



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Springfield 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
April 21, 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 Springfield 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, facilities, transportation, 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 the District, three sets of peer groups were selected for comparisons contained in this report. A primary set of peers was selected for general District-wide

comparisons. In addition, peer groups were selected for a comparison of compensation, benefits and bargaining agreements (referred to as surrounding districts) and a separate set for a comparison of transportation service. The following table contains the Ohio school districts included in these peer groups.

Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Boardman Local School District (Mahoning County) • Edgewood City School District (Butler County) • Licking Heights Local School District (Licking County) • Mount Vernon City School District (Knox County) • Perry Local School District (Stark County)
Compensation, Benefits and Union Contract Peers (Surrounding Districts)
<ul style="list-style-type: none"> • Anthony Wayne Local School District (Lucas County) • Bowling Green School District (Wood County) • Maumee City School District (Lucas County) • Oregon City School District (Lucas County) • Perrysburg Exempted Village (Wood County) • Sylvania City School District (Lucas County)
Transportation Peers
<ul style="list-style-type: none"> • Amherst Exempted Village School District (Lorain County) • Avon Local School District (Lorain County) • Boardman Local School District (Mahoning County) • North Ridgeville City School District (Lorain County) • Perry Local School District (Stark County)

In addition to the peer districts listed above, comparisons were made to industry standards or leading practices where applicable, including the American Schools and Universities (AS&U), the Government Finance Officers Association (GFOA), the National Center for Education Statistics (NCES), the Ohio Administrative Code (OAC) the Ohio Department of Education (ODE), the Ohio Revised Code (ORC), and the Ohio State Employment Relations Board (SERB).

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 Springfield Local School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

The following summarizes a noteworthy accomplishment identified as result of the objectives in this audit.

Financial Communication: SLSD actively disseminates its financial condition and proactively seeks stakeholder feedback using its website, weekly newspaper columns, open forums, surveys, and newsletters as effective communication tools. The District's efforts to communicate its financial condition, along with explanations of its decisions, coincide with financial communication leading practices.

Summary of Recommendations

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

Summary of Recommendations

Recommendations		Savings
R.1	Eliminate 37.0 full-time equivalent (FTE) general education teacher positions	\$2,165,700
R.2	Eliminate 3.0 FTE educational service personnel (ESP) positions	\$192,500
R.3	Eliminate 1.0 FTE other certificated position	\$37,700
R.4	Revise salary schedule	\$64,500
R.5	Reduce sick leave severance	\$148,500
R.6	Increase food service labor efficiency	\$16,600
R.7	Improve efficiency of food service operations	N/A
R.8	Develop a comprehensive strategic plan that meets leading practice standards	N/A
R.9	Develop a master facility plan	N/A
R.10	Complete T-1 and T-2 Forms as prescribed by ODE	N/A
Total Cost Savings from Performance Audit Recommendations		\$2,625,500

The following table shows the District's ending fund balances as projected in the 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 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Original Ending Fund Balance	(\$4,217,730)	(\$8,062,277)	(\$13,007,765)	(\$18,428,182)
Cumulative Balance of Performance Audit Recommendations	\$2,625,500	\$5,251,000	\$7,876,500	\$10,502,000
Revised Ending Fund Balance	(\$1,592,230)	(\$2,811,277)	(\$5,131,265)	(\$7,926,182)

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

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

As shown in the table, although implementing the performance audit recommendations would not provide sufficient savings to eliminate the District's projected year end fund deficit in FY 2018-19, the expected deficit would be reduced by 57 percent.

Background

On January 15, 2015, the District was placed in fiscal caution by ODE based on its October 2014 five-year forecast that projected General Fund deficits each year beginning in FY 2014-15. **Table 1** summarizes this forecast and includes year-end fund balances.

Table 1: Financial Condition Overview

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenue	\$35,895,875	\$35,647,000	\$35,673,642	\$35,035,000	\$35,035,000
Total Expenditures	\$38,513,768	\$38,795,921	\$39,518,189	\$39,980,487	\$40,455,418
Results of Operations	(\$2,617,893)	(\$3,148,921)	(\$3,844,547)	(\$4,945,487)	(\$5,420,418)
Beginning Cash Balance	\$1,785,084	(\$832,809)	(\$3,981,730)	(\$7,826,277)	(\$12,771,765)
Ending Cash Balance	(\$832,809)	(\$3,981,730)	(\$7,826,277)	(\$12,771,765)	(\$18,192,182)
Encumbrances	\$236,000	\$236,000	\$236,000	\$236,000	\$236,000
Ending Fund Balance	(\$1,068,809)	(\$4,217,730)	(\$8,062,277)	(\$13,007,765)	(\$18,428,182)

Source: SLSD October 2014 five-year forecast

As shown in **Table 1**, the District's projected expenditures in excess of revenue will deplete its ending cash balance at the end of FY 2014-15. By FY 2018-19, SLSD is projecting its ending fund balance deficit to exceed 52 percent of total revenues.

Eliminating future fund balance deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, 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. The District has not been successful in its attempts to generate new revenue. Levies placed on the ballot in November 2013, August 2014, and November 2014 were not passed by voters. The District has approved placing a new emergency operating levy on the May 2015 ballot for \$3.9 million. If this passes, the District projects a positive operating budget.

ODE's Local Tax Effort Index 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 ability to pay of district residents. A value of one indicates average local tax support, while values below or above one reflect below average or above average support, respectively. The District's local tax effort for FY 2013-14 was 0.8639, signifying that District residents contribute less on a means-adjusted basis than the State average. A listing of the Local Tax Effort Index for all schools in Ohio can be found at <http://education.ohio.gov/Topics/Finance-and-Funding/Finance-Related-Data/District-Profile-Reports/FY2014-District-Profile-Report>. See **Appendix C** for FY 2013-14 sources of revenue.

Recommendations

R.1 Eliminate 37.0 full-time equivalent (FTE) general education teacher positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) 3301-35-05 requires the ratio of general education teachers to students be at least 1.0 FTE classroom teacher for every 25 students in the regular student population. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel. **Table 2** presents three options for staffing reductions in which the District would continue to operate within State requirements for general education teacher staffing levels, based on FY 2014-15 data.

Table 2: FY 2014-15 General Education Teacher Comparison

General Education FTEs	172.7				
Regular Student Population	3,382.9				
Staffing Ratio (Students)	19.6:1				
Options	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for each Option	Difference Above/ (Below)	Proposed reduction for this option	Annual Savings ¹
Option 1: Peer Average	20.0:1	169.1	3.6	3.0	\$123,817
Option 2: 10% Above State Minimum	22.5:1	150.4	22.4	22.0	\$1,182,855
Option 3: State Minimum	25.0:1	135.3	37.4	37.0	\$2,165,760

Source: SLSD, OAC, and ODE

¹Annual savings calculated based on actual salaries of the lowest paid teachers.

As illustrated in **Table 2**, the District's student to teacher ratio is lower than State minimum requirements. Based on its projected financial condition, SLSD may need to incur staffing reductions that approach minimum required teacher staffing levels shown above. The selection of one of the options presented is ultimately District management's responsibility 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. While it is not common practice in Ohio to operate at or near State minimums, SLSD may need to make significant staffing reductions to address the deficits in its five year forecast.

Financial Implication: Eliminating 37.0 FTE general education teacher positions could save **\$2,165,700** in salaries and benefits annually. These savings were calculated using the 37 lowest full-time teacher salaries in FY 2014-15 and include an average benefit ratio of 37.8 percent.¹ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹ 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.2 Eliminate 3.0 FTE educational service personnel (ESP) positions

ESP positions include K-8 art, music, and physical education teachers; counselors; librarians; social workers; and visiting teachers. For FY 2014-15, SLSD is staffed with 20.4 ESP FTEs which include 2.4 FTE art teachers, 3.0 FTE music teachers, 6.0 FTE physical education teachers, 8.0 FTE counselors, and 1.0 FTE librarian. OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. **Table 3** presents two options for staffing reductions in which the District would continue to operate within State requirements for ESP.

Table 3: Educational Service Personnel (ESP) Comparison

Educational Service Personnel FTEs	20.4				
Regular Student Population	3,382.9				
Staffing Ratio (ESP per 1,000)	6.0				
Options	Staffing Ratio by Option (ESP per 1,000 Students)	Proposed Staffing for each Option	Difference Above/ (Below)	Proposed Reduction for this Option	Annual Savings ¹
Option 1: 10% Above State	5.5	18.6	1.8	1.0	\$62,608
Option 2: State Minimum	5.0	16.9	3.5	3.0	\$192,507

Source: SLSD, OAC, and ODE

¹Annual savings calculated based on actual salaries of the lowest paid teachers.

As illustrated in **Table 3**, the District's ESP staffing ratio is higher than State minimum requirements. Based on the District's projected financial condition, it may need to approach minimum required ESP staffing levels shown above. The selection of one of the options presented is ultimately District management's responsibility based upon the needs and desires of the stakeholders in its community. Staffing decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities of the District and maintain a solvent operation. While it is not common practice in Ohio to operate at or near State minimums, SLSD may need to make significant staffing reductions to address the deficits in its five year forecast.

Financial Implication: Eliminating 3.0 FTE ESP positions would save approximately **\$192,500** in salaries and benefits, annually. These savings were calculated using the lowest full-time ESP salaries in FY 2014-15 and include an average benefit ratio of 37.8 percent.² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Eliminate 1.0 FTE other certificated position

The District employs 3.0 FTE other certificated staff consisting of curriculum specialists, audio-visual staff, permanent substitutes, teacher mentor/evaluator, and other educational professionals. **Table 4** compares other certificated staff on a per 1,000 student basis to the peer average.

² 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.

Table 4: Other Certificated Staffing Comparison

	SLSD	Peer Average	Difference
Students Educated	3,862.9	3,976.1	(113.2)
Students Educated (in thousands)	3.8629	3.9761	(0.1132)

Staffing Categories	SLSD FTEs	SLSD FTEs per 1,000 Students	Peer FTEs /1,000 Students	Difference /1,000 Students	Total FTEs Above (Below) ¹
Other Certificated Staff	3.0	0.8	0.5	0.3	1.2

Source: SLSD FY 2014-15 and peer district FY 2014-15 staffing data as reported to ODE

¹ Represents the number of FTEs that would bring the District's other certificated staff per 1,000 students in line with the peer average. Calculated by multiplying "Difference/1,000 Students" by the District's "Students Educated (in thousands)".

As shown in **Table 4**, SLSD has 0.8 other certificated staff FTEs per 1,000 students in comparison to the peer average ratio of 0.5 FTEs per 1,000 students. In order to bring other certificated staffing in line with peers, the District would need to reduce 1.0 FTE other certificated staff position.

Financial Implication: Reducing 1.0 other certificated staff FTE would save **\$37,700** in salaries and benefits annually. This savings was calculated using the lowest salary for other certificated staff and includes a benefit ratio of 37.8 percent.³ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.4 Revise salary schedule

The District's starting wages and step increases were compared to the respective surrounding district averages using a career compensation comparison based on salary schedules from the FY 2014-15 collective bargaining agreements for SLSD and the surrounding districts. **Table 5** shows this comparison.

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.

Table 5: Career Compensation Comparison

	SLSD	Surrounding District Average	Difference	% Difference
Certificated (Teachers)				
Bachelor's	\$1,606,406	\$1,625,450	(\$19,044)	(1.2%)
Bachelor's- Maximum	\$1,764,410	\$1,771,284	(\$6,874)	(0.4%)
Master's	\$1,906,610	\$1,904,249	\$2,361	0.1%
Master's- Maximum	\$1,990,880	\$1,999,129	(\$8,249)	(0.4%)
Classified				
Custodian	\$1,170,757	\$1,113,665	\$57,092	5.1%
Maintenance	\$1,257,285	\$1,213,155	\$44,130	3.6%
Clerical	\$1,125,579	\$1,121,882	\$3,697	0.3%
Food Service	\$325,055	\$295,336	\$29,719	10.1%
Bus Driver	\$453,874	\$438,253	\$15,622	3.6%

Source: SLSD and Peer Districts

¹ SLSD and surrounding district salary schedules did not contain consistent levels of educational attainment (i.e. bachelor's degree plus 15 hours; master's degree plus 30 hours). Therefore, compensation for the highest bachelor's degree and master's degree levels specified in each salary schedule were used in the analysis.

As shown in **Table 5**, the District's career compensation for all teacher classifications are in line with the surrounding district average. However, the following classified staff had higher compensation: custodial, maintenance, clerical, food service, and bus driver personnel. Higher career compensation can be caused by higher starting salaries, greater step increases, or a combination of both. After comparing the District's classified salaries at each step of the salary schedule to the surrounding districts, it was determined the higher level of classified compensation at SLSD was caused by a combination of greater step increases and higher starting salaries.

The District should negotiate salary levels for the classified positions identified as being higher than the surrounding district average in **Table 5**, to ensure they are comparable, yet competitive to similar positions within the region.

Financial Implication: The District could save approximately **\$64,500** annually if it could negotiate classified salary schedules comparable to the surrounding districts for select classified positions. This savings was calculated by taking the difference in career compensation and dividing by 30 (years) then multiplying by the current number of FTEs in each classified position.

R.5 Reduce sick leave severance

According to the District's collective bargaining agreement (CBA) for certificated employees, a bargaining unit member with 10 or more years of service with the District is entitled to payment of 31.25 percent of his/her accrued but unused sick leave at the time of retirement; a maximum potential payment of 75 unused sick leave days. Also, the District's CBA for classified employees provides a bargaining unit member with 10 or more years of service with the District a payment of 30 percent of his/her accrued but unused sick leave at the time of retirement; a

maximum payment of 72 unused sick leave days. Severance payments made in FY 2012-13 and FY 2013-14 totaled \$273,943 and \$311,817 respectively.

A comparison of maximum sick leave severance payout days was made to provisions contained in the peer CBAs. This comparison found that SLSD's maximum payout was lower than the peer average. Due to the District's financial condition, a further comparison was made to the ORC minimum requirement.

According to Ohio Revised Code (ORC) § 124.39(B), an employee of a political subdivision covered by the ORC with ten or more years of service with the State, is to be paid one-fourth the value for any accrued but unused sick leave credit, up to 30 days. Negotiating a reduction in severance payments to a level comparable to this minimum requirement would have reduced FY 2012-13 and FY 2013-14 severance payments by \$145,886 and \$151,277 respectively. Also, negotiating to ORC minimums could assist in lowering the District's potential liability associated with future severance payments.

Financial Implication: The District could save approximately **\$148,500** annually by reducing its severance payments to the ORC minimum based on the average annual severance payments made for FY 2012-13 and FY 2013-14.

R.6 Increase food service labor efficiency

In FY 2013-14, the General Fund advanced the Food Service Fund \$137,000 to cover its operating deficit. The primary component of food service costs is labor hours and a common indicator of efficiency is the number of meals prepared per labor hour. SLSD prepares food at each school building with the exception of Holland Elementary School which shares a kitchen with the middle school. **Table 6** compares the District's daily labor hours in each building to benchmarks outlined in *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999).

Table 6: Daily Labor Hours Comparison

Building	Meal Equivalents Served per Day ¹	SLSD Daily Labor Hours	Benchmark Required Daily Labor Hours	Difference
Crissey Elementary School	277	18.3	17.8	0.5
Door Street Elementary School	326	18.3	19.2	(0.9)
Holloway Elementary School	311	18.3	18.3	0.0
Springfield High School	635	45.0	33.4	11.6
Springfield Middle School	1,091	46.3	49.6	(3.3)
Total	2,640	146.2	138.3	7.9

Source: SLSD and Pannell-Martin

¹ FY 2013-14 meal data.

As shown in **Table 6**, the District's food service operation exceeded the suggested benchmark by 7.9 hours per day. The primary cause of the inefficiency was the high school operation, which utilized 11.6 hours more per day.

Financial Implication: Reducing 7.5 daily labor hours would save the District approximately **\$16,600** annually in salary costs and bring its meals per labor hour ratio in line with the industry benchmark.

R.7 Improve efficiency of food service operations

Table 7 is a comparison of the District's expenditures per meal to the peer average.

Table 7: FY 2013-14 Expenditures per Meal Comparison

	SLSD	Peer Average	Difference	% Difference
Personal Services – Salaries	\$1.14	\$0.89	\$0.25	28.1%
Retirement and Insurance	\$0.48	\$0.47	\$0.01	2.1%
Purchased Services	\$0.03	\$0.07	(\$0.04)	(57.1%)
Supplies and Materials	\$1.36	\$1.17	\$0.19	16.2%
Capital Outlay	\$0.06	\$0.04	\$0.02	50.0%
Other Objects	\$0.01	\$0.01	\$0.00	0.0%
Total Expenditures per Meal	\$3.08	\$2.65	\$0.43	16.2%
Total Revenue per Meal	\$2.65	\$2.66	(\$0.01)	(0.4%)

Source: SLSD and ODE

As shown in **Table 7**, SLSD received a similar amount of revenue per meal in comparison to the peer average. However, when comparing meal costs, the District expended a total of \$0.43 more per meal. Higher personal services (28.1 percent higher) and supplies and materials (16.2 percent higher) were the biggest contributors to the increased cost per meal. The District purchased food-related supplies and materials through a joint purchasing cooperative and the Food Service Supervisor often checks for lower cost vendors for supplies, however, these costs were still higher than the peer average.

According to *The Business of: Food Services* (Lacey, 2014), revenue should cover all costs of food service operations and the food service fund should not need subsidy from the general fund. As such, food service departments that are not self-sufficient should consider outsourcing their operations which may cut costs and increase participation.

The District may be able to lower its personal services expenditures through a reduction in staff (see **R.6**) or a reduction in salary schedules (see **R.4**). Additionally, if the District could lower costs by aligning its supplies and materials expenditures with the peer average, it would realize a savings or approximately \$88,000 based on FY 2013-14 expenditures per meal. However, if the above reductions are not deemed viable and General Fund subsidies cannot be avoided, the District should seek outside bids for contracting out food service operations.

R.8 Develop a comprehensive strategic plan that meets leading practice standards

The District does not have a current strategic plan, however; it started the process of establishing a district-wide plan in June 2014. After development, SLSD intends to align the strategic plan with its financial goals and objectives.

According to Ohio Administrative Code (OAC) § 3301-35-03 (A), the proper governance, leadership, organization, administration and supervision of a district requires effective and focused strategic planning. A strategic plan guides key stakeholders in the ongoing measurement of district performance to assure adequate progress is being made toward strategic goals and objectives. Strategic planning is the responsibility of the board of education, the superintendent and other key stakeholders, and identifies short- and long-range goals and the strategies necessary to achieve them.

As the District develops its strategic plan, it should consult the *Establishment of Strategic Plans* (Government Finance Officers Association (GFOA), 2005), which states: an effective strategic plan establishes logical links between authorized spending and broad organizational goals. In creating an effective strategic plan, the GFOA outlines several key steps which include the following:

- A mission statement;
- Identification of critical issues;
- An assessment of environmental factors;
- An agreement on a small number of broad goals;
- Strategies to achieve those goals; and
- Objectives so progress can be measured, monitored, and reassessed.

Without a strategic plan connecting the District's goals with its finances, it may not be prepared for environmental changes and may not be in an optimal position to properly utilize current and future resources. Creating a long-term financial plan in parallel to the strategic plan would allow the District's budgeting and spending practice to be better oriented towards its goals and its resources to be allocated efficiently.

R.9 Develop a master facility plan

SLSD has a preventive maintenance policy and maps of the District's school buildings that indicate planned repairs and future repairs with priorities attached. SLSD does not however, have a formal written master plan or capital plan for its facilities. As a result, the District is not positioned to assess how such factors as building condition, building age, and student enrollment will affect the future facility needs. Therefore, the District may not be able to accurately forecast and fund future large scale capital expenditures.

According to *How to Develop a Successful Master Plan* (Li, 2001), school districts should have a district-wide facilities master plan that allows 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 facilities 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.10 Complete T-1 and T-2 Forms as prescribed by ODE

SLSD is required under Ohio Administrative Code (OAC) § 3301-83-01 to file annual reports of all pupils transported, miles traveled, actual costs, and other information that is necessary to calculate State payments for pupil transportation. Transportation data is reported to ODE using T-Forms. The T-1 Form contains operational data such as method of transport, pupil ridership, mileage, and buses used for transport. The T-2 Form contains end of year expense data for transportation operations. SLSD bus drivers are responsible for collecting information pertaining to daily ridership and mileage via paper count sheets. The bus drivers submit the count sheets to the Transportation Director who completes the T-1 Form based on the information from the count sheets. The T-1 Form is then reviewed by District administrators and submitted to ODE which processes the data and publishes the T-1 Report.

The District's FY 2013-14 T-1 Report and bus driver count sheet reports were reviewed and tested for accuracy. Numerous errors were identified in these reports including incomplete daily ridership counts and daily mileage as well as incorrect calculations of daily averages for riders and mileage. In addition, the T-2 Report was tested against the District's actual expenditures for pupil transportation and found to be 1.7 percent greater. This indicates that the District neglected to exclude expenditures related to non-routine trips from the T-2 Form which was confirmed by the District.

Prior to submitting the T-Forms to ODE, the reports are reviewed by the Transportation Director, the Superintendent, and the Treasurer. The number and type of errors indicate that there are deficiencies in the District's data collection and review process. Failure to accurately report this information could result in incorrect calculations of State pupil transportation payments to the District. SLSD should complete the T-Forms as prescribed by ODE in order to report accurate pupil transportation data to ensure they are receiving the correct amount of State funding for transportation.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: financial management, human resources, facilities, transportation, and food service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Six of the fourteen objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are budgeting practices comparable to leading practices?	N/A
Is financial communication consistent with leading practices?	N/A
Is the strategic plan consistent with leading practices?	R.8
Human Resources	
Is staffing efficient compared to peers and OAC/state minimums, where applicable?	R.1, R.2, R.3, Table B-1, Table B-2
Are salaries comparable to peers?	R.4
Are collective bargaining agreements consistent with leading practices?	R.5
Are insurance benefits consistent with leading practices?	Table B-5
Is special instruction spending in line with its peers?	N/A
Facilities	
Is custodial and maintenance staffing efficient compared to benchmarks?	Table B-3
Are facilities expenditures comparable to peers?	Table B-4
Are capital planning efforts consistent with leading practices?	R.9
Transportation	
Are T- Form procedures consistent with leading practices?	R.10
Food Service	
Is food service staffing efficient compared to leading practices?	R.6
Is the Districts food service operation efficient compared to leading practices?	R.7

Appendix B: Additional Comparisons

Staffing

Table B-1 illustrates FTE staffing levels per 1,000 students at SLSD in comparison to the peer average. Staffing data is from FY 2014-15 as reported to ODE through the Education Management Information System (EMIS). Staffing levels are presented on a per 1,000 student basis as they are partially dependent on the number of students served. In addition, presenting staffing data in this manner decreases variances attributable to the size of the peers. Adjustments were made to the District's EMIS data to reflect accurate staffing at the time of the assessment.

Table B-1: SLSD Staffing Comparison

	SLSD		Peer Average	Difference	
Students Educated ¹	3,862.9		3,976.1	(113.2)	
Students Educated (in thousands)	3.8629		3.9761	(0.1132)	
	SLSD		Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above (Below) ²
	FTEs	FTEs per 1,000 Students			
Administrative	18.00	4.66	5.39	(0.73)	(2.82)
Office/Clerical	22.63	5.86	6.20	(0.34)	(1.31)
General Education Teachers	172.72	44.71	44.52	0.19	0.73
All Other Teachers	37.24	9.64	11.89	(2.25)	(8.69)
Education Service Personnel (ESP)	25.79	6.68	6.38	0.30	1.16
Educational Support	17.91	4.64	4.65	(0.01)	(0.04)
Other Certificated	3.00	0.78	0.48	0.30	1.16
Non-Certificated Classroom Support	2.00	0.52	6.70	(6.18)	(23.87)
Operations	73.79	19.10	26.26	(7.16)	(27.66)
All Other Staff	4.81	1.25	5.02	(3.77)	(14.56)

Source: 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 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 (in thousands)".

As shown in **Table B-1**, staffing levels were comparable to the peer average in each position category, with the exception of general education teachers, education service personnel and other certificated staff. Assessments of these position categories are analyzed further in **R.1**, **R.2**, and **R.3**, respectively.

Although administrative positions in **Table B-1** were (2.82) FTEs below the peer average, a further comparison was made to surrounding districts. **Table B-2** displays this analysis, showing administrative FTEs per 1,000 students at SLSD in comparison to the surrounding district

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

Table B-2: SLSD Administrative Staffing Comparison

	SLSD		Surrounding Peer Avg ¹	Difference	
Students Educated ¹	3,862.9		4,146.3	(283.4)	
Students Educated (in thousands)	3.8629		4.1463	(0.2834)	
	SLSD		Surrounding District Avg.	Difference	Total FTEs
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	per 1,000 Students	Above (Below)
Associate Superintendent	0.00	0.00	0.24	(0.24)	(0.93)
Assistant Principal	4.00	1.04	0.84	0.20	0.77
Principal	5.00	1.29	1.81	(0.52)	(2.01)
Superintendent	1.00	0.26	0.24	0.02	0.08
Supervising/Managing/Directing	2.00	0.52	0.68	(0.16)	(0.62)
Treasurer	1.00	0.26	0.28	0.02	(0.08)
Coordinator	1.00	0.26	0.50	(0.24)	(0.93)
Director	2.00	0.52	0.88	(0.36)	(1.39)
Other Official/Administrative	1.00	0.26	0.40	(0.14)	(0.54)
Publicity Relations	1.00	0.26	0.0	0.26	1.00
Total Administrative Staff	18.00	4.66	5.88	(1.18)	(4.64)

Source: SLSD, ODE, and surrounding districts

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

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

As shown in **Table B-2**, total administrative staffing levels were below the surrounding district peer average by 4.64 FTEs.

Staffing levels within the Facilities Department were assessed based on workload measures contained in the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) and *Maintenance & Operations Cost Study* (American School & University, 2005-2009). **Table B-3** illustrates the District's facilities staffing levels compared to these industry benchmarks using the total square footage and total land area amounts reported in the FY 2012-13 Comprehensive Annual Financial Report (CAFR).

Table B-3: Facilities Department Staffing Need

Grounds-keeper Staffing	
Grounds FTEs	1.0
Acreage Maintained	120.8
AS&U Benchmark - Acres per FTE Grounds-keeper	40.2
Benchmarked Staffing Need	3.0
Groundskeeper FTEs Above/(Below) Benchmark	(2.0)
Cleaning Staffing	
Custodial FTEs	14.8
Square Footage Cleaned	589,127
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	20.0
Custodial FTEs Above/(Below) Benchmark	(5.2)
Maintenance Staffing	
Maintenance FTEs	5.0
Square Footage Maintained	589,127
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Staffing Need	6.2
Maintenance FTEs Above/(Below) Benchmark	(1.2)
Total B&G Staffing	
Total FTEs Employed	20.8
Total Benchmarked Staffing Need	29.1
Total FTEs Above/(Below) Benchmark	(8.4)

Source: SLSD, AS&U, NCES and OSFC

As shown in **Table B-3**, the District employs less building and grounds FTEs (8.4) compared to the national benchmarks.

Facilities Expenditures

Table **B-4** illustrates the District's FY 2013-14 facilities expenditures per square foot compared to peers.

Table B-4: Facilities Expenditures per Square Foot Comparison

	Springfield	Peer Average	Difference	% Difference
Salaries and Wages	\$2.07	\$2.13	(\$0.06)	(2.8%)
Employee Benefits	\$1.09	\$0.99	\$0.10	10.1%
Utilities	\$1.32	\$1.31	\$0.01	0.8%
Electric	\$0.86	\$0.86	\$0.00	0.0%
Gas	\$0.36	\$0.27	\$0.09	33.3%
Other Energy Sources	\$0.00	\$0.01	(\$0.01)	(100.0%)
Sub-Total Energy	\$1.22	\$1.14	(\$0.08)	(7.0%)
Water & Sewer	\$0.10	\$0.17	(\$0.07)	(41.2%)
Purchased Services (Excluding Utilities)	\$0.59	\$0.78	(\$0.19)	(24.4%)
Supplies and Materials	\$0.47	\$0.41	\$0.06	14.6%
Capital Outlay	\$0.00	\$0.03	(\$0.03)	(100.0%)
Other Objects	\$0.02	\$0.00	\$0.02	100.0%
Total Expenditures per Square Foot	\$5.56	\$5.65	(\$0.09)	(1.6%)

Source: SLSD and ODE

As shown in **Table B-4**, SLSD spent less in every category with the exception of employee benefits, utilities, supplies and materials and other objects. Although gas expenditures were 33.3% higher than the peers, SLSD makes these purchases through a consortium. In addition, supplies and materials were 14.6% higher than the peer average, however, this can be attributed to SLSD completing all HVAC and electrical work in-house and not outsourcing these duties. Overall SLSD expended 1.6% less per square foot than the peer average.

Health Benefits

The District offered the following three health insurance plans to its employees in FY 2013-14: HMO⁴ High, HMO Low, and HSA.⁵ **Table B-5** compared the District's plans to the average plan cost for school districts in Lucas County.

Table B-5: FY 2013-14 Health Insurance Premium Comparison

Plan Type	SLSD	Lucas County Average ¹	Difference	% Difference
HMO High - Single	\$485.81	\$532.06	(\$46.25)	(8.7%)
HMO Low - Single	\$406.80	\$532.06	(\$125.26)	(23.5%)
HSA - Single	\$328.69	\$532.06	(\$203.37)	(38.2%)
HMO High - Family	\$1,306.83	\$1,397.58	(\$90.75)	(6.5%)
HMO Low - Family	\$1,095.58	\$1,397.58	(\$302.00)	(21.6%)
HSA - Family	\$884.17	\$1,397.58	(\$513.41)	(36.7%)

Source: SERB

¹ Lucas County average includes Anthony Wayne LSD, Aurora Academy, ESC of Lake Erie West, Maumee CSD, Ottawa Hills LSD, Sylvania CSD, Toledo CSD, and Washington LSD.

⁴ Health maintenance organization.

⁵ Health savings account.

As shown in **Table B-5**, all insurance plans offered by the District were lower than the average of other Lucas County school districts.

Appendix C: Revenue Structure

Table C-1 displays the District's revenue per student compared to the peer average.

Table C-1: FY 2013-14 Revenue per ADM Comparison

Source	SLSD	Peer Average	Difference	% Difference
ADM	3,863	3,976	(113)	(2.8%)
Local	\$6,984	\$7,400	(\$416)	(5.6%)
Intermediate	\$5	\$107	(\$102)	(95.3%)
State	\$3,239	\$4,176	(\$937)	(22.4%)
Federal	\$997	\$628	\$369	58.8%
Total	\$11,225	\$12,311	(\$1,086)	(8.8%)
Other Revenue ¹	\$394	\$139	\$255	183.5%

Source: SLSD, ODE, and peer districts

¹ Other revenue includes transfers-in, advances-in, and refunds of prior year's expenditures; these items are excluded from total revenues.

As shown in **Table C-1**, the District received 8.8 percent less total revenue per student than the peer average with the majority of revenue generated from local taxes. This is important to note as the District has an overall tax burden which is relatively high that causes a decrease in State funding that then ultimately results in lower total revenues per student.

Appendix D: Five-Year Forecast

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

Chart D-1: SLSD FY 2014-15 October Five Year Forecast

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	23,636,346	23,159,083	22,593,273	22,184,000	22,250,000	22,450,000	22,450,000	22,450,000
1.020 Tangible Personal Property Tax	6,133	441,388		399,000	350,000	345,000	335,000	335,000
1.035 Unrestricted Grants-in-Aid	5,820,754	6,244,250	7,000,468	7,179,000	7,100,000	6,950,000	6,950,000	6,950,000
1.040 Restricted Grants-in-Aid	58,988	6,490	207,216	172,000	172,000	170,000	170,000	170,000
1.045 Restricted Federal Grants-in-Aid - SFSF	291,151							
1.050 Property Tax Allocation	4,358,028	3,759,026	3,903,889	3,885,000	3,800,000	3,628,642	3,000,000	3,000,000
1.060 All Other Operating Revenue	1,299,539	1,074,136	1,311,162	1,200,000	1,075,000	1,230,000	1,230,000	1,230,000
1.070 Total Revenue	35,470,939	34,684,373	35,016,008	35,019,000	34,747,000	34,773,642	34,135,000	34,135,000
2.040 Operating Transfers-In	1,745,214	1,231,626	1,300,000	800,000	800,000	800,000	800,000	800,000
2.060 All Other Financial Sources	384	1,098	119,183	76,875	100,000	100,000	100,000	100,000
2.070 Total Other Financing Sources	1,745,598	1,232,724	1,419,183	876,875	900,000	900,000	900,000	900,000
2.080 Total Revenues and Other Financing Sources	37,216,537	35,917,097	36,435,191	35,895,875	35,647,000	35,673,642	35,035,000	35,035,000
3.010 Personnel Services	19,743,460	19,423,438	20,214,261	19,902,344	20,000,000	20,350,000	20,350,000	20,350,000
3.020 Employees' Retirement/Insurance Benefits	7,139,681	7,236,531	7,638,928	8,090,940	8,192,077	8,396,879	8,606,801	8,821,971
3.030 Purchased Services	4,220,499	4,700,941	8,386,223	7,850,413	8,007,421	8,167,570	8,412,597	8,664,975
3.040 Supplies and Materials	904,649	999,023	1,091,639	1,149,613	1,155,361	1,161,138	1,166,944	1,172,778
3.050 Capital Outlay	12,190	2,516	13,492	95,932	15,000	15,000	15,000	15,000
4.300 Other Objects	1,965,267	2,236,192	505,081	614,526	616,062	617,602	619,146	620,694
4.500 Total Expenditures	33,985,746	34,598,641	37,849,624	37,703,768	37,985,921	38,708,189	39,170,487	39,645,418
5.010 Operational Transfers - Out	1,745,214	1,242,791	1,300,000	810,000	810,000	810,000	810,000	810,000
5.020 Advances - Out			137,000					
5.030 All Other Financing Uses			2,187					
5.040 Total Other Financing Uses	1,745,214	1,242,791	1,439,187	810,000	810,000	810,000	810,000	810,000
5.050 Total Expenditure and Other Financing Uses	35,730,960	35,841,432	39,288,811	38,513,768	38,795,921	39,518,189	39,980,487	40,455,418
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	1,485,577	75,665	(2,853,620)	(2,617,893)	(3,148,921)	(3,844,547)	(4,945,487)	(5,420,418)
7.010 Beginning Cash Balance	3,077,462	4,563,039	4,638,704	1,785,084	(832,809)	(3,981,730)	(7,826,277)	(12,771,765)
7.020 Ending Cash Balance	4,563,039	4,638,704	1,785,084	(832,809)	(3,981,730)	(7,826,277)	(12,771,765)	(18,192,182)
8.010 Outstanding Encumbrances	586,845	236,150	619,703	236,000	236,000	236,000	236,000	236,000
10.010 Fund Balance June 30 for Certification of Appropriations	3,976,194	4,402,554	1,165,381	(1,068,809)	(4,217,730)	(8,062,277)	(13,007,765)	(18,428,182)
12.010 Fund Bal June 30 for Cert of Contracts,Salary Sched,Oth Obligations	3,976,194	4,402,554	1,165,381	(1,068,809)	(4,217,730)	(8,062,277)	(13,007,765)	(18,428,182)
13.020 Property Tax - New				2,523,805	5,047,610	5,047,610	5,047,610	5,047,610
13.030 Cumulative Balance of New Levies				2,523,805	7,571,415	12,619,025	17,666,635	22,714,245
15.010 Unreserved Fund Balance June 30	3,976,194	4,402,554	1,165,381	1,454,996	3,353,685	4,556,748	4,658,870	4,286,063

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.

Springfield Local Schools

Michael D. O'Shea, Ed.D.
Superintendent

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April 14, 2015

David Yost
Auditor of State
88 E. Broad Street
Columbus, Ohio 43215

Dear Auditor Yost,

On behalf of the Springfield Local Schools' Board of Education, we would like to take this opportunity to thank the entire Performance Audit Team for the exemplary work they did in preparing the audit report for our district. Their professionalism, talent, and eye for detail were evident throughout the process. The audit was thorough, detail-oriented, and enlightening.

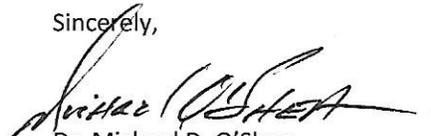
This letter of response fulfills the requirement of district reaction to the performance audit recommendations in the following areas:

1. With reference to recommendations R1 through R3, at the March 25, 2015 regular meeting, the Board of Education took action to reduce staffing levels further in the event of a failed operating levy totaling 25 full time staff members. The Board of Education also passed a resolution at this same meeting directing the superintendent and treasurer to formulate a plan to address additional staffing reductions based upon the performance audit recommendations.
2. The superintendent and treasurer are currently preparing for negotiations with both bargaining units and will take into consideration the audit recommendations for R-4, R-5, and R-6. A further review of our consortium buying will be required to explore budget reductions relative to supplies, materials, and equipment which will address your comments related to R-7.
3. The strategic plan referenced in R-8 is currently in development and will be completed by the start of the 2015-2016 academic year. This has been a laborious process due to the time required to adequately secure stakeholder input, specific building needs, and available district resources. As a corollary to this, our director of facilities and grounds has worked closely with the treasurer to build a master facility plan. Formalizing the process is currently underway (R-9).
4. We are in the process of securing a new transportation supervisor who will be charged with accurate completion of the T-1 and T-2 forms. Adequate professional development will be provided to all stakeholders involved in the process to ensure accuracy of reporting these data (T-10).

The district appreciates the expertise and experience provided by the performance audit team in reviewing our current and projected financial condition. We will continue to analyze the information gained through the audit process to assist the district in further cost reductions through improved efficiencies. Those efficiencies, coupled with the passage of an emergency operating levy in May, will help to secure the stability of the Springfield Local School District over the long term.

Thank you once again for your valuable assistance. We are also grateful for the many comments and compliments provided in areas where the district is performing at optimal levels—delivering the very best of services in a cost effective manner.

Sincerely,


Dr. Michael D. O'Shea
Superintendent


P. Ryan Lockwood III
Treasurer



Dave Yost • Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT

LUCAS 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
APRIL 21, 2015**