difference per 100 Students	Total FTEs Above (Below) ³
Office/Clerical	6.0	0.7	0.6	0.1	0.8

Source: SLSD FY 2013-14 and peer district FY 2012-13 staffing data as reported to ODE

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 Adjustments were made to the District’s EMIS data to reflect accurate staffing at the time of the assessment.

³ Represents the number of FTEs that would bring the District’s administrative staff per 100 students in line with the peer average. Calculated by multiplying “**Difference per 100 Students**” by SLSD’s “**Students (in hundreds)**”.

As shown in **Table 3**, SLSD is overstaffed by 0.1 office/clerical staff FTEs per 100 students in comparison to the peer average ratio of 0.6 FTEs per 100 students. In order to size the staffing group in accordance to this benchmark, the District would need to reduce 0.8 FTE office/clerical staff positions.

Financial Implication: Reducing 0.5 office/clerical staff FTEs would save **\$15,700** in salaries and benefits annually. This savings was calculated using the lowest salary for clerical workers and includes a benefit ratio of 40.6 percent. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

³ The average benefit percentage is calculated by taking the District’s total employee retirement and insurance benefits divided by the District’s total personal service expenditures in FY 2013-14.

R.3 Develop 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, some positions may have multiple job functions and may 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);
- Labor supply/demand analysis;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

Two 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.

SLSD 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.4 Revise salary schedules

Table 4 displays a salary and wage comparison between SLSD and the peer average based on salary schedules included in the collective bargaining agreements.

Table 4: Career Salary Comparison - Certificated⁴

Starting Salaries				
Annual	SLSD	Peer Average	Difference	Percent Difference
Teacher/BA	\$27,916	\$27,451	\$465	1.7%
Teacher/MA	\$30,708	\$30,726	(\$18)	(0.1%)
Total Cost of Schedule (Salary + Longevity for 30 Years)				
Career	SLSD	Peer Average	Difference	Percent Difference
Teacher/BA	\$1,200,128	\$1,259,567	(\$59,439)	(4.7%)
Teacher/MA	\$1,535,282	\$1,480,701	\$54,581	3.7%

Source: SLSD and peer collective bargaining agreements

As shown in **Table 4**, both certificated classifications had comparable starting salaries in comparison to the peers. However, in examining potential career compensation, teachers with master’s degrees had a potential compensation level that is 3.7 higher. **Table 5** shows a similar comparison of classified employees.

Table 5: Career Salary Comparison - Classified

Starting Hourly Wage				
Annual	SLSD	Peer Average	Difference	Percent Difference
Bus Driver	\$13.75	\$12.43	\$1.32	10.6%
Custodian	\$11.75	\$12.08	(\$0.33)	(2.8%)
Office / Clerical	\$11.40	\$11.83	(\$0.43)	(3.6%)
Cooks	\$11.10	\$11.26	(\$0.16)	(1.4%)
Teaching Aides	\$10.35	\$11.27	(\$0.92)	(8.2%)
Maintenance	\$12.35	\$12.99	(\$0.64)	(4.9%)
Total Cost of Schedule (Salary + Longevity for 30 Years)				
Career	SLSD	Peer Average	Difference	Percent Difference
Bus Driver	\$1,090,446	\$949,809	\$140,637	14.8%
Custodian	\$961,486	\$903,491	\$57,995	6.4%
Office / Clerical	\$938,918	\$859,519	\$79,399	9.2%
Cooks	\$919,574	\$832,646	\$86,929	10.4%
Teaching Aides	\$871,214	\$828,697	\$42,517	5.1%
Maintenance	\$1,000,174	\$969,330	\$30,844	3.2%

Source: SLSD and peer collective bargaining agreements

As seen in **Table 5**, with the exception of bus drivers, all classified employees have starting wage levels that are lower than the peer average. Despite lower starting points, career earnings were higher for every position, signifying SLSD classified step schedules had greater steps increases during the life of the schedule.

⁴ Salaries for teachers include a one percent stipend paid each December.

The District could elect to implement a salary freeze or realign step schedules for those positions that were higher than the peer average in order to reduce expenditures. Implementing a freeze, however, may not be prudent as the District operated with a combination of salary freezes while providing stipends in FY 2012-13 and FY 2013-14. Therefore, in order to bring compensation in line with the peers, the District should realign employee compensation to peer levels by negotiating a revision in its employee step schedules. In examining salary and wage levels, the District should also take into consideration longevity payments that certificated employees receive after 20, 25, and 30 years of service and classified employees receive after 16, 20, 25, and 30 years of service, as the effect of longevity is not included in either compensation table above. Realigning employee compensation to peer levels will allow the District to reduce personnel costs while still maintaining current levels of service.

R.5 Reduce employee health insurance premiums

Prior to making any changes to health insurance, the District should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation.

Full-time employees electing to receive health insurance benefits contribute 10 percent of the premium costs for both medical/prescription coverage and dental coverage. Part-time certificated employees may elect to receive health insurance benefits at a prorated rate equal to the percentage of the time the part-time employee works relative to a full-time employee. Part-time classified employees working less than six hours a day (not including bus drivers) pay 50 percent of the total premium. In FY 2013-14, 58 employees⁵ were enrolled in the medical/prescription drug plan and 58 employees⁶ were enrolled in the dental plan.

The SLSD Insurance Committee reviewed options for improving cost efficiency such as seeking competitive bids for health insurance and joining a consortium. This review resulted in the District changing plans on January 1, 2013.⁷ Additional cost saving measures taken by the District include an employee wellness plan through OME-RESA and a fitness center available for employee use with the goal of ultimately lowering plan claims.

The State Employment Relations Board (SERB) surveys public sector entities concerning health insurance costs and publishes this information annually. The purpose of this survey is to provide data on various aspects of health insurance, plan design, and cost for government entities in Ohio. **Table 6** illustrates a comparison of SLSD's 2013-14 premiums for single and family coverage to regional averages published in the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2014).⁸

⁵ Of these 58 employees, 45 receive family coverage and 13 receive single coverage.

⁶ Of these 58 employees, 48 receive family coverage and 10 receive single coverage.

⁷ Health Insurance benefits operate on a calendar year basis.

⁸ The 2014 survey was sent to 1,327 governmental jurisdictions, 720 of which were school districts and educational service centers (ESC). The response rate for 2014 included 92.8 percent of all public jurisdictions responding to the health insurance survey including 696 school districts and ESCs.

Table 6: Medical Premium Comparison

	SLSD	SERB Regional Average ¹	Difference	% Difference
Annual Premium Single	\$8,523	\$7,668	\$855	11.2%
Annual Premium Family	\$20,703	\$19,596	\$1,107	5.7%

Source: SLSD and SERB

¹ Reflects the 2014 average annual medical/prescription premiums for the southeast region of Ohio.

As illustrated in **Table 6**, SLSD's annual premiums for both single and family coverage exceeded the SERB averages. The primary cost driver of premiums for health insurance is the level of coverage provided by the chosen plan, including co-insurance, deductibles, and co-payments. Typically, the more comprehensive the coverage of the plan, the more expensive the premium will be to the employer/employee. An analysis of SLSD's coverage indicated that the District's plan coverage was generous in comparison to SERB survey data. Specifically, the District's plan includes a deductible of \$100 for single coverage and \$200 for family coverage, significantly lower than the SERB average of \$1,001 for single coverage and \$2,056 for family coverage.⁹

Compared to the SERB average, the District is also spending significantly more on its dental plan. **Table 7** below shows this comparison.

Table 7: Dental Premium Comparison

	SLSD	SERB Regional Average ¹	Difference	% Difference
Annual Premium Single	\$949	\$331	\$618	186.7%
Annual Premium Family	\$2,342	\$884	\$1,458	164.9%

Source: SLSD and SERB

¹ Reflects the 2014 average annual dental premiums for the southeast region of Ohio.

As shown in **Table 7**, dental premiums at SLSD are significantly higher compared to the SERB regional average. The same issues regarding the District's health insurance plan design are also evident in the dental plan, however, the differences are not as stark. For instance, although single dental plan deductibles at SLSD are lower than the SERB average (\$25 compared to \$31 per employee), family deductibles are higher at SLSD (\$75 per employee compared to the SERB average of \$67).

Adjustments to the medical and dental plan design could assist the District in reducing its premium costs. Specifically, purchasing less generous insurance plans with higher deductibles could provide for lower premiums. *Renegotiate Benefit Contracts and Cut Costs* (SHRM 2009) suggests that employers seek competitive bids each year for health insurance, surveying providers in order to make meaningful comparisons and selection. A consortium allows entities to save money and lower costs by joining together to purchase health insurance and increasing the risk pool. SERB reports that of the school districts that responded to the 2014 survey, 76 percent purchased health insurance through a consortium. In addition, SERB reports that medical

⁹ SERB deductible data is from the FY 2012-13 survey, which was the most recent available that included such data.

plans purchased through a consortium are significantly lower in cost compared to those plans that are not.

Financial Implication: Reducing medical and dental insurance premiums to SERB levels would save the District approximately **\$137,000**. This savings was calculated by determining the cost difference between SLSD premiums and the SERB average premiums and applying the difference to the District’s number of employees with single/family medical and single/family dental insurance coverage.

R.6 Increase employee health insurance contributions

SLSD employees contribute less toward their health coverage compared to the averages reported in the 2014 SERB survey. **Table 8** below shows this difference.

Table 8: Medical Insurance Contribution Comparison

	SLSD	SERB Regional Average ¹	Difference	# Staff Members	Possible Savings
Single	\$852	\$876	(\$24)	13	\$312
Family	\$2,070	\$2,568	(\$498)	45	\$22,410
				Total	\$22,722

Source: SLSD and SERB

¹ Reflects the 2014 average annual medical/prescription premiums for the southeast region of Ohio.

Table 8 shows that SLSD employees contribute significantly less toward their premiums compared to the SERB average. The SERB survey shows an average employee contribution of \$73 per month for single coverage and \$214 for family coverage. In comparison, employees at SLSD contribute 10 percent toward their premiums, or \$71 per month for single coverage and \$173 for family coverage. As a result, District employees on both plans pay less than the SERB regional average.

Financial Implication: Increasing employee contributions to SERB regional average levels would yield cost savings of **\$22,700**.

R.7 Revise sick leave policies

Although the District has contractual provisions addressing sick leave, bargaining agreements do not clearly state what constitutes a pattern of abuse. Further, required submission of physician statements to substantiate sick leave use is not consistently enforced or verified. Some District supervisors indicated that excessive leave use represents a significant problem in their departments, but those efforts to curtail high sick leave use have been resisted. Further analysis showed that the District had 11 of its 80 employees (13.8 percent) take more than 15 sick days. This number does not take into account employees who had a prescheduled medical leave, for example a surgery or maternal/paternal leave.

According to the article, *Sick Leave Abuse: A Chronic Workplace Ill?* (ASPA Times, 2002), determining if and why employees exploit leave policies is important. The following explains common guidelines all employers can follow to manage sick leave effectively:

- Recognize the problem and take immediate action to enforce leave policies;
- Uncover the root cause of employee leave abuse;
- Learn to say no. Do not ignore employee abuse of leave policies;
- Use procedures, regulations, practices, and knowledge to benefit management as well as the employee; and
- Document everything to learn from past mistakes.

The collective bargaining agreement between the Ohio Civil Service Employees Association (OCSEA) and the State of Ohio contains provisions for disciplining employees for sick leave abuse and provisions for a pattern of abuse (defined as consistent periods of sick leave use). The agreement provides examples of pattern abuse:

- Before and/or after holidays;
- Before and/or after weekends or regular days off;
- After pay days;
- Any one specific day of the week;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

Developing formal policies that effectively communicate specific leave expectations with employees as well as procedures for administration or department heads to use in monitoring sick leave use may allow the District to reduce cumulative leave usage. In addition, sick leave policies should clearly define what constitutes abuse and the District should enforce disciplinary action for sick leave abuse. Defining patterns that are considered abuse and communicating possible disciplinary actions with employees will assist in this endeavor. Policies should be communicated across all departments and included in a comprehensive employee policy and procedures manual or renegotiated in each collective bargaining agreement as appropriate. Revisions to sick leave policies and practice may require collective bargaining; however, improved management of sick leave can be accomplished through increased supervision.

R.8 Reduce sick leave severance

The District's certificated and classified collective bargaining agreements (CBAs) permit employees who are eligible for retirement to receive payment of unused sick leave upon separation of employment from the District. **Table 9** shows the severance provisions contained in each bargaining agreement compared to the State minimum requirement.

Table 9: Sick Leave Severance Comparison

SLSD		State Minimum Requirement
Certificated		
Employees Hired Prior to August 1, 2012	Employees Hired After July 31, 2012	
Employees receive 30 percent of their accumulated sick leave balance at 30 years of service with the percentage decreasing by one percentage point for each additional year of service up to 35 years (270 days maximum accrual).	Employees receive 27.5 percent of their accumulated sick leave at 30 years of service with the percentage decreasing by one percentage point for each additional year of service up to 35 years of service (240 days maximum accrual).	Employers are only required to pay employees with 10 or more years of service the value of unused sick leave up to 30 days (Ohio Revised Code (ORC) § 124.39)
Classified		
Employees receive 75 days of sick leave paid out at their daily rate of pay with each additional day of sick leave paid at \$10 per day after that amount (250 days maximum accrual).		

Source: SLSD CBAs and ORC

As shown in **Table 9**, certificated employees hired prior to August 1, 2012 are entitled to the equivalent of 81 days and those hired after July 31, 2012 are entitled to the equivalent of 74.25 days at thirty years of service and classified employees are entitled to 75 days plus \$10 per day over that amount.

ORC § 124.39 only requires employers to pay a maximum of 30 days of unused sick leave to separating employees with 10 or more years of service. As a result, the District has been paying its employees a significantly higher amount of severance than required. Reducing severance payments to one-fourth of an employee’s accrued but unused sick leave, to a maximum of 30 days, will assist in lowering the District’s potential liability associated with future severance payments.

Financial Implication: The District could save approximately **\$64,000** annually by reducing its severance payments to the ORC minimum based on the average total annual severance payments made for FY 2012-13 through FY 2013-14.

R.9 Increase transportation efficiency

According to *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), September 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district’s transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. **Table 10** compares SLSD’s FY 2013-14 regular needs ridership to benchmark data developed by the AASA suggesting buses should operate at 80 percent capacity.

Table 10: FY 2013-14 Regular Needs Ridership Comparison

Regular Riders	236.0
AASA Benchmark Capacity per Bus @ 80% ¹	95.5
Number of Buses Needed Based on Benchmark	2.5
Total Active Regular Buses Used	5.0
Buses Over(Under) Benchmark	2.5

Source: ODE, SLSD, and AASA

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

As shown in **Table 10**, the District is operating with 2.5 more buses than necessary in comparison to the AASA benchmark. Although SLSD has employed cluster stops in an attempt to improve efficiency, it has not historically employed the use of multi-tiered routing, staggered bell schedules, and automated routing software.

In an effort to improve its routing efficiency, SLSD is one of 20 school districts in Eastern Ohio working with the Center for Innovation and Data Services (CIDS – MVESC) which is seeking a “Straight A Grant” from ODE to create a “Shared Service Transportation Consortium” to improve the transportation efficiency of member school districts that include SLSD. This shared services model is aimed at improving the transportation efficiency of all the school districts involved. While being a member of the Shared Service Transportation Consortium is encouraged, SLSD should at a minimum, consider the use of multi-tiered routing, along with staggered bell schedules, and cluster stops to allow the District to operate more efficiently while safely transporting students to their schools on time.

SLSD should continue to explore options such as multiple tiers and computer routing to operate buses more efficiently. The ability to run multiple tiers allows a district to maximize bus capacity and reduce the number of buses it needs in its fleet. In addition, computer routing software enhances the efficiency of routing buses, identifying optimal routes and allowing rerouting without significant additional labor.

R.10 Develop formal policies and procedures for completing T-Forms

Each school district in Ohio is 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 submit information on students, buses, and miles to ODE and T-2 Form is used to submit actual expenses incurred for the transportation of eligible students to and from school. This data is used by ODE to calculate a district’s special education transportation funding.

A review of the District’s T-1 and T-2 Report data showed SLSD misreported data in T-1 and T-2 Form data submitted to ODE. For example, it reported two spare buses instead of three as recorded on its bus inventory list as well as reporting the entire vehicle insurance premium cost instead of just the cost of insuring school buses. In addition, the District was unable to provide the daily mileage data submitted by drivers during FY 2012-13.

The Transportation Supervisor and the Treasurer are primarily responsible for preparing the T-1 and T-2 Forms. The District, however, does not have formal policies and procedures for completing these forms or properly maintaining the required supporting documentation.

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 ODE 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 data is collected or costs allocated. This increases risks associated with misreporting and may result in a loss of State reimbursement revenue for which SLSD is eligible. 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 Eliminate two spare buses from the bus fleet

For FY 2013-14, the District operated eight buses with three spare buses, a spare level representing approximately one-third of the total fleet. According to the Transportation Coordinator at the ODE Office of Pupil Transportation, spare buses typically comprise 20 percent of a fleet. SLSD would need to reduce two spare buses in order to achieve the 20 percent ratio. Owning more buses than necessary can have an adverse impact on the District's insurance costs, particularly when considering that some of the existing vehicles cannot be used for their intended purpose. By maintaining a spare bus fleet in excess of ODE's recommendations, the District 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 for the sale of two spares based on Ohio Schools Council bus auction sales data for 2014.

R.12 Implement a formal bus maintenance and replacement program

SLSD does not have a formal maintenance or bus replacement plan. In practice, the District repairs and replaces buses as necessary. **Table 11** compares SLSD's maintenance and repair expenditure ratios to the peer average for FY 2013-14.

Table 11: Maintenance and Repair Expenditures Comparison

	SLSD	Peer Average	Difference	% Difference
Cost Per Yellow Bus Rider	\$302.47	\$107.29	\$195.18	181.9%
Cost Per Active Bus	\$12,159.20	\$6,087.79	\$6,071.41	99.7%
Cost Per Routine Mile	\$0.71	\$0.53	\$0.18	34.0%

Source: ODE T-2 Reports

Note: Includes mechanic and mechanic helper salaries.

As shown in **Table 11**, the District's maintenance and repair costs were significantly higher than the peers for every metric displayed. According to the District, its aging fleet and the rural nature of the routes, including hills, potholes and gravel roads are the primary driver of maintenance supplies expenditures.

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. Developing such a plan would help SLSD ensure that bus replacement needs are effectively evaluated and communicated. This plan should account for enrollment and ridership trends, and the maintenance and repair costs for each bus.

Furthermore, *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 SLSD 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.13 Develop a comprehensive preventive maintenance plan

The District does not have a formal preventive maintenance plan which provides guidelines for timely and effective equipment maintenance. Instead, a majority of the maintenance conducted is reactionary in nature.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), a comprehensive facility maintenance program is a school District's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative. A good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district should then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services, as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

The absence of a formal, written preventive maintenance plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing an effective preventive maintenance plan would help to ensure

that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

R.14 Develop a facilities master plan

SLSD does not have a master plan or capital plan for its facilities and is currently replacing equipment as it breaks down. As a result, the District is not allocating funds for specific repairs in the long term.

According to a publication by School Planning Management *How to Develop a Successful Master Plan* (Peter Li, 2001), school districts should have a district-wide facilities plan that allocates for changing demographics, building conditions, and potential capital improvement projects. 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.

Planning and publishing a facilities master plan would allow SLSD 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.15 Promote and advertise the food service program

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. Depending on income eligibility, some students qualify to receive free or reduced price lunches for which the District receives reimbursement. The remaining revenue generated is collected through meal and a la carte food item purchases. Student participation is vital to success, in that higher participation in the lunch program results in higher revenues. **Table 12** shows SLSD's historical student participation rates.

Table 12: Food Service Participation

	FY 2011-12	FY 2012-13	% Difference	FY2013-14	% Difference
% Total Participation	39.3%	35.6%	(3.7%)	34.7%	(0.9%)
Total Meals Served	42,394	36,849	(15.0%)	32,451	(13.6%)

Source: SLSD

As shown in **Table 12**, SLSD's total food service participation rate has been declining since FY 2011-12. Additionally, SLSD's FY 2013-14 participation rate of 34.7 percent was significantly below of the peer average of 61.8% percent for this same year.

Recipes for Practical Research in Child Nutrition Programs (National Food Service Management Institute (NFSMI, 1998) and *Best Practices Could Help School Districts Reduce Their Food Service Program Costs* (Office of Program Policy Analysis and Government Accountability (OPPAGA), 2009) outline methods that schools can use to increase student participation in food service programs. The NFSMI notes that using surveys is a good way to quickly gather information from a large group of people without significant costs. In order for

surveys to be as useful as possible they need to be designed specifically for the population targeted and identify the objective to be accomplished (finding methods to increase participation in the food service program). Beyond surveys, OPPAGA identifies several ways that can potentially increase participation in a food service program including promotional campaigns that promote the programs and healthy nutritional habits, distributing newsletters, menus, and nutritional information, holding special nutrition awareness events where students can win small prizes and by hosting theme days such as fajita cookouts.

Although the Food Service Fund had historically operated with a positive balance, it incurred a deficit in FY 2013-14 that necessitated a transfer of \$12,100 from the General Fund. The food service program could increase revenues through higher participation, possibly alleviating further strain to the General Fund. Properly marketing the program through active promotion and advertising will give the District the opportunity to increase participation. In addition, surveying students will allow decision makers to gather opinions and design program components that will allow for maximum participation.

R.16 Develop a strategic plan and link it to the budget

SLSD does not have a comprehensive strategic plan that guides long-term operations and spending decisions. Furthermore, the annual budget is not linked to formal goals, objectives, and performance measures identified in a long-term comprehensive strategic plan. To create its budget, the Treasurer and Superintendent rely on past spending decisions instead of future goals and objectives.

Recommended Practice on the Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) indicates that governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan should establish logical links between spending and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. The GFOA recommends the following steps when developing a strategic plan:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Identify and assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement, and monitor the plan; and
- Reassess the strategic plan annually.

ORC § 5705.38 requires the Board of Education to pass its annual appropriations measure by the first day of October. Although the District met the deadlines set forth in ORC 5705.38, it could improve its budgeting practices by following the framework set out by the National Advisory Council on State and Local Budgeting (NACSLB).

According to *Recommended Budget Practices* (GFOA, 1998.) the NACSLB defines budgeting as a strategic process that positions entities to meet long-term programs, services, and financial goals by following its four major principles:

- Establish broad goals to guide decision making. A government should have broad goals that provide it with overall direction and serve as a basis for decision making. (e.g., strategic planning, long-range financial planning);
- Develop approaches to achieve goals. A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals. (e.g., financial policies, business plans, performance measurements, individual performance objectives);
- Develop a budget consistent with approaches to achieve goals. A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted. (e.g., strategically focused budget: outcome-based, performance based); and
- Evaluate performance and make adjustments. Program and financial performance should be continually evaluated, and adjustments made, to support progress in achieving goals. (e.g., quarterly and annual budget and performance reports, performance audits, special evaluation studies, strategic and financial plan revisions).

In the absence of a formal strategic plan to guide program and funding decisions, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs. Furthermore, the lack of a strategic plan potentially hinders SLSD from effectively developing budgets and five-year forecasts, and evaluating the relationship between spending decisions and program effectiveness. This, in turn, increases the risk of inefficiently addressing District needs.

R.17 Use competitive bidding for purchases

The District does not use the Ohio Department of Administrative Services (DAS) as a resource for purchasing supplies and services nor could it provide documentation showing it shops prices with other suppliers for the lowest price. Instead, it uses local vendors for service and supply purchases. By not using all available resources or soliciting bids, the district runs the risk of paying higher prices for supplies and services.

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 described in division (B) of this section 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."

The District should competitively bid supplies and services or use the DAS contract to ensure it is not spending more on purchases than necessary.

R.18 Increase financial communication

The District communicates with shareholders through public meetings, monthly newsletters, and its website. SLSD, however, should look to improve public access to its financial information by doing the following:

Supplemental Reporting: The Treasurer indicated that the District does not prepare a comprehensive annual financial report (CAFR), a popular financial report (PAFR), or other supplemental information in addition to the annual report. The District can provide supplemental reporting with limited preparation costs. For example, *Association of Government Accounts: Citizen - Centric Reporting (CCR) Initiative* is intended to detail information sharing between governments and its citizens. The CCR 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. In comparison, 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. SLSD 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 the District, OPT identified the following scope areas for detailed review: human resources, facilities, transportation, financial management and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Twenty two of the 41 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: Scope and Objectives

Objective	Recommendation
Human Resources	
Is the organizational structure and function of the human resources operations efficient?	R.3
Are collective bargaining agreements consistent with leading practices?	R.8
Is EMIS data accurate and reliable?	N/A
Is staffing efficient compared to the peers?	R.1, R.2
Are salaries comparable to the peers?	R.4
Are health benefits comparable to leading practices?	R.5, R.6
Do employees receive pension pick-up benefits?	N/A
Are severance payout stipulations comparable to peers?	R.8
Is the special education program efficient?	N/A
How does special education spending and population compare to the peers?	N/A
Is sick leave usage comparable to State averages?	R.7
Facilities	
How do facilities expenditures compare to the peers?	Table B-2
Is the District utilizing its classroom capacity efficiently?	N/A
Is facility-related data reliable for use?	N/A
Is custodial and maintenance staffing efficient compared to the peers and other benchmarks?	N/A
Are overtime costs effectively managed?	N/A
Does the District make effective use of technology?	N/A
Are preventive maintenance efforts consistent with leading practices?	R.13
Are capital planning efforts consistent with leading practices?	R.14

Table A-1: SLSD Scope and Objectives (Continued)

Transportation	
How have ridership levels changed over the past three years?	N/A
How have transportation expenditures changed over the past three years?	N/A
Are buses utilized in an efficient manner?	R.9
Can the accuracy and reliability of transportation data be improved?	N/A
Does the District report and verify its T-1 and T-2 data in accordance with ODE instructions?	R.10
Does the District make efficient use of routing software?	N/A
Are an appropriate number of spare buses maintained?	R.11
Is bus replacement planning consistent with leading practices?	R.12
Is fuel procured in a cost-effective manner?	N/A
Is the preventive maintenance plan consistent with leading practices?	R.13
Financial Management	
How do revenue and expenditures compare to peer districts (and/or surrounding districts, state averages, etc. when applicable)?	Noteworthy Accomplishments
Is the strategic planning process consistent with leading practices?	R.16
Is financial information valid and reliable?	N/A
Does the District maintain an effective process for preparing the financial forecast?	N/A
Are budgeting practices comparable to leading practices?	R.16
Are purchasing and vendor payment practices comparable to leading practices?	R.17
Is financial communication consistent with leading practices?	R.18
Food Service	
What is the financial status of the Food Service Fund?	Table B-3
Are food service operations supplemented by the General Fund?	N/A
Are participation rates in line with peer averages and industry benchmarks? What could be done to increase participation if it is low?	R.15
Are meals per labor hour in line with peer averages?	N/A
How do food expenditures compare to peers?	N/A

Appendix B: Additional Comparisons

Facilities

Table B-1 shows SLSD's expenditures per square foot compared to the peer average for FY 2013-14.

Table B-1: Facilities Expenditures per Square Foot Comparison

	SLSD	Peer Average	Difference	Percent Difference
Square Feet Maintained	147,650	192,333	(44,683)	(23.2%)
Salaries and Wages	\$1.67	\$1.41	\$0.26	18.4%
Employee Benefits	\$0.83	\$0.63	\$0.20	31.8%
Utilities	\$0.98	\$1.13	(\$0.15)	(13.3%)
Electric	\$0.47	\$0.76	(\$0.29)	(38.2%)
Gas	\$0.41	\$0.21	\$0.20	95.2%
Other Energy Sources	\$0.00	\$0.02	(\$0.02)	(100.0%)
Sub-Total Energy	\$0.89	\$1.00	(\$0.11)	(11.0%)
Water & Sewer	\$0.10	\$0.14	(\$0.04)	(28.6%)
Purchased Services (Excluding Utilities)	\$0.25	\$0.45	(\$0.20)	(44.4%)
Supplies and Materials	\$0.23	\$0.23	\$0.00	0.0%
Capital Outlay	\$0.00	\$0.05	(\$0.05)	(100.0%)
Other Objects	\$0.00	\$0.02	(\$0.02)	(100.0%)
Total Expenditures per Square Foot	\$3.97	\$3.91	\$0.06	1.5%

Source: Ohio Department of Education

As shown in **Table B-1**, SLSD spent more per square foot than the peer average in the following areas: salaries and wages (see **R.4**); employee benefits (see **R.5**); and gas (utilities). FY 2012-13 expenditures for gas were 95.2 percent higher per square foot than the peer average. However, it was determined that the District purchases gas at a competitive rate as it purchases through the OME-RESA Consortium. As a result, natural gas expenditures have decreased from \$90,000 in FY 2011-12, to \$63,000 in FY 2012-13, to \$61,000 in FY 2013-14.

Food Service

Table B-2 illustrates food service expenditures per pupil compared to the peer average.

Table B-2: Food Service Expenditures per Pupil Comparison

	SLSD	Peer Average	Difference	% Difference
Average Daily Membership	808.0	810.7	(2.7)	(0.3%)
Salaries	\$61.40	\$121.29	(\$59.89)	(49.4%)
Fringe Benefits	\$59.69	\$56.56	\$3.13	5.5%
Purchased Services	\$0.00	\$13.40	(\$13.40)	(100.00%)
Supplies and Materials	\$57.39	\$168.83	(\$111.44)	(66.0%)
Capital Outlay	\$0.82	\$8.54	(\$7.72)	(90.4%)
Other	\$0.00	\$1.80	(\$1.80)	(100.00%)
Total Expenditure	\$179.30	\$367.64	(\$188.34)	(51.2%)

Source: SLSD and OME-RESA

As shown in Table B-2, total food service expenditures were 51.2 percent lower than the peer average.

Appendix C: Five-Year Forecast

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

Chart C-1: SLSD October 2014 Five-Year Forecast

Shadyside Five Year Forecast for Fiscal Year 2015								
District Type: Local IRN: 046003 County: Belmont Date Submitted: 10/23/2014 Date Processed: 12/18/2014								
Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	1,344,573	1,389,753	1,627,980	1,712,480	1,712,480	1,712,480	1,712,480	1,529,980
1.020 Tangible Personal Property Tax	456,324	225,365	232,928	184,520	135,119	135,119	135,119	135,119
1.035 Unrestricted Grants-in-Aid	3,409,037	2,327,949	2,460,377	2,547,308	2,535,000	2,535,000	2,535,000	2,535,000
1.040 Restricted Grants-in-Aid	31,242	31,241	94,595	131,423	131,829	131,423	131,829	131,423
1.045 Restricted Federal Grants-in-Aid - SFSF	162,882	22,122						
1.050 Property Tax Allocation	228,122	232,424	251,841	220,000	220,000	220,000	220,000	220,000
1.060 All Other Operating Revenue	584,851	1,652,305	1,984,310	1,343,932	1,221,778	1,099,625	1,099,625	1,099,625
1.070 Total Revenue	6,217,031	5,881,159	6,652,031	6,139,663	5,956,206	5,833,647	5,834,053	5,651,147
2.050 Advances-In	125	3,179						
2.060 All Other Financial Sources		238						
2.070 Total Other Financing Sources	125	3,417						
2.080 Total Revenues and Other Financing Sources	6,217,156	5,884,576	6,652,031	6,139,663	5,956,206	5,833,647	5,834,053	5,651,147
3.010 Personnel Services	3,552,669	3,561,973	3,237,649	3,495,574	3,347,169	3,328,378	3,359,581	3,418,588
3.020 Employees' Retirement/Insurance Benefits	1,678,543	1,445,124	1,364,915	1,683,404	1,908,621	2,157,654	2,462,407	2,829,420
3.030 Purchased Services	900,528	901,732	923,209	1,197,665	1,197,665	1,197,665	1,197,665	1,197,665
3.040 Supplies and Materials	129,737	107,536	140,569	164,840	169,785	174,879	180,125	185,529
3.050 Capital Outlay	9,969	19,946	20,884	54,380	56,012	57,692	59,423	61,206
4.300 Other Objects	121,853	115,621	101,498	125,570	147,228	151,645	156,194	160,880
4.500 Total Expenditures	6,393,299	6,151,932	5,788,724	6,721,433	6,826,480	7,067,913	7,415,395	7,853,288
5.010 Operational Transfers - Out	18,328	13,182	46,304	55,012	55,012	55,012	55,012	55,012
5.040 Total Other Financing Uses	18,328	13,182	46,304	55,012	55,012	55,012	55,012	55,012
5.050 Total Expenditure and Other Financing Uses	6,411,627	6,165,114	5,835,028	6,776,445	6,881,492	7,122,925	7,470,407	7,908,300
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	-194,471	-280,538	817,003	-636,782	-925,286	-1,289,278	-1,636,354	-2,257,153
7.010 Beginning Cash Balance	1,876,413	1,681,942	1,401,404	2,218,407	1,581,625	656,339	-632,939	-2,269,293
7.020 Ending Cash Balance	1,681,942	1,401,404	2,218,407	1,581,625	656,339	-632,939	-2,269,293	-4,526,446
8.010 Outstanding Encumbrances	36,733		33,207					
9.070 Bus Services	2,126	2,126	2,126	2,126	2,126	2,126	2,126	2,126
9.080 Total Reservations	2,126	2,126	2,126	2,126	2,126	2,126	2,126	2,126
10.010 Fund Balance June 30 for Certification of Appropriations	1,643,083	1,399,278	2,183,074	1,579,499	654,213	-635,065	-2,271,419	-4,528,572
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	1,643,083	1,399,278	2,183,074	1,579,499	654,213	-635,065	-2,271,419	-4,528,572
15.010 Unreserved Fund Balance June 30	1,643,083	1,399,278	2,183,074	1,579,499	654,213	-635,065	-2,271,419	-4,528,572

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.



SHADYSIDE LOCAL SCHOOLS

JOHN HASWELL, SUPERINTENDENT/PRINCIPAL 7-12

3890 Lincoln Avenue
Shadyside, OH 43947



Phone: (740) 676-3235
Fax: (740) 676-6616
email: john.haswell@omeres.net

To: Mathew K. Pettella
From: Shadyside School District
Subject: Response to Audit
Date: 2/16/15

Mathew,

The following is our response to your performance audit. I do appreciate an outside, nonpartisan set of eyes looking over our district and giving us feedback as to how we can operate more efficiently. I was pleased that you included our noteworthy accomplishment in your audit, as in most audits, the bottom line is numbers, and what the state believes is ideal does not always coincide with our beliefs at Shadyside.

Note worthy accomplishments:

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices identified during the course of this audit. The following summarizes a noteworthy accomplishment concerning the District's financial operations.

Financial Systems: In FY 2013-14, the District had per pupil expenditures that were 11.9 percent lower than the peer average. The District was able to accomplish this despite losing over \$850,000 in revenue due to the closure of the FirstEnergy R. E. Burger Power Plant.

R.1. Eliminate 9.0 full- time equivalent (FTE) general education teachers.

Your numbers are based on 37.5 general education teachers and 699.2. We have, in reality, 815 students in seats in our district. Your audit does not take into account our special education students. We are required to educate our special education students in the least restrictive environment (LRE). A vast majority of our special education students are in the regular education classroom a majority of each school day. This equals out to 21.7 students per classroom.

I believe that optimum size for a primary classroom is to be under twenty students per classroom, not the twenty five the state uses to determine your numbers. Our Jefferson elementary has been recognized as a National Blue Ribbon School of Excellence in the past. Last year, 100% of our fourth grade class passed reading on the state tests. Just using our 7-12 English department as an example, we have three teachers that teach English to six different grade levels. The same is true in math, science and social studies. Our students also must have seven elective credits to meet our local graduation requirements. We currently have two and one half teachers that teach only elective courses in our high school.

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We are not replacing a third grade teaching position next year, which brings the audit number to eight FTE teachers. Eliminating eight teachers is just not realistic in our district.

Our expenditures per pupil are \$1,031.81, which is lower than our peer Districts. Due to our District being in Fiscal Caution since 2004, we have been in a cost reduction mode and have made many reductions and adjustments since then.

R.2. Eliminate 0.5 FTEs office/clerical positions.

With our district administrators sharing large volumes of work it does not make sense for us to reduce our clerical staff. They add support to our three building principals that provided numerous services to our district. I am the Superintendent and 7/12 Principal. I also am the safety director as well as a substitute bus driver and custodian. My K-2 Principal serves as special education coordinator and food service coordinator. My 3-6 Principal serves as the CCIP director as well as testing coordinator and school improvement coordinator. The \$15,700 dollars is not a sufficient amount of savings to justify eliminating a 0.5 position.

R.3. Develop a comprehensive staffing plan.

Since I am the superintendent and the 7-12 Principal, I work day to day with half of our districts staff. I put our master schedule together for our High School. We, meaning the administration, discuss staffing monthly at our administration meetings. We have such a small staff that we can plan our staffing simply by discussing it monthly at our administrative meeting.

R.4. Revised Salary schedule.

With the numbers that you provided us, it is clear that our certified staff salary schedule is inline with our peers. We have to look more closely at our non certified staff salary schedule over the course of a career. According to your audit, we pay our personnel more than our peers over a lifetime of a contract. These salary steps were negotiated several years ago. This will be a point of bargaining when we sit down at the table with our OAPSE union this spring.

R.5 Reduce employee health insurance premiums.

R.6 Increase employee health insurance contributions.

These two issues have been part of our districts discussion since I returned to work for the district in 2010. Our insurance committee has met the last three years and discussed these issues several times. Three years ago both unions and administration agreed to change our health care package that saves the district \$125,000 per year. Our insurance committee is currently meeting and discussing these issues. They will be open for bargaining with both unions this spring.

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R.7. Revise sick leave policies.

I do agree with the audit statement that sick leave needs to be addressed. As a building level principal, I address sick leave abuse with the individuals I believe are exploiting it.

R.8 Reduce sick leave severance.

We are required to pay it according to the contract. Also, your estimate of yearly saving and that would only be available if employees retire.

R.9. Increase transportation efficiency.

We have not gone to staggered routes for the sake of our working parents. we only have five bus routes and the money saved by tiered busing is not worth the hardship placed on parents.

R.10. Develop formal policies and procedures for completing T-forms.

The treasurer completes the T-2 and has the backup for every number entered into that report.

R.11. Eliminate two spare buses from the bus fleet.

The \$3,500 of one time revenue is not worth it for the District. The amount of bus issues and the amount of students we transport for events causes the District a need for these buses. We already have to use and borrow busses from other Districts to transport our students, so getting rid of those two buses only makes those expenses increase and scheduling issues increase.

R.17. Use competitive bidding for purchases.

On all required bidding, the District uses the competitive bidding project. Even projects that do not require bidding, we obtain pricing from other vendors on expensive services and items. We purchase supplies and paper from OMERESA which bids and posts the winning vendors for Districts to purchase thru their co-op purchasing agreement. We also use Staples Advantage which is a program that offers products at a greatly reduced price.

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Dave Yost • Auditor of State

SHADYSIDE LOCAL SCHOOL DISTRICT

BELMONT 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
MARCH 3, 2015**