



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Dalton Local School District,

In consultation with 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 and management. Functional areas selected for 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
January 3, 2017

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of the Dalton Local School District (DLSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve the financial condition of DLSD through an objective assessment of economy, efficiency, and/or effectiveness of its operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Systems, Human Resources, Facilities, Transportation, 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

Performance audits provide 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.

The United States Government Accountability Office develops and promulgates Government Auditing Standards that establish 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.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from districts with a similar poverty index to that of DLSD, then refined to include only those districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for comparisons of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Columbus Grove Local School District (Putnam County) • Franklin-Monroe Local School District (Darke County) • Hopewell-Loudon Local School District (Seneca County) • McDonald Local School District (Trumbull County) • Mohawk Local School District (Seneca County) • Springfield Local School District (Mahoning County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Fairless Local School District (Stark County) • Northwest Local School District (Stark County) • Orrville City School District (Wayne County) • Southeast Local School District (Wayne County) • Tuslaw Local School District (Stark County)
Transportation Peers
<ul style="list-style-type: none"> • Berne Union Local School District (Fairfield County) • Covington Exempted Village School District (Miami County) • Fairfield Local School District (Fairfield County) • Hopewell-Loudon Local School District (Seneca County) • Marion Local School District (Mercer County) • Williamsburg Local School District (Clermont County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison including: the American School and University (AS&U); the Government Finance Officers Association (GFOA), the School Superintendents Association (AASA), the State Employment Relations Board (SERB), the National Food Service Management Institution (NFSMI), the State of Florida’s Office of Program Policy Analysis & Government Accountability (OPPAGA), and the Ohio Association of School Board Officials (OASBO). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

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

Summary of Recommendations

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

Table 2: Summary of Recommendations

Recommendations		Savings
R.1	Develop a long-term strategic plan that is linked to the budget	N/A
R.2	Develop a comprehensive staffing plan	N/A
R.3	Eliminate 3.0 FTE general education teacher positions	\$148,500
R.4	Eliminate 3.0 FTE ESP teacher positions	\$183,500
R.5	Eliminate 6.5 FTE non-certificated classroom support positions	\$152,400
R.6	Eliminate 0.5 FTE technology staff position	\$36,400
R.7	Decrease employer cost for dental insurance	\$57,200
R.8	Reduce severance payouts	N/A
R.9	Develop formal policies and procedures for compiling transportation data	N/A
R.10	Right-size the active bus fleet by eliminating at least one bus	\$23,100
R.12	Increase food service participation and labor efficiency	\$33,100
Cost Savings Adjustment ¹		(\$11,700)
Total Annual Cost Savings from Performance Audit Recommendations		\$622,500
R.10 Right-size the active bus fleet by eliminating at least one bus		
		\$1,750
R.11 Eliminate two spare buses from the bus fleet		
		\$3,500
Total One-Time Revenue Enhancements		\$5,250
Total Financial Impact of Performance Audit		\$627,750

¹ Implementation of **R.3**, **R.4**, **R.5**, and **R.6** would reduce the savings achievable from **R.7** under the conservative assumption that all eliminated full-time equivalent staff (FTEs) currently use the family plan for dental insurance.

Table 3 shows the District's ending fund balances as projected in the October 2016 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.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Original Ending Fund Balance	\$1,334,138	\$845,934	\$214,009	(\$568,065)	(\$1,506,967)
Cumulative Balance of Performance Audit Recommendations	\$5,250	\$627,750	\$1,250,250	\$1,872,750	\$2,495,250
Revised Ending Fund Balance	\$1,339,388	\$1,473,684	\$1,464,259	\$1,304,685	\$988,283

Source: DLSD, ODE, 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, total cost savings have been applied only to fiscal year (FY) 2017-18 through FY 2020-21 only.

As shown in **Table 3**, the combination of fully implementing the performance audit recommendations would allow the District to fully address deficits projected in the final two years of the forecast period.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.¹ Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

¹¹ IDEA Part B does not have a MOE waiver option.

Background

On March 29, 2016, the Auditor of State (AOS), in consultation with the Ohio Department of Education (ODE) determined that it was appropriate to conduct a performance audit of DLSD. **Table 4** shows the District's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's October 2015 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions.

Table 4: DLSD Financial Condition Overview (October 2015)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$8,551,293	\$8,270,416	\$8,388,084	\$8,446,782	\$8,482,705
Total Expenditure	\$8,720,147	\$9,013,650	\$9,280,045	\$9,561,979	\$9,947,729
Results of Operations	(\$168,854)	(\$743,234)	(\$891,961)	(\$1,115,198)	(\$1,465,024)
Beginning Cash Balance	\$1,412,013	\$1,243,159	\$499,925	(\$392,037)	(\$1,507,234)
Ending Cash Balance	\$1,243,159	\$499,925	(\$392,037)	(\$1,507,234)	(\$2,972,259)
Ending Fund Balance	\$1,243,159	\$499,925	(\$392,037)	(\$1,507,234)	(\$2,972,259)

Source: DLSD and ODE

As shown in **Table 4**, the District's October 2015 five-year forecast projects a deficit of approximately \$392,000 in FY 2017-18. This deficit condition is a direct result of increasing expenditures, particularly in the area of personnel services and employee retirement/insurance. Left unaddressed, these conditions are projected to result in a cumulative deficit of more than \$2.9 million by FY 2019-20.

The District submitted a revised forecast for May 2016 which included initial cost savings from the completion of the new K-8 school building the consolidation into two current buildings; the K-8 building and the high school. **Table 5** shows the financial condition overview based on the May 2016 forecast.

Table 5: DLSD Financial Condition Overview (May 2016)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$8,637,813	\$8,416,070	\$8,505,171	\$8,560,889	\$8,596,812
Total Expenditure	\$8,620,147	\$8,726,696	\$8,979,395	\$9,240,711	\$9,510,984
Results of Operations	\$17,666	(\$310,626)	(\$474,224)	(\$679,822)	(\$914,172)
Beginning Cash Balance	\$1,412,013	\$1,429,679	\$1,119,053	\$644,829	(\$34,993)
Ending Cash Balance	\$1,429,679	\$1,119,053	\$644,829	(\$34,993)	(\$949,165)
Ending Fund Balance	\$1,149,679	\$1,119,053	\$644,829	(\$34,993)	(\$949,165)

Source: DLSD and ODE

As shown in **Table 5**, DLSD's projected deficit for FY 2019-20 was reduced from \$2.9 million, as shown in the October 2016 five-year forecast, to approximately \$1.0 million.

Subsequent to the completion of fieldwork on this performance audit, DLSD submitted a forecast for October 2016. **Table 6** shows the financial condition overview based on the October 2016 forecast.

Table 6: DLSD Financial Condition Overview (October 2016)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$8,546,600	\$8,557,620	\$8,670,338	\$8,784,785	\$8,900,991
Total Expenditure	\$8,686,332	\$9,045,824	\$9,302,264	\$9,566,859	\$9,839,893
Results of Operations	(\$139,732)	(\$488,204)	(\$631,925)	(\$782,074)	(\$938,902)
Beginning Cash Balance	\$1,473,870	\$1,334,138	\$845,934	\$214,009	(\$568,065)
Ending Cash Balance	\$1,334,138	\$845,934	\$214,009	(\$568,065)	(\$1,506,967)
Ending Fund Balance	\$1,334,138	\$845,934	\$214,009	(\$568,065)	(\$1,506,967)

Source: DLSD and ODE

As shown in **Table 6**, the District projects a decrease of the deficit fund balance for FY 2019-20 from approximately \$1.0 million, as shown in the May 2016 five-year forecast, to \$570,000. With the addition of FY 2020-21 to the forecast timeline, the District projects a total ending fund balance deficit of approximately \$1.5 million.

Recommendations

R.1 Develop a long-term strategic plan that is linked to the budget

DLSD does not have a comprehensive strategic plan that guides long-term operations and spending decisions. Although the District prepares the required five-year financial forecasts, tax budgets, and annual appropriations, there are no formal connections between discussed goals, objectives, and performance measures and the annual spending decisions. In FY 2015-16, the District hired a new Superintendent and Treasurer, providing the opportunity to develop formal strategic planning practices.

Establishment of Strategic Plans (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.

The District should develop a strategic plan and link it to its budget in order to guide program and funding decisions. Without a strategic plan, the District is at risk of not fully evaluating the relationship between its spending decisions, program outcomes, and long-term goals. This, in turn, increases the risk of ineffectively addressing District needs. Furthermore, the lack of a strategic plan potentially hinders the effective development of budgets and five-year financial forecasts.

R.2 Develop a comprehensive staffing plan

In FY 2015-16, DLSD made efforts to reduce staffing levels, leaving two positions unfilled from the previous fiscal year. The District, however, did not have a staffing plan to serve as a guide in efficiently and effectively reallocating staffing resources. The absence of such a plan could result in reactionary decisions to change staffing levels, based on only short-term operating data.

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);
- Analyze labor supply/demand;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

Lakota Local School District (Butler County) 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 revenues, which assists in ensuring a balanced budget.

Developing a staffing plan will help communicate staffing strategies and priorities as well as contingency plans. Furthermore, a staffing plan will increase the District's ability to explain or defend its decisions to hire or reduce personnel based on objective analysis and clear reasoning.

R.3 Eliminate 3.0 FTE general education teacher positions

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

In order to gauge the appropriateness of staffing levels, initial comparisons were made to the primary peer average using the ratio of students to teachers for FY 2015-16. This analysis showed that the District was staffed 1.5 FTEs below the primary peer average. However, based on the projected deficit financial condition (see **Table 6**), further analysis was warranted. **Table 7** shows DLSD's general education teacher staffing compared to State minimum requirements based on the District's FY 2015-16 students to teacher ratio. Comparing staffing on a per pupil basis provides a measurement mechanism consistent with State requirements.

Table 7: General Education Teacher Staffing Comparison

General Education FTEs				38.0
Regular Student Population				788.0
Staffing Ratio (Students to Teachers)				20.7:1
Options	Staffing Ratio By Option	Proposed Staffing for Each Option	Difference Above/(Below)	Annual Savings
Option 1: 10% Above State Minimum	22.5:1	35.0	3.0	\$147,700
Option 2: State Minimum	25.0:1	31.5	6.5	\$337,000

Source: DLSD, ODE, and OAC

As shown in **Table 7**, the District's general education teacher staffing level is 6.5 FTEs above the State minimum requirement. While the comparison to State minimums was informative, the District's financial condition did not call for the significant reduction of 6.5 FTEs. A more prudent course of action would be staffing levels 10 percent above this level which would require the elimination of 3.0 FTEs. The selection of one of the options presented above is

ultimately District management's responsibility based on the needs and desires of the stakeholders in the community. All staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Prior to making any reductions, the District should review staffing in all areas to determine appropriate service levels based on programmatic needs and responsibilities. Although not recommended, and not a common practice in Ohio, the option to reduce general education staffing to State minimum levels may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this audit.

Financial Implication: Eliminating 3.0 FTE general education teachers could save approximately **\$148,500** annually in salaries and benefits. This savings was calculated using the lowest full-time general education teacher salaries and an average benefits ratio of 43.3 percent.² Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

R.4 Eliminate 3.0 FTE ESP teacher positions

ESP teacher positions include K-8 art, music, and physical education teachers as well as counselors, librarians and media specialists, school nurses, social workers, and visiting teachers. In FY 2015-16, the District employed 9.1 FTE ESP teachers, which included 1.5 FTE art teachers, 3.0 FTE music teachers, and 3.0 FTE physical education teachers.

Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision eliminated State minimum staffing levels for ESP staffing.

Table 8 shows the District's FY 2015-16 ESP staffing per 100 students as compared to the primary peer average.³ Comparing ESP staffing on a per pupil basis serves to normalize the effect of district size and provide a relative measurement for comparison between DLSD and the primary peers.

² Calculated using the FY 2015-16 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2016 five-year forecast.

³ All primary peer staffing and student data is from FY 2014-15. Primary peer district data for FY 2015-16 was not available from ODE.

Table 8: ESP Teacher Staffing Comparison

	DLSD		Primary Peer Avg.	Difference	
Students Educated ¹	856		858	(2.0)	
Students Educated (per hundred)	8.56		8.58	(0.02)	
Staffing Category	FTEs	FTEs per 100 Students	Peer FTEs per 100 Students	Difference per 100 Students	Total FTEs Above/ (Below) ²
Art, Music, and Physical Education	7.5	0.88	0.39	0.49	4.2
Counselors	1.0	0.12	0.19	(0.07)	(0.6)
Librarians/Media Specialists	0.0	0.00	0.08	(0.08)	(0.7)
School Nurses	0.6	0.07	0.04	0.03	0.3
Social Workers	0.0	0.00	0.02	(0.02)	(0.2)
Visiting Teachers	0.0	0.00	0.00	0.00	0.0
Total ESP Staff	9.1	1.07	0.72	0.35	3.0
FTE Adjustment Needed to Equal Primary Peer Average Staff per 100 Students					(3.0)

Source: DLSD, ODE, and Primary Peers

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 FTEs per 100 students in line with the primary peer average.

As shown in **Table 8**, DLSD has a staffing level that is 3.0 FTE ESP teachers higher than the primary peer average, with the greatest difference, 4.2 FTEs, in the sub-category that includes art, music, and physical education teachers. Given the District's current fiscal status, reductions to the primary peer average could help it reduce the deficits in its five-year forecast.

Financial Implication: Eliminating 3.0 FTE ESP teacher positions could save approximately **\$183,500** annually in salaries and benefits. This was calculated using the lowest ESP staff salaries and an average benefits ratio of 43.3 percent.⁴ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

R.5 Eliminate 6.5 FTE non-certificated classroom support positions

Non-certificated classroom support staff includes teaching aides, paraprofessional instructors, and attendants. **Table 9** compares the DLSD non-certificated classroom support staffing per 100 students to the primary peer average for FY 2014-15. Comparing non-certificated classroom support staff on a per pupil basis serves to normalize the effect of district size and provide a relative measurement for comparison between DLSD and the primary peers.

⁴ Calculated using the FY 2015-16 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2016 five-year forecast.

Table 9: Non-Certificated Classroom Support Staff Comparison

	DLSD	Primary Peer Average	Difference		
Students Educated ¹	856	858	(2.0)		
Students Educated (hundreds)	8.56	8.58	(0.02)		
Staffing Category	FTEs	FTEs per 100 Students	Peer FTEs per 100 Students	Difference per 100 Students	Total Above/ (Below) ²
Attendants	0.0	0.00	0.08	(0.08)	(0.7)
Instructional Paraprofessionals	0.0	0.00	0.02	(0.02)	(0.2)
Teaching Aides	11.0	1.28	0.39	0.89	7.7
Total Classroom Support Staff	11.0	1.28	0.49	0.79	6.8
FTE Adjustment Needed to Equal Peer Average Staff per 100 Students					(6.8)

Source: DLSD, ODE, and Primary Peers

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

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 100 students in line with the primary peer average. Calculated by multiplying "Difference per 100 Students" by "Students Educated (hundreds)".

As shown in **Table 9**, DLSD has a staffing level that is 6.8 FTE non-certificated classroom support staff higher than the primary peer average, which consists entirely of teaching aides. However, in developing a staffing plan and aligning staffing levels to be consistent with that plan, DLSD should closely scrutinize the appropriateness of its non-certificated classroom support staffing level.

Financial Implication: Eliminating 6.5 FTE non-certificated classroom support staff positions could save approximately **\$152,400** annually in salaries and benefits. This was calculated using the lowest non-certificated classroom support staff wages and an average benefits ratio of 43.3 percent.⁵

R.6 Eliminate 0.5 FTE technology staff position

Technology staff includes computer operators, computer programmers, and other technical positions. **Table 10** compares DLSD technology staffing per 1,000 students to the primary peer average for FY 2015-16. Comparing staffing on a per pupil basis serves to normalize the effect of district size and provide a relative measurement for comparison between DLSD and the primary peers.

⁵ Calculated using the FY 2015-16 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2016 five-year forecast.

Table 10: Technology Staff Comparison

	DLSD	Primary Peer Average	Difference		
Students Educated ¹	856	858	(2.0)		
Students Educated (hundreds)	8.56	8.58	(0.02)		
Staffing Category	FTEs	FTEs per 100 Students	Peer FTEs per 100 Students	Difference per 100 Students	Total Above/ (Below) ²
Computer Operators	0.0	0.00	0.10	(0.10)	(0.8)
Computer Programmers	0.0	0.00	0.00	0.00	0.0
Other Technical Positions	2.0	0.17	0.00	0.17	1.4
Total Classroom Support Staff	2.0	0.17	0.10	0.07	0.6
FTE Adjustment Needed to Equal Peer Average Staff per 100 Students					(0.6)

Source: DLSD, ODE, and Primary Peers

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

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 100 students in line with the primary peer average. Calculated by multiplying "Difference per 100 Students" by "Students Educated (hundreds)".

As shown in **Table 10**, DLSD has a staffing level that is 0.7 FTE technology staff higher than the peer average, which equates to 0.6 FTEs given the District's student population.

Financial Implication: Eliminating 0.5 FTE technology staff positions could save approximately **\$36,400** annually in salaries and benefits. This was calculated using the lowest technology staff wage and an average benefits ratio of 43.3 percent.

R.7 Decrease employer cost for dental insurance

DLSD provides a comprehensive employee insurance/fringe benefit package purchased through the Stark County Schools Council of Governments Consortium. Benefits provided in this package are collectively bargained.⁶ The District offers dental insurance to employees, but does not require an employee contribution to offset any portion of the premium cost.

The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually. **Table 11** shows the District's FY 2015-16 employer dental premiums compared to the SERB Akron/Canton regional average for 2015. This comparison is important as insurance costs are recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness.

⁶ DLSD currently has one collective bargaining agreement, the certificated CBA with the Dalton Local Education Association, effective through June 2017. Although there is no classified CBA, classified benefits reflect those outlined in the certificated CBA.

Table 11: Dental Insurance Comparison

	DLSD Monthly Premium	SERB Regional Average	Required Employee Monthly Contribution	Employees Enrolled	Annual Savings
Dental (Single)	\$70.22	\$39.72	\$30.50	21	\$7,686.00
Dental (Family)	\$173.10	\$108.58	\$64.52	64	\$49,551.36
Annual Savings					\$57,237.36

Source: DLSD and SERB

Note: SERB average denotes Akron/Canton regional average.

As shown in **Table 11**, the District spent approximately \$57,200 more than the SERB regional average on dental premiums. However, under the conditions of the medical plan, the District may not offer any other dental plan other than the dental plan offered by the medical plan supplier. Therefore, the District can only control the employee dental contribution amounts. Requiring employees to bear a greater portion of the cost of dental insurance will help to reduce the District's insurance costs and bring them in line with the SERB regional average.

Financial Implication: The District could save **\$57,200** annually by increasing employee dental insurance contributions to meet the cost gap shown in **Table 11**.

R.8 Reduce severance payouts

DLSD's certificated CBA stipulates that employees can accumulate up to 252 days of sick leave. For employees who retire with 10 or more years of District service, severance packages pay out one-third of the accrued and unused sick leave up to a maximum of 70 days. The District negotiated this severance maximum up from 68 days in the current CBA covering July 1, 2015 through June 30, 2017.

According to ORC § 124.39(B), an employee of a political subdivision covered by the ORC, and with 10 or more years of service, is to be paid one-fourth the value for any accrued but unused sick leave credit, up to a maximum of 30 days. Comparatively, the District's maximum severance payout was 70 days, or 40 days higher than required by ORC. Reducing severance payments to one-fourth of an employee's accrued but unused sick leave and limiting it to a maximum of 30 days will assist in lowering the District's potential liability associated with future severance payments.

Table 12 shows DLSD's annual severance expenditures for FY 2013-14 through FY 2015-16 as compared to what they would have been if the District were operating at the ORC requirement. Reducing severance payouts to ORC § 124.39(B) requirements will reduce the District's overall severance costs.

Table 12: Financial Impact of Severance Pay

	Severance Paid	ORC Requirements	Difference	% Above ORC
FY 2015-16	\$107,048	\$47,393	\$59,655	55.7%
FY 2014-15	\$85,968	\$37,927	\$48,041	55.9%
FY 2013-14	\$31,001	\$20,460	\$10,541	34.0%
Three-Year Average Difference			\$39,412	

Source: DLSD and ORC

As shown in **Table 12**, reducing severance payments to the ORC minimum could have saved the District approximately \$39,400 annually based on the average total annual severance payments made in FY 2013-14 through FY 2015-16.

R.9 Develop formal policies and procedures for compiling transportation data

School districts in Ohio are required to report information about transportation operations to ODE on an annual basis in accordance with ORC § 3327.012 and OAC 3301-83-01. The T-1 Form is used to report information on students, buses, and miles and the T-2 Form is used to report actual expenses incurred for the transportation of eligible students to and from school. ODE also uses T-1 and T-2 Form data to calculate special education transportation funding.

In order to submit the requisite data to ODE, the Transportation Supervisor collects information pertaining to daily ridership and mileage from each bus driver via paper rider count sheets for the T-1 Report and the Assistant Treasurer collects transportation expenditure information to complete the T-2 Form. After approval by the Treasurer and the Superintendent, the information is submitted to ODE where it is approved and published as the T-1 and T-2 Reports.

The District's T-1 Report for FY 2015-16 and the rider count sheets from the same time period were reviewed for consistency and accuracy. Numerous errors were identified in these reports, including incomplete daily ridership counts, incorrect daily mileage, and inaccurate calculation of daily rider count averages. Errors may be due, in part, to the data collection and reporting processes. Specifically, the District lacks appropriate cross-training for certain key activities within transportation operations. For example, the Transportation Supervisor is the only employee trained to prepare the T-1 Form and the only employee tasked with operating the automated routing software. Furthermore, although no specific errors were identified with the T-2 Form, the Assistant Treasurer is the only employee trained to prepare the T-2 Form. Finally the District lacked policies, procedures and other instructive manuals that would provide guidance to employees unfamiliar with the process.

The District should develop formal policies and procedures for acquiring and compiling T-Form data. Developing and implementing formal procedures would help to ensure accuracy when compiling and submitting rider count sheets for the T-1 Form. In addition, a formal policy to properly maintain the required supporting documentation would further enhance accuracy. The types of errors identified above indicate that there are deficiencies in the data collection and review process used by the District. Failure to accurately report this information could result in incorrect calculations of State pupil transportation payments to the District. Additionally, formal

and comprehensive standard operating procedures will help to facilitate cross-training and continued service delivery in the absence of employees with extensive institutional knowledge.

R.10 Right-size the active bus fleet by eliminating at least one bus

In FY 2015-16, DLSD transported 508 regular needs riders with its regular needs fleet of eight active buses. In attempting to maximize the efficient utilization of its buses, DLSD has employed routing software, cluster stops, multi-tiered routing, and staggered bell schedules.

Table 13 shows DLSD's active bus fleet utilization for FY 2015-16 in comparison to benchmark data published in *Hidden Savings in Your Bus Budget* (AASA, September 2006). Comparisons to national benchmarks can help determine the appropriate number of active buses given a district's student ridership population.

Table 13: Regular Needs Ridership Comparison

Regular Riders	508.0
AASA 80% Benchmark Capacity per Bus	80.2
Number of Buses Needed Based on Benchmark ¹	6.3
Total Active Regular Buses Used	8.0
Buses Over/(Under) Benchmark	1.7

Source: CCSD, ODE, and AASA

¹ Capacity is based on the manufacturer rated capacities of three students per seat and adjusted for middle and high school students (i.e., two riders per seat).

As shown in **Table 13**, the District operated with 1.7 more buses than necessary in comparison to the AASA benchmark. Maximizing the efficiency of transportation operations would require a reduction of one bus. However, one of the eight buses was used for non-public transportation services; including community and parochial schools. State law requires DLSD to transport non-public students, but it is up to the District to determine the optimal way to do so.

Table 14 shows DLSD's active school bus fleet, less community and non-public school riders and buses, for FY 2015-16 in comparison to the AASA benchmark. By eliminating non-DLSD riders from the analysis, the results can provide an indication on the effect that non-public students have on the District's operations as well as provide more actionable identification of potential route reductions.

Table 14: Ridership Comparison Less Community and Non-public Riders

Regular Riders	459.0
AASA 80% Benchmark Capacity per Bus	81.7
Number of Buses Needed Based on Benchmark ¹	5.6
Total Active Regular Buses Used	7.0
Buses Over/(Under) Benchmark	1.4

Source: CCSD, ODE, and AASA

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

As shown in **Table 14**, when evaluating only regular public buses, the District still operated with one more bus than necessary in comparison to the benchmark.

There are several steps that the District has already taken to improve the efficiency of its transportation operation including using routing software, cluster stops, and multi-tiered routing. However, the District should explore other opportunities to reduce one bus such as:

- Adjusting bell schedules; and
- Continually re-evaluating bus routes based on actual ridership trends throughout the year.

In addition, the District should closely scrutinize non-public transportation services for any opportunities for efficiencies. DLSD transports non-public students to three unique locations and a significant barrier to optimization could be the bell schedules (i.e., daily start and end times) across these unique locations. Actively working with each non-public entity to seek mutually agreeable bell schedules could allow for a more efficient, effective transportation operation.

Table 15 shows annual savings achievable based upon the reduction of one bus.

Table 15: Bus Reduction Cost Savings

Driver Salaries	\$15,040
Retirement	\$6,393
Workers' Compensation	\$136
Employee Insurance	\$1,093
Bus Insurance	\$495
Total Annual Savings	\$23,157

Source: DLSD

Financial Implication: Reducing one active bus could save approximately **\$23,100** based on FY 2014-15 operating data. Furthermore, the District could generate **\$1,750** in one-time revenue from the sale of the bus, based on Ohio Schools Council 2012 bus auction sales data.

R.11 Eliminate two spare buses from the bus fleet

In FY 2015-16, the District operated 12 total buses. This included eight active buses and four spares, for a spare bus level representing one-third of the total fleet. According to the ODE Office of Pupil Transportation, spare buses typically comprise 20 percent of a fleet. DLSD would need to eliminate two spare buses in order to achieve this 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 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 2012.

R.12 Increase food service participation and labor efficiency

During the course of the audit, the District implemented several improvements designed to improve food service efficiency including: developing a systematic survey process, working to improve kitchen and lunchroom layouts in order to improve accessibility, changing vendors in order to allow more fresh food deliveries, and seeking counsel from other successful school districts.

Food service operations are accounted for in an enterprise fund, which is used to account for services whose costs are intended to be funded by fees and/or charges. The performance of an enterprise fund is measured in terms of positive and negative operations.

Table 16 shows the results of operations for the Food Service Fund from FY 2012-13 to FY 2014-15. Analysis of the historical results of this fund can provide an indication of the efficiency of the food service operation.

Table 16: Food Service Fund Performance

	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Fund Balance	\$0	\$0	\$0
Revenues	\$225,951	\$219,039	\$220,854
Expenditures	\$226,067	\$222,790	\$232,751
Results of Operations	(\$116)	(\$3,751)	(\$11,897)
Advances-In from General Fund	\$116	\$3,751	\$11,897
Ending Fund Balance	\$0	\$0	\$0
Advance-In As % of Total Revenues	0.1%	1.7%	5.4%

Source: DLSD

As shown in **Table 16**, the Food Service Fund has consistently experienced negative results of operations, the severity of which has increased in the three years period shown. In FY 2014-15, the District advanced almost \$12,000, or 5.4% of revenues, from the General Fund to the Food Service Fund to avoid a negative ending fund balance.

DLSD provides lunch service in its two buildings, which encompass the elementary, middle, and high schools. Depending on income eligibility, some students qualify to receive free or reduced price lunches for which the District receives reimbursement from the United States Department of Agriculture (USDA). The remaining revenue is generated through meal and à la carte food sales. Student participation is vital to the food service operation's success, in that higher participation in the lunch program generates higher operating revenues.

Table 17 shows the District's food service participation rate for FY 2012-13 through FY 2014-15 with a comparison to the primary peer average for FY 2014-15. This comparison highlights the primary peer participation rates, along with the District's recent participation trend.

Table 17: Food Service Participation

	FY 2012-13	FY 2013-14	FY 2014-15	Peer Average	% Difference
% Total Participation	51.7%	51.9%	45.1%	55.5%	(10.4%)
Total Lunches Served	76,291	71,378	67,959	79,225	(14.2%)

Source: DLSD and ODE

As shown in **Table 17**, the District's lunch participation rate was 10.4 percent lower than the peer average in FY 2014-15. In addition, DLSD's total number of lunches served decreased from FY 2012-13 to FY 2014-15.

Recipes for Practical Research in Child Nutrition Programs (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 quick way to 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). For example, targeting reasons why children do not participate at all may help provide the program with more direct and applicable solutions to participation problems. Beyond surveys, OPPAGA identifies several ways that can potentially increase participation in a food service program including:

- Participating in promotional campaigns that promote the food service programs and healthy nutritional habits;
- Holding nutrition awareness events where students can win small prizes and by hosting theme days; and
- Identifying and reducing participation barriers such as food quality, inadequate lunch periods, insufficient seating, or an unwelcoming lunchroom atmosphere.

The District should increase food service participation by promoting and advertising its food service program. Optimal efficiency of the food service program can be achieved through a combination of revenue maximization and reduced expenses. The primary driver of revenue generation is student participation in the program. As such, the District should use active promotion, advertising, and awareness campaigns along with student feedback. Effectively surveying students will allow decision makers to gather opinions and design program components that will allow for maximum participation.

In examining expenditures, one of the primary components of food service cost is labor hours, and lower participation rates have a significant effect on food service labor efficiency. A common indicator of operational labor efficiency is the number of meals prepared per labor hour.

Table 18 shows the District's meals per labor hour in each building compared to benchmark data outlined in *School Food and Nutrition Service Management for the 21st Century* (Pannell-Martin and Boettger, 2014). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table 18: Food Service Productivity Indicator Comparison

	Meal Equivalents Served per Day	DLSD Daily Labor Hours	Benchmark Required Daily Labor Hours	Difference
Dalton High School	73.7	12.8	6.7	6.0
Dalton Intermediate Middle	318.6	28.0	18.7	9.3
Total	392.3	40.8	25.4	15.3

Source: DLSD and Pannell-Martin and Boettger

As shown in **Table 18**, the District's total daily labor hours exceeded the benchmark by 15.3 in FY 2015-16. The operations at both buildings were more labor intensive than the benchmark, when factoring the number of meals and meal equivalents sold. The excess hours can be attributed to the declining lunch participation rate evident in **Table 17**. Low participation in the food service program will reduce workload efficiency if staffing levels are not adjusted to match the decreasing demand for meals. Therefore, if the participation rate does not increase, the District should align its food service meals per labor hour output with national benchmarks, which would require a reduction of 15 daily labor hours. This would reduce the costs of the food service program given a continuance of low student participation.

Financial Implication: Reducing 15 daily labor hours from the food service operation could save the District approximately **\$33,100** in salaries annually based on the lowest wages for food service staff.⁷ Estimated savings could increase if the reduction in hours occurs through retirement or voluntary separation of higher waged staff.

⁷ This financial implication does not include benefit expenses because AOS could not determine whether the reduced hours would come from part-time or full-time employees. Part-time employees, working less than 20 hours, do not receive insurance benefits.

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 Systems, 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. Nine of the 20 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 and forecasting practices comparable to leading practices?	N/A
Is the strategic plan consistent with leading practices?	R.1
Human Resources	
Is staffing efficient compared to peers and OAC/state minimums, where applicable?	R.2, R.3, R.4, R.5, and R.6
Are athletic extracurricular activities operating efficiently compared to peers and/or best practices and appropriately based on financial condition?	N/A
Are sick leave policies, tracking, and usage comparable to leading practices?	N/A
Are salaries comparable to peers and appropriate based on financial condition?	N/A
Are collective bargaining agreement (CBA) provisions comparable to the peers, ORC minimums, and/or leading practices?	R.8
Are insurance benefits comparable to industry standards and appropriate based on financial condition?	R.7
Facilities	
Is custodial and maintenance staffing efficient compared to benchmarks and appropriate based on the District's financial condition?	N/A
Are facilities expenditures comparable to peers and appropriate based on financial condition?	N/A
How do building utilization rates compare with industry benchmarks?	N/A
Transportation	
Are T-Form procedures accurate and consistent with leading practices?	R.9
Does the District make efficient use of routing for its fleet?	R.10
Is the fleet size efficient compared to leading practices and appropriate based on financial condition?	R.11
Does the District maintain an appropriate amount of spare buses?	R.11
Is the fleet maintained efficiently?	N/A
Is the fuel purchasing practice resulting in efficient pricing?	N/A
Are the bus replacement practice consistent with leading practices and appropriate	N/A

Objective	Recommendation
based on financial condition?	
Food Service	
Is the District's food service function operating efficiently?	R.12
Are food service participation levels and marketing practices consistent with peer averages/industry benchmarks?	R.12

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.

Appendix B: Additional Comparisons

Table B-1 shows full-time equivalent (FTE) staffing levels per 100 students at the District compared to the primary peer average. Primary peer data was from FY 2014-15 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing levels for FY 2015-16.

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

	DLSD		Primary Peer Average	Difference	
Students Educated ¹	856		858	(2.0)	
Students Educated (hundreds)	8.56		8.58	(0.02)	
	FTE Staff	FTE/100 Students	Staff/100 Students	Difference Per 100 Students	Total FTEs over (under) ²
Administrative	6.00	0.70	0.74	(0.04)	(0.33)
Office/Clerical	5.19	0.61	0.68	(0.07)	(0.65)
General Education Teachers	38.00	4.44	4.70	(0.26)	(2.24)
All Other Teachers	8.50	0.99	0.82	0.17	1.46
Education Service Personnel (ESP)	9.13	1.07	0.71	0.36	3.05
Educational Support	8.25	0.96	0.38	0.58	5.01
Other Certificated	0.00	0.00	0.02	(0.02)	(0.18)
Non-Certificated Classroom Support	10.98	1.28	0.49	0.79	6.78
Sub-Total	86.05	10.05	8.54	1.51	12.90
Operations	20.02	2.34	2.29	0.05	0.44
All Other Staff	5.21	0.61	0.23	0.38	3.25
Total Staff	111.28	13.00	11.06	1.94	16.59

Source: DLSD, ODE, and Primary Peers

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

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

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 100 students in line with the peer average.

As shown in **Table B-1**, DLSD's FTEs per 100 students were lower than the primary peers in the following categories: administrative, office/clerical, and general education teachers. The staffing reduction recommendation for general education teachers (see **R.3**) is based on comparison to ORC minimums. Other recommendations were made for education service personnel (see **R.4**), non-certified classroom support (see **R.5**) and all other staff (see **R.6**).

Table B-2 shows the District's buildings and grounds staffing for FY 2015-16 compared to industry benchmarks from American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table B-2: Buildings & Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs	1.1
Acreage Maintained	54.8
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	1.4
Grounds FTEs Above/(Below) Benchmark	(0.2)
Custodial Staffing	
Custodial FTEs	4.7
Square Footage Cleaned	174,403
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	5.9
Custodial FTEs Above/(Below) Benchmark	(1.3)
Maintenance Staffing	
Maintenance FTEs	2.0
Square Footage Maintained	185,900
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.0
Maintenance FTEs Above/(Below) Benchmark	0.1
Total Buildings & Grounds Staffing	
Total FTEs Employed	7.8
Total Benchmarked Staffing Need	9.2
Total FTEs Above/(Below) Benchmark	(1.4)

Source: DLSD, AS&U, and NCES

As shown in **Table B-2**, DLSD is below the national benchmarks for total buildings and ground staffing.

Table B-3 shows a comparison of DLSD's facilities expenditures per square foot to the primary peer average based on FY 2014-15 data. This comparison allows for a standardized comparison of the District to its primary peers.

Table B-3: Facilities Expenditures per Square Foot Comparison

	DLSD	Primary Peer Average	Difference	% Difference
Salaries and Wages	\$1.48	\$1.54	(\$0.06)	(3.9%)
Employee Benefits	\$0.83	\$0.68	\$0.15	21.8%
Purchased Services (Excluding Utilities)	\$0.64	\$1.33	(\$0.69)	(51.8%)
Utilities	\$1.11	\$1.45	(\$0.34)	(23.3%)
Water & Sewage	\$0.08	\$0.10	(\$0.02)	(22.1%)
Sub-Total Energy	\$1.03	\$1.35	(\$0.32)	(23.4%)
Electric	\$0.70	\$1.05	(\$0.35)	(33.1%)
Gas	\$0.33	\$0.30	\$0.03	10.6%
Other Energy Sources	\$0.00	\$0.00	\$0.00	0.0%
Supplies & Materials	\$0.42	\$0.46	(\$0.05)	(10.0%)
Capital Outlay	\$0.00	\$0.19	(\$0.19)	(100.0%)
Other Objects	\$0.00	\$0.01	(\$0.01)	(100.0%)
Total Expenditures per Square Foot	\$4.48	\$5.67	(\$1.19)	(20.9%)

Source: DLSD, ODE, and Primary Peers

As shown in **Table B-3**, DLSD incurred facilities expenditures that were \$1.19, or 20.9 percent, lower per square foot than the primary peer average.

Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2015 Five-Year Forecast.

Chart C-1: DLSD's October 2015 Five Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	2,496,232	2,510,075	2,653,053	2,712,897	2,732,372	2,847,324	2,868,018	2,868,018
1.020 Tangible Personal Property Tax	149,067	160,245	179,555	179,555	179,555	179,555	179,555	179,555
1.030 Income Tax	1,082,373	1,230,543	1,211,041	1,257,456	1,287,756	1,318,890	1,350,884	1,383,762
1.035 Unrestricted Grants-in-Aid	2,955,538	3,018,121	3,000,424	3,000,424	3,000,424	3,000,424	3,000,424	3,000,424
1.040 Restricted Grants-in-Aid	22,324	31,959	24,555	23,861	23,861	23,861	23,861	23,861
1.050 Property Tax Allocation	558,777	562,010	579,939	589,555	441,448	410,015	412,995	412,995
1.060 All Other Operating Revenue	510,481	603,342	630,826	600,000	603,000	606,015	609,045	612,090
1.070 Total Revenue	7,774,792	8,116,295	8,279,393	8,363,748	8,268,416	8,386,084	8,444,782	8,480,705
2.050 Advances-In	63,673	113,242	80,073	185,545				
2.060 All Other Financial Sources	11,385	18,345	26,300	2,000	2,000	2,000	2,000	2,000
2.070 Total Other Financing Sources	75,058	131,587	106,373	187,545	2,000	2,000	2,000	2,000
2.080 Total Revenues and Other Financing Sources	7,849,850	8,247,882	8,385,766	8,551,293	8,270,416	8,388,084	8,446,782	8,482,705
3.010 Personnel Services	4,282,925	4,455,940	4,585,327	4,745,951	4,850,178	4,922,931	4,996,775	5,071,726
3.020 Employees' Retirement/Insurance Benefits	1,566,499	1,791,362	1,945,795	1,959,189	2,255,295	2,396,372	2,550,320	2,805,352
3.030 Purchased Services	1,164,815	1,268,055	1,385,996	1,489,007	1,494,677	1,539,517	1,585,703	1,633,274
3.040 Supplies and Materials	296,435	230,925	250,862	250,000	257,500	265,225	273,182	281,377
3.050 Capital Outlay	8,954	1,374	19,265	2,500	2,500	2,500	2,500	2,500
4.300 Other Objects	126,515	111,412	141,212	140,000	140,000	140,000	140,000	140,000
4.500 Total Expenditures	7,446,143	7,859,068	8,328,457	8,586,647	9,000,150	9,266,545	9,548,479	9,934,229
5.010 Operational Transfers - Out				13,500	13,500	13,500	13,500	13,500
5.020 Advances - Out	101,999	91,453	145,618	120,000				
5.040 Total Other Financing Uses	101,999	91,453	145,618	133,500	13,500	13,500	13,500	13,500
5.050 Total Expenditure and Other Financing Uses	7,548,142	7,950,521	8,474,075	8,720,147	9,013,650	9,280,045	9,561,979	9,947,729
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	301,708	297,361	(88,309)	(168,854)	(743,234)	(891,961)	(1,115,198)	(1,465,024)
7.010 Beginning Cash Balance	901,253	1,202,961	1,500,322	1,412,013	1,243,159	499,925	(392,037)	(1,507,234)
7.020 Ending Cash Balance	1,202,961	1,500,322	1,412,013	1,243,159	499,925	(392,037)	(1,507,234)	(2,972,259)
10.010 Fund Balance June 30 for Certification of Appropriations	1,202,961	1,500,322	1,412,013	1,243,159	499,925	(392,037)	(1,507,234)	(2,972,259)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	1,202,961	1,500,322	1,412,013	1,243,159	499,925	(392,037)	(1,507,234)	(2,972,259)
15.010 Unreserved Fund Balance June 30	1,202,961	1,500,322	1,412,013	1,243,159	499,925	(392,037)	(1,507,234)	(2,972,259)

Source: DLSD and ODE

Chart C-2 shows the District's May 2016 Five-Year Forecast

Chart C-2: DLSD's May 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estat	2,496,232	2,510,075	2,653,053	2,792,897	2,792,372	2,847,324	2,868,018	2,868,018
1.020 Tangible Personal Property T	149,067	160,245	179,555	179,555	179,555	179,555	179,555	179,555
1.030 Income Tax	1,082,373	1,230,543	1,211,041	1,257,456	1,287,756	1,318,890	1,350,884	1,383,762
1.035 Unrestricted Grants-in-Aid	2,955,538	3,018,121	3,000,424	3,125,424	3,125,424	3,125,424	3,125,424	3,125,424
1.040 Restricted Grants-in-Aid	22,324	31,959	24,555	23,861	23,861	23,861	23,861	23,861
1.050 Property Tax Allocation	558,777	562,010	579,939	471,075	402,102	402,102	402,102	402,102
1.060 All Other Operating Revenue	510,481	603,342	630,826	600,000	603,000	606,015	609,045	612,090
1.070 Total Revenue	7,774,792	8,116,295	8,279,393	8,450,268	8,414,070	8,503,171	8,558,889	8,594,812
2.050 Advances-In	63,673	113,242	80,073	185,545				
2.060 All Other Financial Sources	11,385	18,345	26,300	2,000	2,000	2,000	2,000	2,000
2.070 Total Other Financing Source	75,058	131,587	106,373	187,545	2,000	2,000	2,000	2,000
2.080 Total Revenues and Other Fin	7,849,850	8,247,882	8,385,766	8,637,813	8,416,070	8,505,171	8,560,889	8,596,812
3.010 Personnel Services	4,282,925	4,455,940	4,585,327	4,645,951	4,738,871	4,833,647	4,930,320	5,028,927
3.020 Employees' Retirement/Insur	1,566,499	1,791,362	1,945,795	1,959,189	2,057,148	2,160,006	2,268,006	2,381,406
3.030 Purchased Services	1,164,815	1,268,055	1,385,996	1,489,007	1,494,677	1,539,517	1,585,703	1,633,274
3.040 Supplies and Materials	296,435	230,925	250,862	250,000	257,500	265,225	273,182	281,377
3.050 Capital Outlay	8,954	1,374	19,265	2,500	20,000	20,000	20,000	20,000
4.300 Other Objects	126,515	111,412	141,212	140,000	145,000	147,500	150,000	152,500
4.500 Total Expenditures	7,446,143	7,859,068	8,328,457	8,486,647	8,713,196	8,965,895	9,227,211	9,497,484
5.010 Operational Transfers - Out				13,500	13,500	13,500	13,500	13,500
5.020 Advances - Out	101,999	91,453	145,618	120,000				
5.040 Total Other Financing Uses	101,999	91,453	145,618	133,500	13,500	13,500	13,500	13,500
5.050 Total Expenditure and Other	7,548,142	7,950,521	8,474,075	8,620,147	8,726,696	8,979,395	9,240,711	9,510,984
6.010 Excess Rev & Oth Financing	301,708	297,361	-88,309	17,666	-310,626	-474,224	-679,822	-914,172
7.010 Beginning Cash Balance	901,253	1,202,961	1,500,322	1,412,013	1,429,679	1,119,053	644,829	-34,993
7.020 Ending Cash Balance	1,202,961	1,500,322	1,412,013	1,429,679	1,119,053	644,829	-34,993	-949,165
10.010 Fund Balance June 30 for C	1,202,961	1,500,322	1,412,013	1,429,679	1,119,053	644,829	-34,993	-949,165
12.010 Fund Bal June 30 for Cert of	1,202,961	1,500,322	1,412,013	1,429,679	1,119,053	644,829	-34,993	-949,165
15.010 Unreserved Fund Balance	1,202,961	1,500,322	1,412,013	1,429,679	1,119,053	644,829	-34,993	-949,165

Source: DLSD and ODE

Chart C-3 shows the District's October 2016 Five-Year Forecast

Chart C-3: DLSD's October 2016 Five Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estat	2,670,320	2,832,608	2,984,489	2,955,400	3,014,508	3,074,798	3,136,294	3,199,020
1.030 Income Tax	1,230,543	1,211,041	1,235,023	1,240,000	1,246,200	1,252,431	1,258,693	1,264,987
1.035 Unrestricted Grants-in-Aid	3,018,121	3,000,424	3,224,921	3,260,000	3,292,600	3,325,526	3,358,781	3,392,369
1.040 Restricted Grants-in-Aid	31,959	24,555	30,875	31,200	31,512	31,827	32,145	32,467
1.050 Property Tax Allocation	562,010	579,939	458,227	390,000	397,800	405,756	413,871	422,149
1.060 All Other Operating Revenue	603,342	630,826	570,368	570,000	575,000	580,000	585,000	590,000
1.070 Total Revenue	8,116,295	8,279,393	8,503,903	8,446,600	8,557,620	8,670,338	8,784,785	8,900,991
2.050 Advances-In	113,242	80,073	103,908	100,000				
2.060 All Other Financial Sources	18,345	26,300	29,753					
2.070 Total Other Financing Source	131,587	106,373	133,661	100,000				
2.080 Total Revenues and Other Fin	8,247,882	8,385,766	8,637,564	8,546,600	8,557,620	8,670,338	8,784,785	8,900,991
3.010 Personnel Services	4,455,940	4,585,327	4,691,521	4,751,648	4,846,681	4,943,615	5,042,487	5,143,337
3.020 Employees' Retirement/Insur	1,791,362	1,945,795	2,030,784	1,937,184	2,234,043	2,323,405	2,416,341	2,512,995
3.030 Purchased Services	1,268,055	1,385,996	1,353,167	1,490,000	1,549,600	1,611,584	1,676,047	1,743,089
3.040 Supplies and Materials	230,925	250,862	222,237	255,000	260,100	265,302	270,608	276,020
3.050 Capital Outlay	1,374	19,265	10,299	7,500	7,500	7,500	7,500	7,500
4.300 Other Objects	111,412	141,212	144,461	145,000	147,900	150,858	153,875	156,953
4.500 Total Expenditures	7,859,068	8,328,457	8,452,469	8,586,332	9,045,824	9,302,264	9,566,859	9,839,893
5.020 Advances - Out	91,453	145,618	123,241	100,000				
5.040 Total Other Financing Uses	91,453	145,618	123,241	100,000				
5.050 Total Expenditure and Other	7,950,521	8,474,075	8,575,710	8,686,332	9,045,824	9,302,264	9,566,859	9,839,893
6.010 Excess Rev & Oth Financing	297,361	-88,309	61,854	-139,732	-488,204	-631,925	-782,074	-938,902
7.010 Beginning Cash Balance	1,202,964	1,500,325	1,412,016	1,473,870	1,334,138	845,934	214,009	-568,065
7.020 Ending Cash Balance	1,500,325	1,412,016	1,473,870	1,334,138	845,934	214,009	-568,065	-1,506,967
10.010 Fund Balance June 30 for C	1,500,325	1,412,016	1,473,870	1,334,138	845,934	214,009	-568,065	-1,506,967
12.010 Fund Bal June 30 for Cert of	1,500,325	1,412,016	1,473,870	1,334,138	845,934	214,009	-568,065	-1,506,967
15.010 Unreserved Fund Balance Jul	1,500,325	1,412,016	1,473,870	1,334,138	845,934	214,009	-568,065	-1,506,967

Source: DLSD and 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.

Dalton Local School District

177 N. Mill Street

P.O. Box 514

Dalton, Ohio 44618-0514

Phone 330/828-2267 Fax 330/828-2800

Website: <http://www.dalton.k12.oh.us>

BOARD OF EDUCATION

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Mr. Philip Schlabach

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330/828-2267

Ms. Sheryl Shaw Stewart
Treasurer
330/828-2267

Mrs. Lisa Zona
District Administrator
Director of Student Services
330/828-2405

Ms. Kelly Dever
District Administrator
Director of Curriculum
330/828-2405

Dalton Elementary /
Middle School
Mr. Joseph Petrak
Principal
Ms. Cherie Marthey
Assistant Principal
330/828-2405
330/828-2802

Dalton High School
Mr. Nate Stutz
Principal
330/828-2261

Mr. John Gregory
Athletic Director
330/828-2261

Mr. David Kost
Mr. Seth Sullivan
Technology Coordinators
330/828-2267

Mr. Jason Byrnes
Transportation Supervisor
330/828-2410

December 8, 2016

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

Dear Auditor Yost:

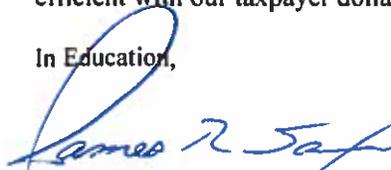
On behalf of Dalton Local Schools, I want to thank the entire Performance Audit Team for their time and effort in preparing the audit report for our School District. Michael E. Day, Harrison Steele, and Godwin C. Echikunwoke were very thorough and professional during the entire Performance Audit Process. I am thankful our School District was approached by your team to analyze the effective and efficient operations of our school system.

We appreciate the recommendations the Performance Audit Team provided the District, as we truly wanted to conduct a 360° analysis of our District to help us prolong the need to return to our voters for a new levy. We are deeply committed to continuing our efforts and truly want to use taxpayers' dollars in the most prudent way. The recommendations for improvement identified in the report will help guide our School District decisions.

This is my second year in the School District and I have been working with my Administrative Team this year to develop the framework for what will eventually become a District-Wide Strategic Plan. This Strategic Plan will be a collaborative effort with the Board of Education, my Administrative Team, as well as staff and community members. The Strategic Plan will include the development of short- and long-term operations and permanent improvement projects. Since the beginning of my tenure in Dalton Local Schools I have been cognizant of our certified and classified staff numbers. When I am able and it does not adversely impact student learning, I am not replacing staff that resign or retire through attrition, or I will conduct position transfers. In addition in spring 2017, I will be sitting down with our Transportation Supervisor to discuss and analyze our bus routes and look at consolidating routes. I have also been working closely with our Food Services supervisors to evaluate our program and brainstorm ideas of how we can increase our student participation. I am also analyzing our staff work hours to evaluate how we can increase labor efficiency. We are also visiting other school districts to observe and evaluate their food service programs and their staffing plans.

As a result of the Performance Audit, the Leadership Team of Dalton Local Schools will continue to monitor our School District finances and will use this document to help make informed decisions in regard to the financial future of our School District. Dalton Local Schools will continue to analyze the information gained through the Performance Audit Process for the continued improvement and effectiveness of our School District. Thank you for the time and effort of the Performance Audit Team to help Dalton Local School be more productive and efficient with our taxpayer dollars.

In Education,


James R. Saxer
Superintendent


Sheryl Shaw Stewart
Treasurer





Dave Yost • Auditor of State

DALTON LOCAL SCHOOL DISTRICT

WAYNE 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
JANUARY 3, 2017**