



Dave Yost • Auditor of State

This page intentionally left blank.



Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Delaware City School District,

The Auditor of State's Office selected the Delaware City School District (DCSD or the District) for a performance audit based on its projected financial condition. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate governance officials and 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
May 25, 2017

This page intentionally left blank.

Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	1
Summary of Recommendations	4
Background.....	6
Recommendations.....	8
R.1 Consider eliminating General Fund subsidy of extracurricular activities.....	8
R.2 Close or repurpose Willis Education Center	9
R.3 Develop a formal facilities preventive maintenance program	11
R.4 Enhance internal control measures for T-Form reporting.....	12
R.5 Develop a formal transportation preventive maintenance program.....	13
R.6 Develop a purchasing process	14
R.7 Reduce employer insurance costs with plan and employee contribution changes.....	16
R.8 Eliminate 10.0 FTE other educational positions	21
R.9 Eliminate 2.0 FTE counselor positions	23
R.10 Eliminate 1.5 FTE remedial specialist positions.....	24
R.11 Eliminate 2.5 FTE library staff positions	25
R.12 Make additional reductions to address the remaining deficit.....	25
Appendix A: Scope and Objectives	29
Appendix B: Additional Comparisons.....	30
Appendix C: Five-Year Forecast	37
Client Response	39

This page intentionally left blank.

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 Delaware City School District (DCSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve the District's financial condition through an objective assessment of the 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 DCSD, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Systems, Human Resources, Facilities, and Transportation. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

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 required 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 a pool of demographically similar districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for a comparison 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"> • Austintown Local School District (Mahoning County) • Cuyahoga Falls City School District (Summit County) • Lebanon City School District (Warren County) • Licking Heights Local School District (Licking County) • Miamisburg City School District (Montgomery County) • Northmont City School District (Montgomery County) • North Ridgeville City School District (Lorain County) • Perry Local School District (Stark County) • Riverside Local School District (Lake County) • Troy City School District (Miami County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Big Walnut Local School District (Delaware County) • Buckeye Valley Local School District (Delaware County) • Marysville Exempted Village School District (Union County) • North Union Local School District (Union County) • Olentangy Local School District (Delaware County) • Westerville City School District (Franklin County)
Transportation Peers
<ul style="list-style-type: none"> • Fairborn City School District (Greene County) • Green Local School District (Summit County) • Hudson City School District (Summit County) • Jackson Local School District (Stark County) • Springboro Community City School district (Warren County) • Wadsworth City School District (Medina County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American Association of School Administrators (AASA), American School and University (AS&U), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics (NCES), the Ohio Department of Education (ODE), the State Employment Relations Board

(SERB), the U.S. Energy Information Administration (EIA), and the U.S. Environmental Protection Agency (EPA). 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 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 Delaware City 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	Consider eliminating General Fund subsidy of extracurricular activities	\$1,012,500
R.2	Close or repurpose Willis Education Center	\$363,700
R.3	Develop a preventive maintenance plan for all facilities	N/A
R.4	Enhance internal control measures for T-Form reporting	N/A
R.5	Develop a preventive maintenance plan for transportation	N/A
R.6	Develop a purchasing process	\$98,200
R.7	Reduce employer insurance costs through plan and employee contribution changes	\$696,800
R.8	Eliminate 10.0 FTE other educational positions	\$1,084,600
R.9	Eliminate 2.0 FTE counselor positions	\$124,800
R.10	Eliminate 1.5 FTE remedial specialist positions	\$80,300
R.11	Eliminate 2.5 FTE library staff positions	\$72,700
R.12	Make additional reductions to address the remaining deficit	\$1,085,300
Cost Savings Adjustment ¹		(\$31,100)
Total Annual Cost Savings from Performance Audit Recommendations		\$4,587,800

¹ Implementation of R.2, R.8, R.9, R.10, and R.11 would reduce the savings achievable from R.7.

Table 3 shows the District’s ending fund balances as projected in the May 2017 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 ¹	FY 2018-19	FY 2019-20	FY 2020-21
Original Ending Fund Balance	\$ 6,172,722	\$1,780,417	(\$3,585,746)	(\$10,272,337)	(\$18,017,668)
Cumulative Balance of Performance Audit Recommendations	N/A	\$4,254,950	\$8,842,750	\$13,430,550	\$18,018,350
Revised Ending Fund Balance	\$6,172,722	\$6,035,367	\$5,257,004	\$3,158,213	\$682

Source: DCSD, 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, cost savings have been applied to FY 2017-18 through FY 2020-21 only.

¹ The ‘Cumulative Balance of Performance Audit Recommendations’ amount for FY 2017-18 is inclusive of a one-time, reduced financial implication of \$332,850 regarding R.7. This is a 50 percent reduction of the financial implication, after the cost savings adjustment, as the District’s next health insurance policy year begins on January 1, 2018; halfway through FY 2017-18.

As shown in Table 3, implementing the performance audit recommendations would allow DCSD to avoid forecasted deficits throughout the five-year forecast.

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.

It is important to note that the provision of special education services may have a significant impact on the DCSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

¹ IDEA Part B does not have a MOE waiver option.

Background

In October 2016, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. This forecast served as the primary impetus of the performance audit. **Table 4** shows DCSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balances as projected in this forecast. The detail and financial results contained in the forecast are an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions, possibly leading to formal designation by AOS and ODE.

Table 4: Financial Condition Overview (October 2016)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$52,201,399	\$52,950,996	\$53,814,252	\$54,718,803	\$54,343,776
Total Expenditure	\$54,532,708	\$56,878,529	\$58,978,955	\$61,304,463	\$63,560,082
Results of Operations	(\$2,331,309)	(\$3,927,533)	(\$5,164,703)	(\$6,585,660)	(\$9,216,306)
Beginning Cash Balance	\$8,906,287	\$6,574,978	\$2,647,445	(\$2,517,258)	(\$9,102,918)
Ending Cash Balance	\$6,574,978	\$2,647,445	(\$2,517,258)	(\$9,102,918)	(\$18,319,224)
Outstanding Encumbrances	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Budget Reserve	\$367,699	\$367,699	\$367,699	\$367,699	\$367,699
Ending Fund Balance	\$5,907,279	\$1,979,746	(\$3,184,957)	(\$9,770,617)	(\$18,986,923)

Source: DCSD and ODE

Note: The 'Total Revenue' amount of \$54,343,776 for FY 2020-21 is inclusive of \$4,779,705 from a replacement/renewal levy which will occur in FY 2020-21.

As shown in **Table 4**, the District's October 2016 five-year forecast projects ending fund balance deficits starting in FY 2018-19 and extending through the remainder of the forecast period. This deficit condition is a direct result of stagnant revenue growth coupled with increasing expenditures. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$18.9 million by FY 2020-21.

The District submitted a revised forecast for May 2017 which showed total expenditures being lower than forecasted in October 2016. **Table 5** shows the financial condition overview based on the May 2017 forecast.

Table 5: Financial Condition Overview (May 2017)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$52,166,409	\$52,739,209	\$53,770,677	\$54,755,643	\$55,916,857
Total Expenditure	\$54,232,275	\$57,131,514	\$59,136,840	\$61,442,234	\$63,662,188
Results of Operations	(\$2,065,866)	(\$4,392,305)	(\$5,366,163)	(\$6,686,591)	(\$7,745,331)
Beginning Cash Balance	\$8,906,287	\$6,840,421	\$2,448,116	(\$2,918,047)	(\$9,604,638)
Ending Cash Balance	\$6,840,421	\$2,448,116	(\$2,918,047)	(\$9,604,638)	(\$17,349,969)
Outstanding Encumbrances	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Budget Reserve	\$367,699	\$367,699	\$367,699	\$367,699	\$367,699
Ending Fund Balance	\$6,172,722	\$1,780,417	(\$3,585,746)	(\$10,272,337)	(\$18,017,668)

Source: DCSD and ODE

Note: The 'Total Revenue' amount of \$55,916,857 for FY 2020-21 is inclusive of \$4,869,049 from a replacement/renewal levy which will occur in FY 2020-21.

As shown in **Table 5**, the District's projected deficit for FY 2020-21 was reduced from \$18.9 million, as shown on the October 2016 five-year forecast, to \$18.0 million forecasted in May 2017.

Recommendations

R.1 Consider eliminating General Fund subsidy of extracurricular activities

In FY 2015-16, the District expended approximately \$1.9 million on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. A portion of these expenditures were offset by generating revenue of approximately \$936,400 from receipts for admissions, sales, dues and fees, and other extracurricular activity. As a result, the District incurred a net cost for student extracurricular activities in FY 2015-16 of \$1,012,520. This amount required subsidization from the General Fund.

Table 6 shows a comparison of the District's FY 2015-16 student extracurricular activity net cost per pupil to the primary and local peer averages. This comparison is important for determining whether the District's net cost for student extracurricular activity programs was consistent with similar districts in the region.

Table 6: Student Extracurricular Activity Net Cost Comparison

	DCSD			Primary Peer Avg.	Local Peer Avg.
Students	5,313			4,623	7,548
Activity Type	Rev.	Exp.	Net Cost		
Academic Oriented	\$159,926	\$272,484	(\$112,558)	(\$231,513)	(\$313,471)
Occupation Oriented	\$0	\$0	\$0	(\$23,070)	(\$52,625)
Sport Oriented	\$134,565	\$1,348,721	(\$1,214,156)	(\$526,267)	(\$1,130,609)
School & Public Service Co-Curricular	\$152,144	\$327,748	(\$175,604)	(\$107,589)	(\$143,323)
Bookstore Sales	\$0	\$0	\$0	\$701	\$1,179
Other Extracurricular (Student)	\$50,004	\$0	\$50,004	\$72,659	\$168,003
Non-specified ¹	\$439,794	\$0	\$439,794	\$313,432	\$201,146
Total	\$936,433	\$1,948,953	(\$1,012,520)	(\$501,647)	(\$1,269,700)
Net Cost per Pupil			(\$190.57)	(\$108.51)	(\$168.22)

Source: DCSD, primary peers, and local peers.

¹ Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

As shown in **Table 6**, the District's student extracurricular activity net cost per pupil of \$190.57 was \$82.06, or 43.1 percent, higher than the primary peer average and \$22.35, or 11.7 percent, higher than the local peer average. It is common for school districts in Ohio to subsidize extracurricular costs with General Fund money; however, the existence of a net cost places a burden on the General Fund equal to the amount of the net cost. Given the severity of the forecasted deficit conditions (see **Background**), the District should evaluate all available options to reduce expenditures and/or increase revenue for student extracurricular activities.

In order to eliminate the General Fund subsidy, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following:

- Increase pay to participate fees for sports;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or
- Eliminate programs.

Making these changes would help eliminate the General Fund subsidy, allowing more resources to be dedicated to student instruction.

One specific strategy for eliminating the net cost of student extracurricular activities is to follow the pay-to-participate model of Riverside Local School District in Painesville, Ohio. Riverside sets its pay-to-participate fees for sports-oriented activities by equally dividing the total cost of each activity by the number of participants. By applying this fee structure to all activity types, the District could eliminate its total net cost for student extracurricular activities. However, before implementing this type of fee structure, the District should consider the relative ability to pay and the financial impact on its students.

Financial Implication: Reducing expenditures and/or increasing revenue so that the Student Extracurricular Activity Fund is self-sufficient would save the District **\$1,012,500**, annually.

R.2 Close or repurpose Willis Education Center

The District operates and maintains eight school buildings; including five elementary schools, one middle school, one high school, and one education center. Currently DCSD uses Willis Education Center (Willis) to house its administrative staff and one of the District's three main kitchens. Furthermore, fifth grade students from Smith and Woodward Elementary are temporarily attending Willis for educational purposes while their respective school buildings undergo construction. Construction at Smith and Woodward Elementary is expected to be completed at the start of FY 2017-18 and those fifth grade students will return to their original schools, leaving Willis with no regular students.

Utilization percentages signify the number of students educated in each building in relation to capacity. Determining a building's functional capacity, which is necessary to calculate utilization, is based on the methodology outlined in *Defining Capacity* (DeJong and Associates, 1999). DeJong states that functional building capacity for an elementary school is calculated based on the number of available regular education classrooms and an average class size of 25 regular education students.² Overcrowding at an elementary school occurs when building enrollment exceeds 100 percent of functional capacity. For middle and high school buildings, functional capacity is calculated by multiplying the number of teaching stations by an average

² Special education students and special education classrooms were outside of the scope of this capacity analysis, as they are excluded from the industry standard methodology.

class size of 25 students.³ Given the need to accommodate classroom and academic scheduling needs, it is unreasonable to expect every teaching station to be fully utilized 100 percent of the time. Therefore, DeJong uses an 85 percent utilization factor that indicates when middle and high school buildings exceed this utilization, they run the risk of overcrowding.

Table 7 shows DCSD's summary utilization by building level, as well as in total. Assessing building utilization provides an indication of the efficiency of overall facilities usage.

Table 7: Facilities Utilization by Building Level

Building Level	Buildings	Classrooms	Head Count	Capacity	Utilization
Elementary	5	132	2,755	3,300	83.5%
Middle ¹	2	93	1,209	1,976	61.2%
High	1	95	1,706	2,019	84.5%
District Total	8	320	5,670	7,295	77.7%

Source: DCSD and ODE

Note: Classrooms at the middle and high school level are reflective of actual teaching stations.

¹ Willis is included as a middle school.

As shown in **Table 7**, DCSD's total utilization of 77.7 percent identifies that the District's buildings are significantly underutilized. As previously noted, in FY 2017-18, after additions to Smith and Woodward Elementary are complete, Willis will not have any regular students. Operating Willis under this scenario will lead to continued underutilization. If the District were to close Willis, however, overall utilization would increase from 77.7 percent to 84.1 percent.

Table 8 shows the building closure scenario that DCSD would achieve with the closure of Willis. This analysis shows how the closure of this building impacts the overall usage of the District's facilities.

Table 8: Revised Utilization with Building Closure

Building Level	Buildings	Classrooms	Head Count	Capacity	Utilization
Elementary	5	132	2,755	3,300	83.5%
Middle	1	67	1,209	1,424	84.9%
High	1	95	1,706	2,019	84.5%
District Total	7	294	5,670	6,743	84.1%

Source: DCSD and ODE

Note: Classrooms at the middle and high school level are reflective of actual teaching stations.

As shown in **Table 8**, it is possible to improve building utilization through targeted building closures. Closing Willis would align existing capacity to meet head count demand and more efficiently utilize buildings. This reduction would be possible without the need to exceed the 85 percent utilization or the need to blend middle and high school students.

Table 9 shows annual savings achievable based upon the closure of Willis. Total savings from a direct closure is inclusive of component savings realized through custodial and maintenance

³ A teaching station is defined as any regularly-sized space where students are educated. For example, gymnasiums, science, art, music, and computer rooms are all considered teaching stations. In contrast, auditoriums, libraries, and cafeterias are not considered teaching stations.

employee reductions as well as decreased utilities⁴ expenditures, and elimination of supplies and materials.

Table 9: Annual Savings from Building Closure

4.0 FTE Custodial Staff Positions	\$154,764
1.25 FTE Maintenance Staff Positions	\$76,737
Utilities	\$69,509
Supplies and Materials	\$62,713
Total Savings	\$363,723

Source: DCSD

As shown in **Table 9**, the closure or repurposing of Willis would result in annual cost savings or cost recovery of approximately \$363,700. During the course of the audit, District administration communicated plans to seek community partners as potential lessees of space at Willis once the regular student population is no longer present. If the District is able to procure revenue from future occupants, that equals or exceeds the costs cited in **Table 9**, repurposing the building, rather than closure, would be an option.

Financial Implication: Closing Willis could save the District approximately **\$363,700** annually.

R.3 Develop a formal facilities preventive maintenance program

The District does not have a formal preventive maintenance program that encompasses all equipment. Instead, the majority of repairs are conducted in a reactionary manner.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. An effective preventive maintenance program begins with an audit of the buildings, grounds, and equipment. Once facilities data has been assembled, structural items and pieces of equipment can be selected for preventive maintenance. After completing the audit, planners must decide on the frequency and type of inspections. After assembling this information, it must be formatted so that preventive maintenance tasks can be scheduled easily. Ideally, scheduling should be handled by a computerized maintenance management program; however, tasks can be efficiently managed using a manual system as well.

The District should develop a formal preventive maintenance program. The absence of which limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing an effective preventive maintenance program would ensure that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

⁴ Savings for utilities is based on the National Clearinghouse for Education Facilities (NCEF) benchmark estimate that it requires 40 percent of normal expenditures to maintain a closed school building, as published in *Closing a School Building: A Systematic Approach* (NCEF, 2010).

R.4 Enhance internal control measures for T-Form reporting

In accordance with ORC § 3327.012 and OAC 3301-83-01, school districts in Ohio are required to submit annual T-1 and T-2 Forms to ODE. The T-1 Form certifies the number and type of pupils transported, daily miles traveled, and buses used in the transportation program. School districts are required to complete the T-1 Form by recording the average number of pupils enrolled and regularly transported to school as well as the average daily miles traveled for pupil transportation (excluding non-routine and extracurricular miles) during the first full week of October. The T-1 Form is then used to calculate the pupil transportation payment pursuant to ORC § 3327.012.

Cost data is reported via the T-2 Form, which serves to certify the actual expenses incurred in the transportation of eligible pupils reported on the corresponding T-1 Form. ODE provides detailed instructions for completing both the T-1 and T-2 forms. In particular, it provides guidelines detailing how a district should properly code its students, mileage, and buses on the T-1 Form and the manner in which transportation related expenditures should be recorded on the T-2 Form. Upon submission of these forms by the District, ODE uses the data to compile T-1 and T-2 reports.

In order to assess the accuracy of the District’s transportation reporting, FY 2016-17 October count data was reviewed and compared to submitted T-1 Report data.⁵ **Table 10** shows the degree of variation between the District count data and the information as reported in the T-Reports. This comparison is important in determining whether the District’s T-Form data collection practices are resulting in accurate submissions to ODE and are in accordance with the established guidelines.

Table 10: T-1 Form Reporting Variation

	T-1 Totals	Count Sheets	Difference	% Difference
Average Daily Ridership	2,841	2,575	266	9.4%

Source: DCSD and ODE

As shown in **Table10**, a significant variation was identified between the average daily ridership figures as calculated from the District count sheets and those reported by ODE on the T-1 Report.

⁵ The transportation Supervisor used the hand-written tabulation of each school bus driver as the data source for completion of the T-1 Form.

The reporting variation could be a result of noncompliance with ODE T-1 Form instructions which state that “Students shall only be counted once each day, during their first conveyance to school, regardless of how many vehicles they ride. Counts of students from school to home are not permitted.” This differs from the District’s practice that uses the weekly average ridership for each bus for the morning routes and evening routes, and then submits the larger number on the T-1 Form. The District then adds in the counts for some of the shuttle runs, explaining that those riders were on their “first conveyance to school” because they were not previously riding school transportation.

The District should follow ODE’s instructions when calculating data for its T-1 Form submission. Failure to accurately report this information increases the risk of incorrect calculations of State pupil transportation payments to the District. Adhering to ODE instructions will help to ensure the District receives the appropriate amount of funding and that expenditures will be accurately reported.⁶

R.5 Develop a formal transportation preventive maintenance program

The District does not have a formal preventive maintenance program for buses and other transportation vehicles. Instead, it has an information plan that states, “At 6,000 miles, buses receive an oil change and tires. After that, every 3,000 miles the mechanics check fluids and tires.” Additionally, fleet maintenance data was made available by the District, but was deemed unreliable for the purpose of performing a cost per mile analysis.

According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

Adopting a formal preventive maintenance program would allow the District to manage its fleet more efficiently and improve transportation recordkeeping to an extent that would enable it to accurately depict fleet costs per mile.

⁶ ODE’s Office of Pupil Transportation is responsible for oversight of all transportation data reporting. Given that the reporting error identified in this performance audit could potentially impact the District’s transportation funding this matter has been sent to ODE for additional review should the Department determine that it is necessary.

R.6 Develop a purchasing process

During the course of the audit, the District issued a request for quotation (RFQ) of pricing for its procurement of chemicals, chemical dispensers, and custodial supplies in an effort to proactively reduce FY 2017-18 expenditures.

Table 11 shows the District’s building operation and maintenance (O&M) supplies and materials expenditures per square foot compared to the primary peer average for FY 2015-16.⁷ It is important to examine the cost of supplies and materials in relation to square footage to normalize the effects of district size and provide an accurate comparison.

Table 11: O&M Supplies and Materials Total Expenditures Comparison

	DCSD	Primary Peer Avg.	Difference	% Difference
Total Square Footage	910,625	622,442	288,183	46.3%
Total Supplies and Materials Expenditures	\$482,631	\$199,181	\$283,450	142.3%
Expenditure per Sq. Ft.	\$0.53	\$0.32	\$0.21	65.6%

Source: DCSD, ODE, and primary peers

As shown in **Table 11**, DCSD’s cost of supplies and materials was 65.6 percent higher per square foot than the primary peer average.

Meta Solutions is an educational service provider that manages a purchasing cooperative wherein extensive buying power is leveraged in order to enable its members greater access to cost-effective supplies and services. As DCSD maintains a current membership in this cooperative, there are an extensive amount of cost-effective supplies and materials immediately available to the District. In practice, however, the District purchases many of its supplies directly from vendors independent of Meta Solutions without fully vetting cost-effectiveness. Additionally, while the District lacks a formal purchasing manual, *Board Policy 6320 – Purchases* states that, “The Board, by resolution, may award a bid to the lowest responsive and responsible bidder.” This provides the internal guidance to District managers to purchase the most cost-effective resources wherever possible.

Table 12 shows total costs paid by DCSD in FY 2016-17 for six commonly purchased items found to be available at a lower price through either Meta Solutions or an online vendor. This is important as it provides an indication of the savings available to the District by purchasing the same products, at the same volume through other currently available vendors.

⁷ Supplies and materials refer to common items associated with maintaining school facilities, such as custodial and maintenance supplies.

Table 12: Supplies and Materials Component Expenditures Comparison

Product	DCSD Cost	MS/Online Vendor Cost ¹	Difference
Hand Soap – Foam ²	\$29,041	\$9,763	\$19,278
Rock Salt – 50lb bag	\$19,854	\$8,765	\$11,089
Hand Towels – Rolls	\$63,613	\$7,242	\$56,371
Hand Towels – Pull	\$9,900	\$3,439	\$6,461
Toilet Tissue – Regular	\$7,511	\$3,694	\$3,817
Hand Sanitizer - Gel	\$5,304	\$4,101	\$1,203
Total	\$135,223	\$37,004	\$98,219

Source: DCSD, Meta Solutions, and online vendors

¹ Actual costs the District would incur by buying the same volume of each product based on the best unit price available for each product through either Meta Solutions or the online vendor.

² In order to use the hand soap from the online vendor, the District would have to replace 585 hand soap dispensers at a one-time cost of \$10,670.

As shown in **Table 12**, by purchasing these six comparable products at the same volume through Meta Solutions or an online vendor, the District could save approximately \$98,200.

Overall, the District could reduce expenditures for supplies and materials by developing a process to assure that the Board’s stated policy of purchasing competitively is consistently applied and results in the District receiving the best possible value. An important step in establishing an effective purchasing process that outlines procurement practices is to create a purchasing manual. According to *Developing a Procurement Policy Manual* (NIGP, 2012), “organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.” Procedure manuals should include the following elements:

- The overarching purpose of establishing a procurement policy;
- Definitions of any terms, titles, or criteria that may be unclear or specific to the organization;
- The basic organizational concepts which govern the authorities, roles, and/or responsibilities of those involved in the procurement process;
- Guidance for source selection and contract formation based on type of product or service and/or a threshold expenditure amount;
- Guidance regarding any product and/or service specifications deemed as critical to the continued mission of the organization;
- A code of conduct and ethics by which any and all employees involved in the procurement process should be guided;
- Outline the on-boarding process and any continuing education requirements for those involved in organizational procurement; and
- Guidance relating to any special programs, such as, minority-owned business, locally-owned business, or cooperative purchasing.

Without comprehensively scrutinizing cost-competitiveness, the District risks overpaying for commonly purchased goods and services. The District should develop a formal purchasing process to reduce the risk of overpaying for supplies and materials. As a part of this process, it should ensure that commonly purchased items are obtained at the lowest possible price by

checking prices through the Meta Solutions purchasing cooperative and/or other available vendors.

Financial Implication: Ensuring that items are purchased from the lowest cost vendor could save the District approximately **\$98,200**, annually.

R.7 Reduce employer insurance costs with plan and employee contribution changes

Starting January 1, 2017, the District began offering two types of health insurance plans; a preferred provider organization (PPO),⁸ and a high deductible health plan (HDHP) with an attached health savings account (HSA).⁹ Within each type of plan, the District offers both single and family insurance coverage. As of March 1, 2017, there were 475 employees enrolled in these plans; 169 in single plans and 306 in family plans.

DCSD has an insurance committee that includes representatives from each collective bargaining unit that provides input and suggestions to the administration. However, any change to the health insurance plans offered by the District requires approval from the Board and each bargaining unit as a component part of each collective bargaining agreement (CBA).¹⁰

One of the main factors affecting the cost of health insurance to the District is the level of employee contribution. Depending on the organization, employees will either contribute a flat-rate dollar amount or a percentage of the total premium which allows the employee contribution amount to fluctuate annually in parallel with the total premium amount.

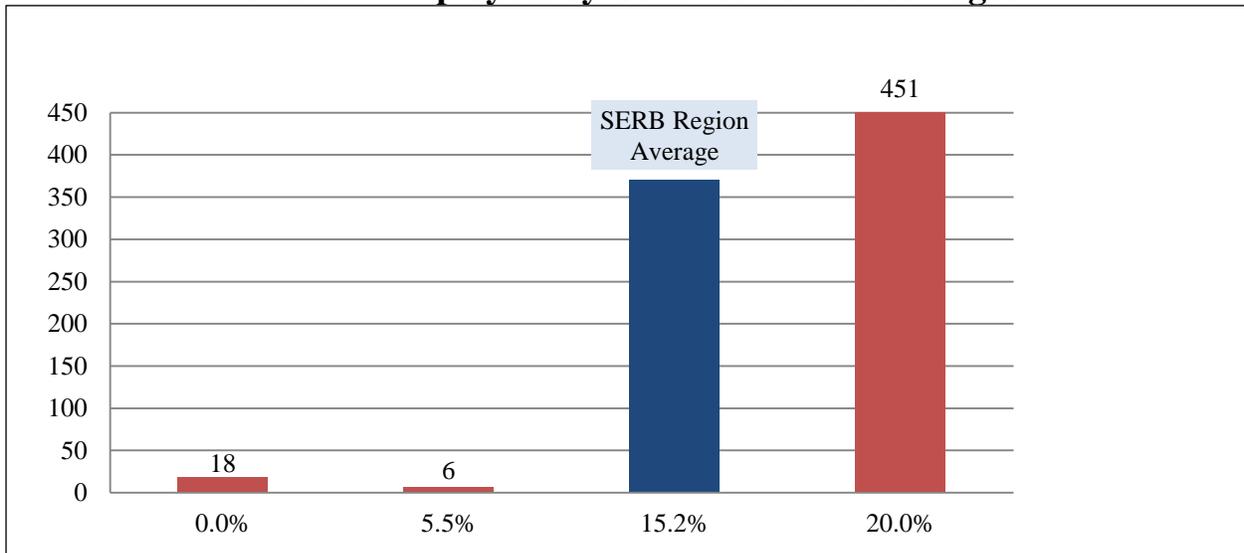
The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually. **Chart 1** shows the calendar year (CY) 2017 distribution of DCSD's employee contribution percentages as compared to the SERB region average. This is important to establish areas of possible cost savings to the District.

⁸ PPO's are one of the most popular types of plans within the single and family coverage market. PPO plans allow the plan participant to visit whatever in-network physician or healthcare provider they wish without first requiring a referral from a primary care physician.

⁹ HDHP's have higher deductibles than a traditional insurance plan. The monthly premium is usually lower, but the plan participant will pay more health care costs themselves before the insurance company starts to pay its share. A high deductible health plan can be combined with a health savings account, allowing the plan participant to accumulate funds, free from federal taxes, in an account to pay for certain medical expenses.

¹⁰ The District currently operates under agreements with three collective bargaining units. The Delaware City Teachers Association (DCTA) which is effective July 1, 2016 through June 30, 2017 and covers licensed, full-time and part-time educational staff. The Ohio Association of Public School Employees (OAPSE) which is effective July 1 2016 through June 30, 2017 and covers non-licensed educational staff, administrative assistants, and Treasurer's Office specialists. The United Electrical, Radio and Machine Workers of America (UE) which is effective July 1, 2016 through June 30, 2017 and covers all food service, maintenance, custodial, and transportation staff.

Chart 1: Employees by Contribution Percentages



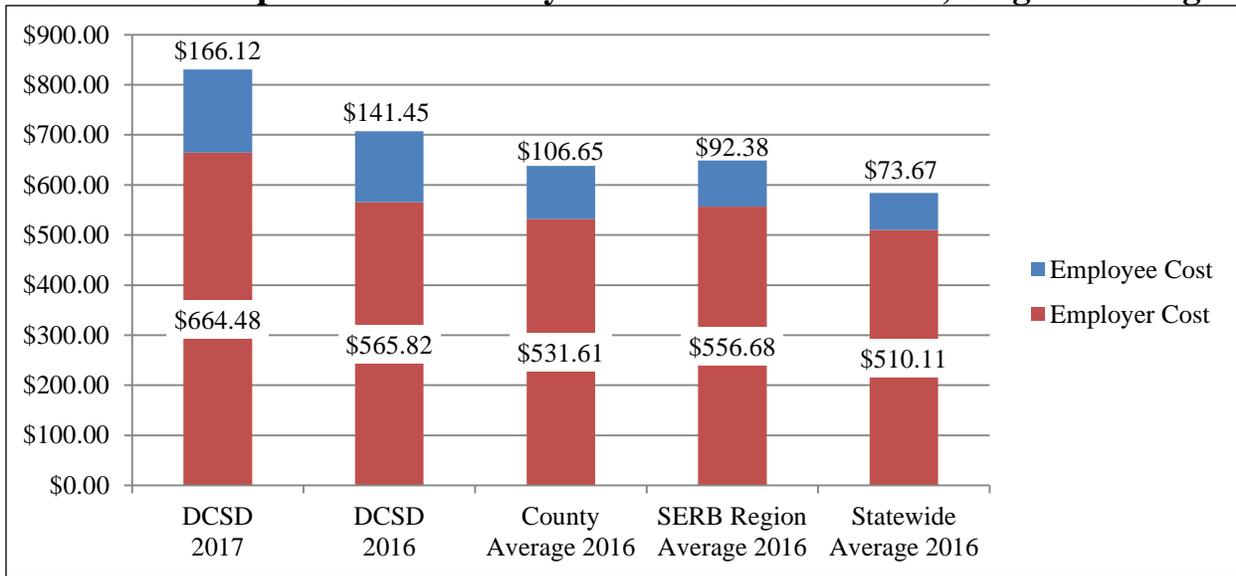
Source: DCSD and SERB

As shown in **Chart 1**, 24 employees, or 5.1 percent of all covered employees, currently pay less than the majority of District employees who contribute 20.0 percent, as well as the SERB region average of 15.2 percent. Contribution percentages vary due to clauses in prior bargaining unit agreements that have been carried forward into current agreements. These clauses relate to the situation wherein both members of a married couple are employed by the District and either an exemption or a reduction in premium payment has been negotiated by the bargaining unit.

Chart 2 and **Chart 3** show DCSD’s CY 2017 and 2016 monthly premium costs for single and family coverage under the PPO insurance plan¹¹ compared to other statewide, regional, and county average monthly premiums for PPO plans as reported to SERB as of January 1, 2016. Insurance cost is recognized as sensitive to local conditions and, where possible, other local, regional, and statewide data provide the most realistic benchmarks for relative price competitiveness.

¹¹ Costs are as of January 1 of each year.

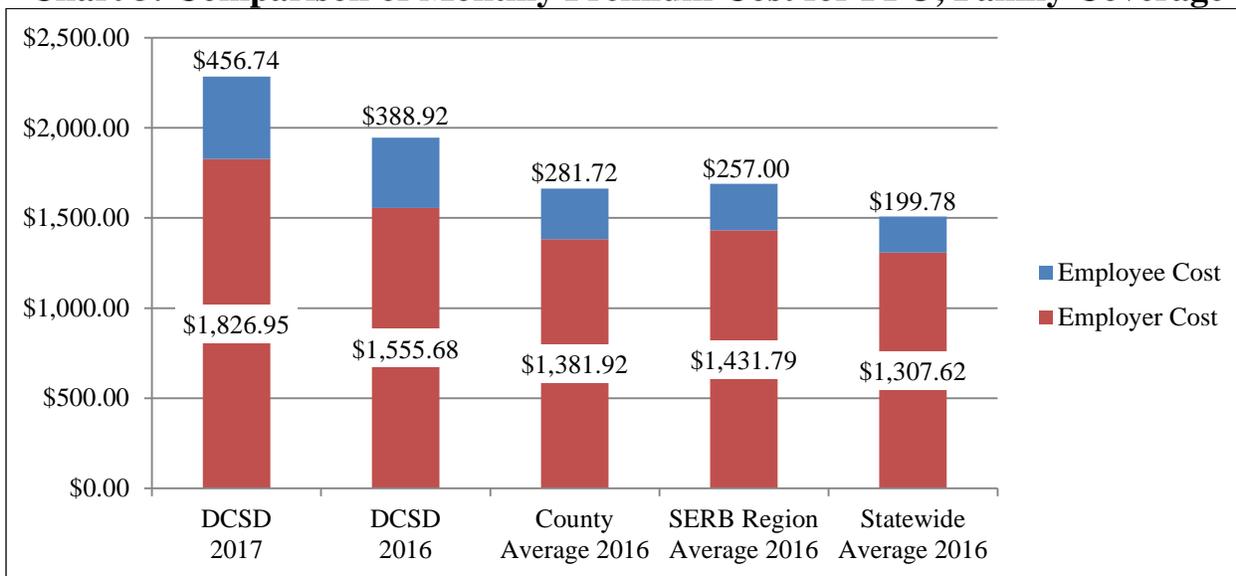
Chart 2: Comparison of Monthly Premium Cost for PPO, Single Coverage



Source: DCSD and SERB

Note: Currently, not all DCSD employees contribute equal portions of employee premium cost. ‘Employee Cost’ is representative of the largest group of employees who pay the same amount; 451 employees (290 family and 161 single) or 94.9 percent of all covered employees in the District (see **Chart 1**).

Chart 3: Comparison of Monthly Premium Cost for PPO, Family Coverage



Source: DCSD and SERB

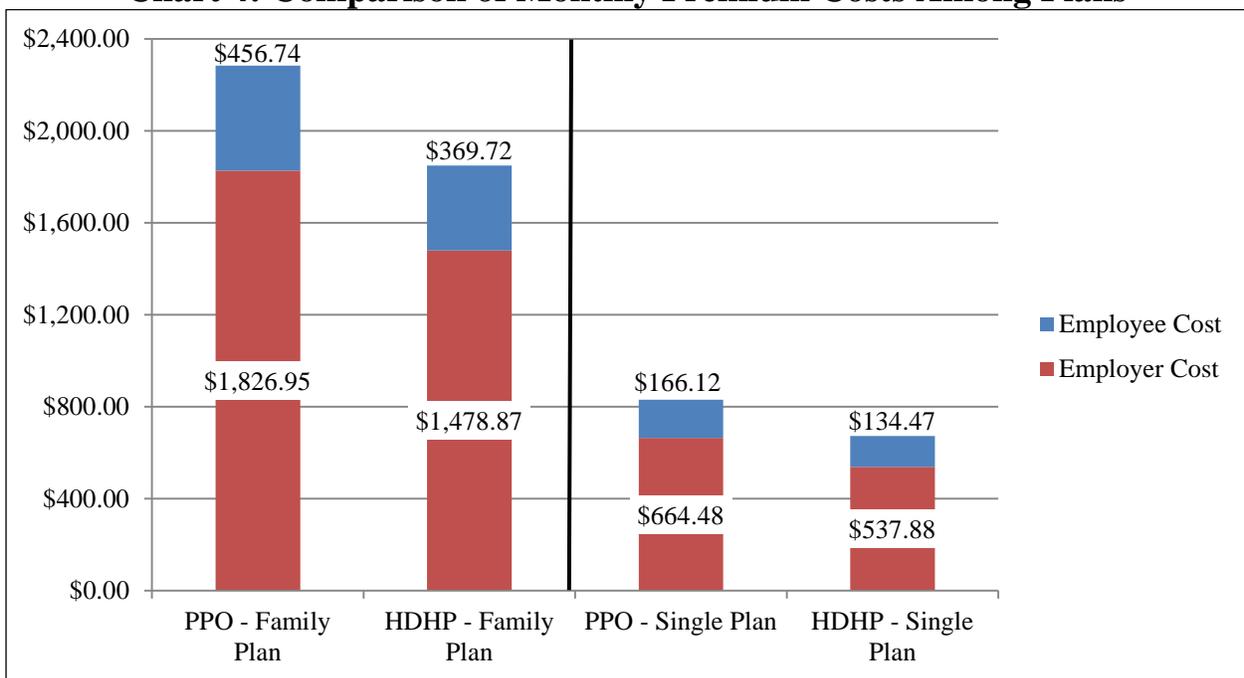
Note: Currently, not all DCSD employees contribute equal portions of employee premium cost. ‘Employee Cost’ is representative of the largest group of employees who pay the same amount; 451 employees (290 family and 161 single) or 94.9 percent of all covered employees in the District (see **Chart 1**).

As shown in **Chart 2**, the District’s CY 2016 employer portion of a monthly, single insurance premium of \$565.82 exceeds the county average by \$34.21, or 6.4 percent; the SERB region average by \$9.14, or 1.6 percent; and the statewide average by \$55.71, or 10.9 percent. Additionally, the District’s CY 2017 employer portion of a monthly, single insurance premium

increased to \$664.48, exceeding the prior year by \$98.66, or 17.4 percent. Similarly, as shown in **Chart 3**, the District’s CY 2016 employer portion of a monthly, family insurance premium of \$1,555.68 exceeded the county average by \$173.76, or 12.6 percent; the SERB region average by \$123.89, or 8.7 percent; and the statewide average by \$248.06, or 19.0 percent. Additionally, the District’s CY 2017 employer portion of a monthly, family premium increased to \$1,826.95, exceeding the prior year by \$271.27, or 17.4 percent.

Chart 4 shows a comparison of the monthly premium cost for single and family coverage within the two types of health insurance plans currently offered by the District. It is important to note the difference in cost between the two plans to establish cost savings options available to the District.

Chart 4: Comparison of Monthly Premium Costs Among Plans



Source: DCSD

Note: An additional one-time, annual amount of \$2,000 for family coverage and \$1,000 for single coverage is contributed to each employee’s attached HSA account (cost included in **Table 14**).

Note: Currently, not all DCSD employees contribute equal portions of employee premium cost. ‘Employee Cost’ is representative of the largest group of employees who pay the same amount; 451 employees (290 family and 161 single) or 94.9 percent of all covered employees in the District (see **Chart 1**).

As shown in **Chart 4**, the District’s current, employer portion of the PPO – family plan cost of \$1,826.95 exceeds the employer portion of the HDHP – family plan by \$348.08, or 23.5 percent. Similarly, the employer portion of the PPO – single plan cost of \$664.48 exceeds the HDHP – single plan by \$126.60, or 23.5 percent. This signifies that cost savings could be available to the District by shifting all employees to an HDHP.

DCSD pays more for insurance premiums in comparison to other school districts in the county, region, and State. The large differences between DCSD and other districts in Delaware County and the SERB region suggest that it may have an opportunity to reduce costs by adopting leading cost control practices. Additionally, since the District already offers an HDHP option, analyzing the cost of two different plans offered in the same District provides a useful examination of available options and any associated savings. The following examples are strategies used by other districts to control insurance costs which are applicable to DCSD:

- **Aligning Employee Contribution Rates** – Requiring all employees to pay an equal percentage of the insurance premium instead of varied rates will ensure uniformity and fairness across all employee contributions as well as more equitable cost-sharing between employer and employee.
- **Implementing Higher Deductibles** – Currently, the District offers two health insurance plans – a PPO and an HDHP. The PPO includes deductibles of \$400 for single plans and \$800 for family plans. The HDHP includes deductibles of \$1,500 for single plans and \$3,000 for family plans. However, at the outset of each plan year, the District has agreed to contribute \$1,000 for each single plan and \$2,000 for each family plan to the HSA attached to each respective policy to defray a portion of the increased cost of deductibles. This creates a situation wherein an employee with a single plan effectively realizes a \$100 difference in deductible from the PPO option, whereas an employee with a family plan realizes a \$200 difference from the PPO option. Regardless of the direct effect to the employee, a significant amount of risk has been shifted away from the insurer, which enables the insurer to offer the, comparatively lower premiums shown in **Chart 4**.

Table 13 shows the current state costs associated with DCSD’s health insurance options.¹² These calculations are important to establish a baseline cost of health insurance to the District.

Table 13: Current State Cost of Health Insurance

PPO			
	Employees Enrolled	Monthly Premium Cost	Annual Premium Cost
Family	249	\$568,638	\$6,823,665
Single	120	\$99,672	\$1,196,064
HDHP			
	Employees Enrolled	Monthly Premium Cost	Annual Premium Cost
Family	57	\$105,369	\$1,378,435
Single	49	\$32,945	\$444,341
Total	475	\$806,625	\$9,842,507
Total			
	Employer Annual Cost	Employee Annual Cost	Total Annual Cost
Family	\$6,662,166	\$1,539,934	\$8,202,101
Single	\$1,336,932	\$303,473	\$1,640,405
Total	\$7,999,099	\$1,843,407	\$9,842,507

Source: DCSD

¹² Current state costs are based on March 2017 plan enrollment and premium data.

As shown in **Table 13**, the current state total annual cost of DCSD’s health insurance is \$9,842,507, with the employer cost totaling \$7,999,099.

Table 14 shows the future state costs associated with offering only an HDHP and aligning all employee contributions at 20.0 percent. This is important to show the savings possible from aligning all employees under the more cost-effective plan.

Table 14: Future State Cost of Health Insurance

	Employees Enrolled	Monthly Premium Cost	Annual Premium Cost
Family	306	\$565,668	\$7,400,022
Single	169	\$113,627	\$1,532,525
Total	475	\$679,295	\$8,932,548
	Employer Annual Cost	Employee Annual Cost	Total Annual Cost
Family	\$6,042,417.98	\$1,357,604	\$7,400,022
Single	\$1,259,820.64	\$272,705	\$1,532,525
Total	\$7,302,238.62	\$1,630,309	\$8,932,548
Current-State Total Annual Cost to Employer			\$7,999,099
Future-State Total Annual Cost to Employer			\$7,302,238
Total Savings			\$696,860

Source: DCSD

As shown in **Table 14**, aligning all employee contributions at 20.0 percent and offering only the HDHP would provide significant cost reduction potential.

Financial Implication: Reducing insurance premiums and aligning all employee contributions at 20.0 percent could save the District an average of **\$696,800** annually.

R.8 Eliminate 10.0 FTE other educational positions

Other educational positions include certificated educational employees not classified elsewhere in the Education Management Information System (EMIS).¹³ **Table 15** shows the District’s FY 2016-17 other educational staff per 1,000 students compared to the primary peer average for FY 2015-16. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

¹³ According to the *EMIS Reporting Manual* (ODE, 2015), educational positions include a grouping of assignments that require a high degree of knowledge and skills acquired through at least a baccalaureate degree including skills in the field of education or educational psychology. Educational positions include, but are not limited to, teachers, counselors, librarians, curriculum specialists, remedial specialists, and tutors.

Table 15: Other Educational Staffing Comparison

	DCSD	Primary Peer Avg.			
Students Educated ¹	5,324	4,638			
Students Educated (Thousands)	5.324	4.638			
Total FTEs with Special Education	13.00	2.25			
Total Special Education FTEs	1.00	0.55			
Total FTEs for Comparison	12.00	1.70			
	Total FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Other Educational	12.00	2.25	0.37	1.88	10.01

Source: DCSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

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 other educational FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 15**, DCSD’s total other educational staffing per 1,000 students was 10.01 FTEs higher than the primary peer average. The District’s 12.00 FTEs within this category consist of literacy coaches, educational staff development positions, and teachers on special assignment (often related to the professional development of staff). While these positions include certificated teachers, their primary function is not to provide student instruction in a licensed classroom setting, but rather professional development and other support to the District’s teachers who do provide classroom education.

Financial Implication: Eliminating 10.0 FTE other educational positions could save approximately **\$1,084,600** in salaries and benefits, annually. This was calculated using the lowest salaried other educational staff and an average benefits ratio of 41.2 percent.¹⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹⁴ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.9 Eliminate 2.0 FTE counselor positions

Counselors are responsible for assisting students and/or parents and teachers to aid students in making personal plans and decisions about their education, career, or personal development. **Table 16** shows the District’s FY 2016-17 counselor staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing counselor staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 16: Counselor Staffing Comparison

	DCSD	Primary Peer Avg.			
Students Educated ¹	5,324	4,638			
Students Educated (Thousands)	5.324	4.638			
Total FTEs with Special Education	14.00	10.37			
Total Special Education FTEs	0.00	0.13			
Total FTEs for Comparison	14.00	10.24			
	Total FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Counselors	14.00	2.63	2.21	0.42	2.24

Source: DCSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

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 counselor FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 16**, counselor staffing was 2.24 FTEs higher than the peer average.

Financial Implication: Eliminating 2.0 FTE counselor positions could save approximately **\$124,800** in salaries and benefits, annually. This was calculated using the lowest salaried counselors and an average benefits ratio of 41.2 percent.¹⁵ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹⁵ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.10 Eliminate 1.5 FTE remedial specialist positions

Remedial specialists work to correct or improve specific and marked deficiencies that are not due to impairment of mental or physical ability. **Table 17** shows the District’s FY 2016-17 remedial specialists per 1,000 students compared to the primary peer average for FY 2015-16. Comparing remedial specialists in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 17: Remedial Specialist Staffing Comparison

	DCSD	Primary Peer Avg.			
Students Educated ¹	5,324	4,638			
Students Educated (Thousands)	5.324	4.638			
Total FTEs with Special Education	11.54	8.17			
Total Special Education FTEs	1.00	0.60			
Total FTEs for Comparison	10.54	7.57			
	Total FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Remedial Specialists	10.54	1.98	1.63	0.35	1.86

Source: DCSD, ODE, and primary peers

Note: Shaded rows showing total FTEs with special education and total special education FTEs are included for informational purposes only.

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 remedial specialist FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 17**, the District’s remedial specialist staffing level was 1.86 FTEs above the primary peer average.

Financial Implication: Eliminating 1.5 FTE remedial specialist positions could save approximately **\$80,300** in salaries and benefits, annually. This was calculated using the lowest salaried remedial specialists and an average benefits ratio of 41.2 percent.¹⁶ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹⁶ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

R.11 Eliminate 2.5 FTE library staff positions

Library staff, including librarian/media specialists and library aides, are responsible for developing plans for the use of teaching and learning library resources. **Table 18** shows the District’s FY 2016-17 library staffing compared to the FY 2015-16 primary peer average per 1,000 students. Comparing library staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 18: Library Staffing Comparison

	DCSD		Primary Peer Avg.		
Students Educated ¹	5,324		4,638		
Students Educated (Thousands)	5.324		4.638		
	FTEs	FTE Per 1,000 Students	Peer FTE Per 1,000 Students	Difference Per 1,000 Students	Total Above/ (Below) ²
Library Staff	10.00	1.88	1.38	0.50	2.66

Source: DCSD, ODE, and primary peers

Note: This category has no special education FTEs.

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 library staff FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 18**, library staffing was 2.66 FTEs higher than the primary peer average.

Financial Implication: Eliminating 2.5 FTE library staff positions could save approximately **\$72,700** in salaries and benefits, annually. This was calculated using the lowest salaried library staff and an average benefits ratio of 41.2 percent.¹⁷ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

R.12 Make additional reductions to address the remaining deficit

Even after implementing all preceding recommendations, the District’s forecast would still project a cumulative forecast deficit of approximately \$4.3 million, or \$1.1 million annually. To address the remaining gap, the District will need to consider additional cost savings measures; including those that would bring staffing levels below peer average ratios. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

The following three options represent choices that the District could make to address the remaining \$4.3 million deficit over the forecast period. Each of these options, or a combination of the three, would be sufficient to eliminate the deficit.

¹⁷ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

- Eliminate 20.0 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.¹⁸ **Table 19** shows DCSD’s general education teacher staffing level compared to both the primary peer average and State minimum requirements based on the District’s FY 2016-17 students to teacher ratio. It is important to compare staffing to both the primary peer average and State minimum requirements to provide a more accurate picture of both relative staffing efficiency and options for the District to evaluate based on the projected financial condition (see **Background**).

Table 19: General Education Staffing Comparison

General Education FTEs		226.5			
Regular Student Population		4,600			
Staffing Ratio (Students:Teachers)		20.31:1			
	Staffing Ratio by Option (Students :Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction	Annual Savings
Option 1: Primary Peer Average	20.24:1	227.24	(0.74)	0.00	\$0
Option 2: Address Remaining Deficit	22.28:1	206.50	20.00	20.00	\$1,104,100
Option 3: 10 % Above State Minimum	22.50:1	204.45	22.05	22.00	\$1,225,400
Option 4: State Minimum	25.00:1	184.00	42.50	42.50	\$2,490,900

Source: DCSD, ODE, OAC, and primary peers

As shown in **Table 19**, the District’s student to teacher ratio of 20.3:1 was slightly above the peer average, resulting in 0.7 fewer general education teacher FTEs. Conversely, the District’s student to teacher ratio was below the State minimum, resulting in 42.5 more general education teacher FTEs than minimally required. Reducing general education teachers to a level closer to the State minimum requirement may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this performance audit. The selection of one of the options presented in **Table 19** is ultimately District management's responsibility based on the needs and desires of the stakeholders in the community. When making staffing decisions regarding general education teachers, classroom size guidelines within the certificated staff CBA¹⁹ should be reviewed. All staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation.

Eliminating 20.0 FTE general education teachers could save the District approximately \$1,104,100 annually. This savings was calculated using the lowest salaried general education

¹⁸ This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

¹⁹ According to the CBA between DCSD and the DCTA (effective from July 1, 2016 to June 30, 2017), alternatives to alleviate overcrowding will be implemented when the number in a classroom exceeds 25 students in grades K-1 and 27 students in grades 2-4 as well as when the total pupil load exceeds 150 pupils for an individual teacher in grades 5-8. These alternatives include, but are not limited to, assignment of an educational aide, transfer of students(s) to another classroom, and/or the addition of a new classroom teacher for that grade level/subject area.

teachers and an average benefits ratio of 41.2 percent, adjusted to net out the health insurance savings identified in **R.7**.²⁰ Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff.

- Implement a 6.5 percent across-the-board staff reduction:** While **R.8** through **R.11** address DCSD’s staffing above the peer average, the District could make an additional 6.5 percent across-the-board staffing reduction to generate enough savings to offset the remaining deficit. **Table 20** shows the nature and savings of this staffing reduction for each classification category. This type of analysis is important because it provides the District with the information necessary to evaluate potential staffing reductions and the potential savings associated with each.

Table 20: Additional Staffing Reductions

Classification	Revised Total FTEs	6.5% Reduction	Rounded FTEs Reduction	Annual Savings
Administrators	27.00	1.76	1.50	\$88,537
Teaching	252.00	16.38	16.00	\$868,928
Other Educational	13.84	0.90	0.50	\$30,293
Professional	32.14	2.09	2.00	\$67,449
Clerical	33.00	2.15	2.00	\$58,477
Non-Certificated Support	5.00	0.33	0.00	\$0
Total	362.98	23.61	22.00	\$1,113,684

Source: DCSD

As shown in **Table 20**, an across-the-board staffing reduction of 6.5 percent would equal the elimination of an additional 22.0 FTE employees. Based on the District’s remaining deficit, eliminating these positions could save approximately \$1,113,600 in salaries and benefits annually. This savings was calculated using the lowest salaried employees remaining after position reductions identified in **R.8** through **R.11** and an average benefits ratio of 41.2 percent.²¹ This savings was adjusted to net out the health insurance savings identified in **R.7**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff.

- Implement a freeze on base salaries and step increases for two years:** Although **Table B-2** shows that DCSD’s certificated and classified salary schedules are comparable to the local peer average, the District could generate significant savings through the implementation of a base salary and step increase freeze. **Table 21** shows the impact of a base salary and step increase freeze from FY 2017-18 through FY 2018-19.

²⁰ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

²¹ Calculated using the FY 2015-16 actual personal services expenditures divided by the employees’ retirement/insurance benefits expenditures.

Table 21: Impact of Base and Step Freeze

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Total
Administrators					
Salaries with Forecasted Increase	\$3,095,879	\$3,219,714	\$3,316,305	\$3,415,795	\$13,047,693
Salaries with Proposed Freeze	\$2,976,807	\$2,976,807	\$3,066,111	\$3,158,094	\$12,177,819
Difference	\$119,072	\$242,907	\$250,194	\$257,701	\$869,874
Certificated ¹					
Salaries with Forecasted Increase	\$23,087,420	\$24,010,917	\$24,731,245	\$25,473,182	\$97,302,764
Salaries with Proposed Freeze	\$23,087,420	\$23,087,420	\$23,780,043	\$24,493,444	\$94,448,327
Difference	\$0	\$923,497	\$951,202	\$979,738	\$2,854,437
Classified					
Salaries with Forecasted Increase	\$5,754,386	\$5,996,070	\$6,187,944	\$6,385,959	\$24,324,359
Salaries with Proposed Freeze	\$5,522,443	\$5,522,443	\$5,699,161	\$5,881,534	\$22,625,581
Difference	\$231,943	\$473,627	\$488,783	\$504,425	\$1,698,778
Impact of Proposed Freeze	\$351,015	\$1,640,031	\$1,690,179	\$1,741,864	\$5,423,089
Average Annual Savings					\$1,355,772

Source: DCSD

Note: The salaries with forecasted increases reflect the total contract amounts for employees within each respective category and the base and step percent increases used by the District to project personnel expenditures within the its May 2017 five-year forecast.

¹ During the course of the performance audit, DCSD negotiated a one year freeze on the certificated base increase for FY 2017-18. However, certificated employees will receive respective step increases in FY 2017-18. This agreement is reflected in the forecasted increases. The savings reflected in **Table 20** takes into consideration this one year agreement and reflects savings of a base and step freeze in FY 2018-19 for certificated employees.

As shown in **Table 21**, implementing a base salary and step increase freeze for FY 2017-18 through FY 2018-19 could save the District approximately \$1,355,700 annually, or over \$5.4 million during the remainder of the forecast period.

Financial Implication: Eliminating 20.0 FTE general education teachers could save approximately \$1,104,100, annually, in salaries and benefits; implementing a 6.5 percent across-the-board staffing reduction could save approximately \$1,113,600, annually, in salaries and benefits; or implementing a base salary and step increase freeze for the first two years of the forecast period could save approximately \$1,355,700 annually. The District should evaluate these options and determine the appropriate combination of the three in order to address the remaining savings needed of **\$1,085,300** million annually.

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, and Transportation. 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. Eight of the 16 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 and is the forecast reasonable and supported?	N/A
Are extracurricular activities appropriate to peers and/or the District’s financial condition?	R.1
Are the District’s purchasing practices comparable to leading practices and appropriate based on the District’s financial condition?	R.6
Human Resources	
Are staffing levels efficient compared to primary peers, state minimum requirements, and/or demand for service and are they appropriate based on the District’s financial condition?	R.8, R.9, R.10, and R.11
Are salaries and wages comparable to local peers and appropriate based on the District’s financial condition?	R.12
Are CBA provisions comparable to local peers and/or ORC minimums and appropriate based on the District’s financial condition?	N/A
Are insurance costs comparable to local markets and appropriate based on the District’s financial condition?	R.7
Facilities	
Are building utilization rates efficient when compared to industry benchmarks and appropriate based on the District’s financial condition?	R.2
Is facilities staffing efficient compared to benchmarks and appropriate based on the District’s financial condition?	N/A
Are the facilities expenditures comparable to peers and/or industry standards and appropriate based on the District’s financial condition?	N/A
Are preventive maintenance practices consistent with industry standards and/or leading practices?	R.3
Transportation	
Are the District T-Report procedures and practices consistent with ODE requirements?	R.4
Is the fleet sized appropriately and routed efficiently compared to leading practices and are transportation operations appropriate based on the District’s financial condition?	N/A
Is the fleet maintained efficiently compared to industry benchmarks and/or transportation peers and appropriately based on the District’s financial condition?	R.5
Are District fuel purchasing practices resulting in efficient pricing?	N/A
Are the bus replacement practices consistent with industry benchmarks and leading practices and appropriate based on the District’s financial condition?	N/A

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

General Staffing

Table B-1 shows DCSD’s full-time equivalent (FTE) staffing levels per 1,000 students compared to the primary peer average. Peer data is from FY 2015-16 as reported to ODE through EMIS, while the District’s data reflects updated staffing levels from FY 2016-17.

Table B-1: Staffing Comparison

	DCSD		Primary Peer Average	Difference	
Students Educated ¹	5,324		4,638	686	
Students Educated (thousands)	5.324		4.638	0.686	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Administrative Positions					
Administrators	27.00	5.07	5.66	(0.59)	(3.14)
Teaching Positions					
General Education K-12	226.50	42.54	43.38	(0.84)	(4.47)
K-8 Art, Music & PE Teachers	20.50	3.85	3.88	(0.03)	(0.16)
Gifted and Talented	2.00	0.38	0.45	(0.07)	(0.37)
Career-Technical /Career Pathways	2.00	0.38	0.95	(0.57)	(3.03)
LEP Instructional Program	1.00	0.19	0.24	(0.05)	(0.27)
Other Educational Positions					
Curriculum Specialist	0.00	0.00	0.32	(0.32)	(1.70)
Remedial Specialist	10.54	1.98	1.63	0.35	1.86
Tutor/Small Group Instructor	2.80	0.53	1.44	(0.91)	(4.85)
Other Educational Positions	12.00	2.25	0.37	1.88	10.01
Professional Positions					
Library Staff (Librarians & Aides)	10.00	1.88	1.38	0.50	2.66
Counselors	14.00	2.63	2.21	0.42	2.24
Social Workers	1.00	0.19	0.15	0.04	0.21
Nursing (Registered & Practical)	3.64	0.68	0.98	(0.30)	(1.60)
Psychologists & Therapists	7.00	1.31	1.30	0.01	0.05
Other Professional Positions	1.00	0.19	0.19	0.00	0.00
Clerical Positions					
Secretaries and Other Clerical Staff	33.00	6.20	6.99	(0.79)	(4.21)
Non-Certificated Support Positions					
Teaching Aides	0.00	0.00	5.08	(5.08)	(27.05)
Instructional Paraprofessionals	5.00	0.94	1.17	(0.23)	(1.22)
Monitors	0.00	0.00	2.54	(2.54)	(13.52)
Attendants	0.00	0.00	1.99	(1.99)	(10.60)

Source: DCSD, ODE, and primary peers

Note 1: Operational positions are not included in this staffing summary as these categories are assessed based on workload measures and industry benchmarks, rather than on a per student basis (see **Table B-3**). Special education positions are also excluded (see **Background**).

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 1,000 students in line with the primary peer average.

As shown in **Table B-1**, remedial specialists, other educational positions, library staff, and counselors were at least 1.0 FTE above the peer average when compared on a per 1,000 student basis. As a result, recommendations were warranted based on the District’s financial condition, and are discussed in greater detail in **R.8, R.9, R.10, and R.11**. **Table B-1** shows staffing levels (FTEs) per 1,000 students in the District compared to the primary peer average for FY 2016-17. Peer data was reported to ODE through EMIS, and adjustments were made to the District’s EMIS data to reflect accurate staffing levels for FY 2016-17.

Salaries

Table B-2 shows the District’s certificated and classified salary schedules compared to the local peer average over a 30-year career. Comparing career compensation to the local peer average takes into account regional variations in the labor market.

Table B-2: Career Compensation Analysis

Certificated				
	DCSD	Local Peer Average	Difference	% Difference
Bachelors	\$1,675,553	\$1,759,527	(\$83,974)	(4.8%)
Masters	\$1,990,414	\$1,954,478	\$35,936	1.8%
Masters + 30 hours	\$2,158,539	\$2,157,232	\$1,307	0.1%
Classified				
	DCSD	Local Peer Average	Difference	% Difference
Secretary ¹	\$798,971	\$882,418	(\$83,447)	(9.5%)
Custodian ²	\$858,303	\$839,707	\$18,596	2.2%
Bus Driver ²	\$748,066	\$723,641	\$24,425	3.4%
Cook/Cashier ¹	\$373,819	\$406,514	(\$32,695)	(8.0%)

Source: DCSD and local peers

Note: Classified compensation is based on average daily hours worked and average annual days worked at DCSD for each classification.

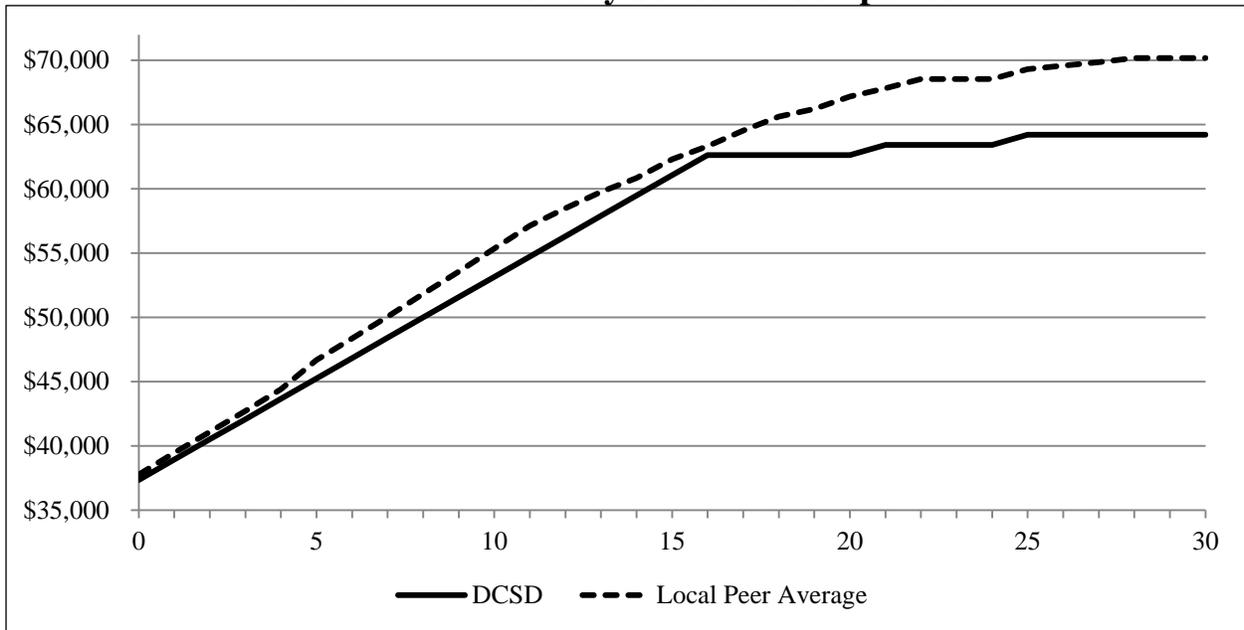
¹ The local peer average includes Big Walnut LSD, Buckeye Valley LSD, Marysville EVSD, and Westerville CSD. Olentangy LSD and North Union LSD were excluded due to lack of comparable salary schedules for this position type.

² The local peer average includes Big Walnut LSD, Buckeye Valley LSD, Marysville EVSD, Olentangy LSD, and Westerville CSD. North Union LSD was excluded due to lack of comparable salary schedules for this position type.

As shown in **Table B-2**, career compensation of the District’s staff with bachelor degrees was 4.8 percent less than the local peer average while those with master’s degrees and master’s plus 30 hours was slightly above. For classified employees, only two position classifications, custodians and bus drivers, are compensated higher when compared to the local peer average.

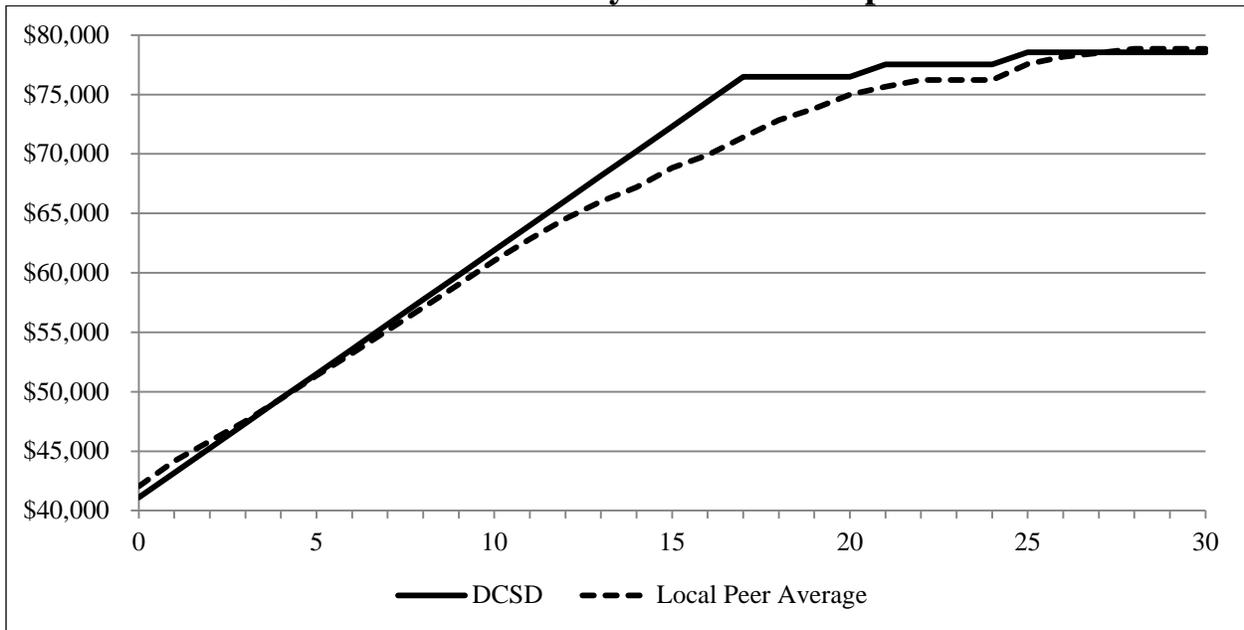
Charts B-1 through B-7 provide additional context to the analysis shown in **Table B-2** by showing comparisons of DCSD’s certificated and classified salary schedules to the local peer averages for FY 2016-17. It is important to examine the beginning salaries and steps in the pay schedule to identify the cause of the variation relative to the local peer districts.

Chart B-1: BA Salary Schedule Comparison



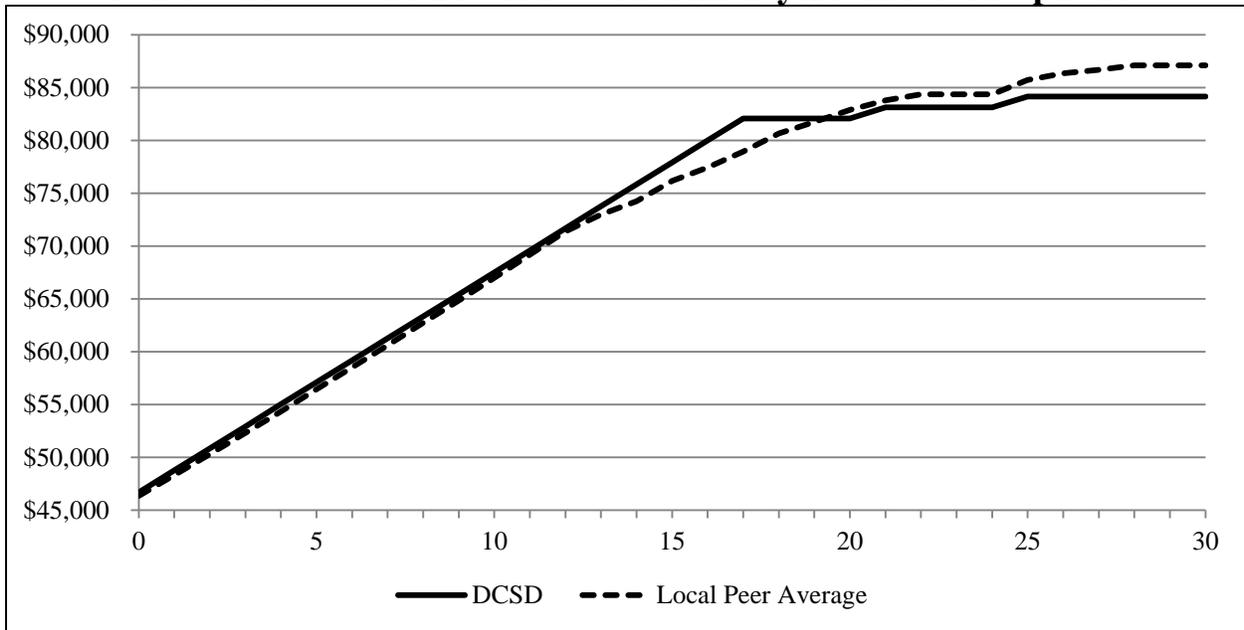
Source: DCSD and local peers

Chart B-2: MA Salary Schedule Comparison



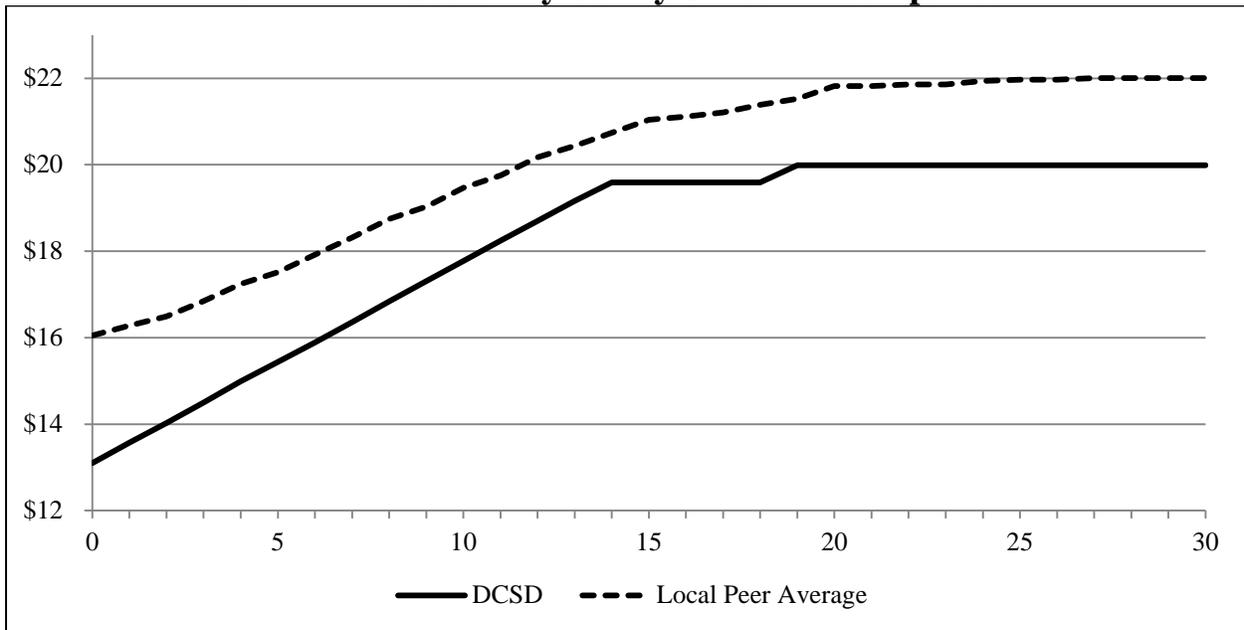
Source: DCSD and local peers

Chart B-3: MA + 30 Semester Hours Salary Schedule Comparison



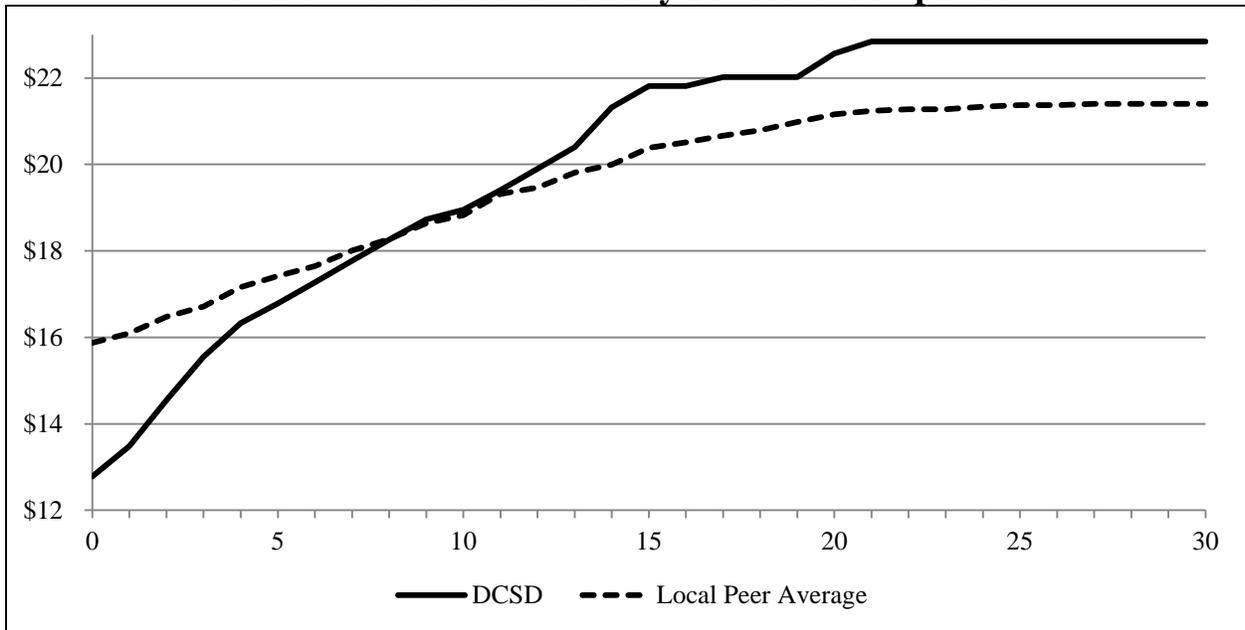
Source: DCSD and local peers

Chart B-4: Secretary Salary Schedule Comparison



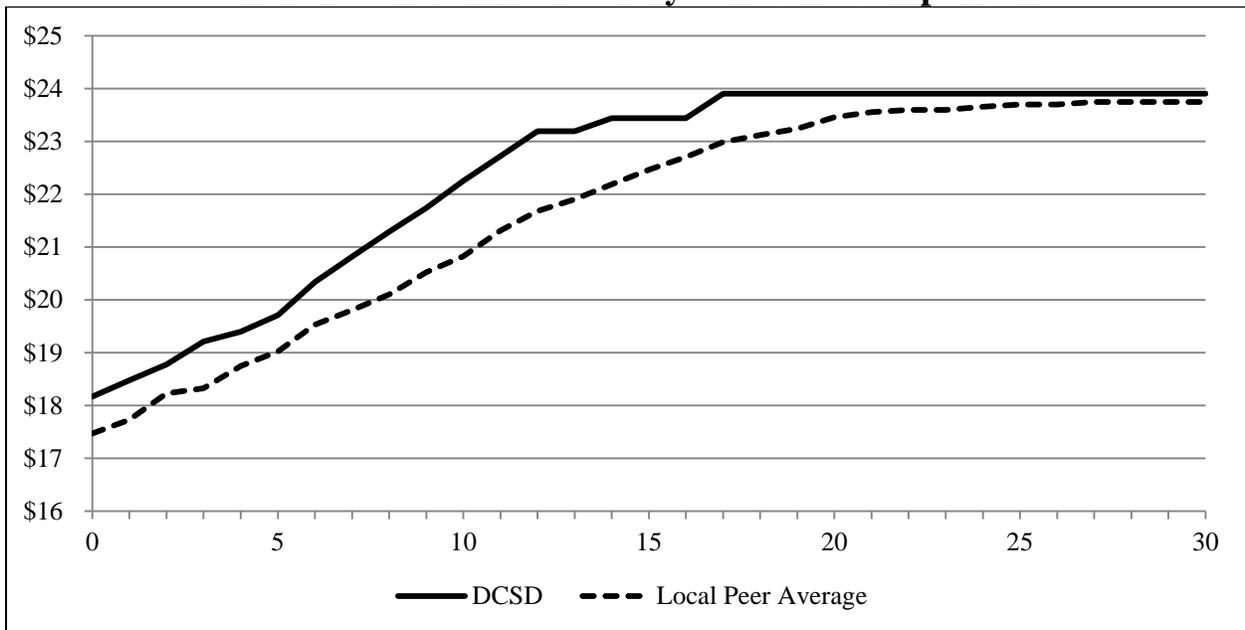
Source: DCSD and local peers

Chart B-5: Custodian Salary Schedule Comparison



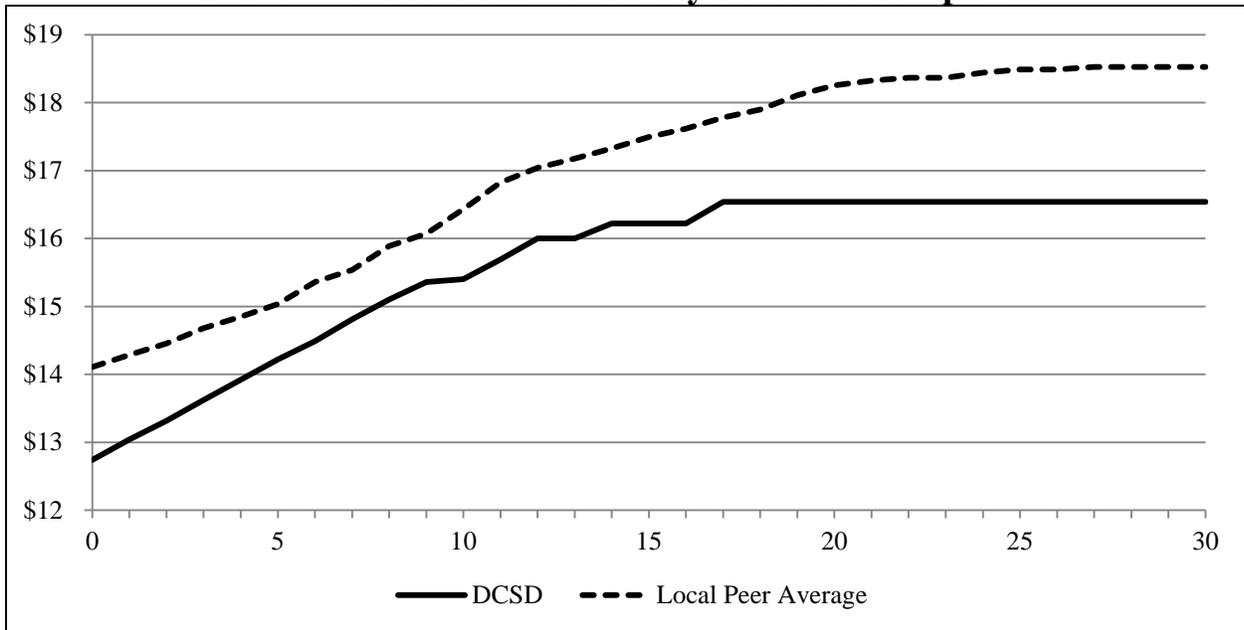
Source: DCSD and local peers

Chart B-6: Bus Driver Salary Schedule Comparison



Source: DCSD and local peers

Chart B-7: Cook/Cashier Salary Schedule Comparison



Source: DCSD and local peers

As shown in **Charts B-1** through **B-7**, starting salaries for teachers with bachelor’s degrees, master’s degrees, and master’s plus 30 hours, are all comparable to the local peer average. Secretaries, cooks, and custodians all have lower starting salaries than the local peer average, while bus drivers have higher starting salaries than the local peer average.

Facilities

Table B-3 shows the District's FY 2016-17 building and grounds staffing compared to industry benchmarks established by the National Center for Educational Statistics²² (NCES) and American School and University²³ (AS&U). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

Table B-3: Buildings & Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs	0.0
Acreage Maintained	0.0
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	0.0
Grounds FTEs Above/(Below) Benchmark	0.0
Custodial Staffing	
Custodial FTEs	28.8
Square Footage Cleaned	910,625
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	30.9
Custodial FTEs Above/(Below) Benchmark	(2.1)
Maintenance Staffing	
Maintenance FTEs	9.0
Square Footage Maintained	910,625
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	9.6
Maintenance FTEs Above/(Below) Benchmark	(0.6)
Total Buildings & Grounds Staffing	
Total FTEs Employed	37.8
Total Benchmarked Staffing Need	40.5
Total FTEs Above/(Below) Benchmark	(2.7)

Source: Client, AS&U, and NCES

As shown in **Table B-3**, DCSD is below the established staffing benchmarks for grounds, custodial, and maintenance staffing.

²² The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the US and other nations and publishes a planning guide for maintaining school facilities.

²³ The AS&U is a trade organization focused on school facility management which published school facility management related survey data collected during the period 2005 to 2009.

Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2016 five-year forecast.

Chart C-1: October 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	26,054,066	26,303,612	26,938,398	27,073,254	27,019,954	27,044,467	27,016,105	23,133,919
1.020 Tangible Personal Property Tax	1,676,798	1,707,410	1,798,223	1,863,570	1,881,398	1,900,718	1,912,805	1,738,785
1.035 Unrestricted Grants-in-Aid	13,569,876	14,956,139	15,962,924	16,873,897	17,721,699	18,586,206	19,480,406	20,427,981
1.040 Restricted Grants-in-Aid	202,869	208,854	237,709	387,620	369,512	373,263	377,013	378,204
1.050 Property Tax Allocation	4,779,235	4,827,505	4,098,814	3,540,155	3,553,026	3,540,911	3,534,563	2,980,415
1.060 All Other Operating Revenue	2,416,122	2,006,315	2,514,205	2,430,385	2,380,407	2,343,686	2,372,911	879,767
1.070 Total Revenue	48,698,966	50,009,835	51,550,273	52,168,881	52,925,996	53,789,252	54,693,803	49,539,071
2.060 All Other Financial Sources	294,031	299,036	6,361	32,518	25,000	25,000	25,000	25,000
2.070 Total Other Financing Sources	294,031	299,036	6,361	32,518	25,000	25,000	25,000	25,000
2.080 Total Revenues and Other Financing Sources	48,992,997	50,308,871	51,556,634	52,201,399	52,950,996	53,814,252	54,718,803	49,564,071
3.010 Personnel Services	26,937,203	27,913,608	28,593,142	30,434,574	31,690,705	32,792,298	34,000,272	35,174,314
3.020 Employees' Retirement/Insurance Benefits	10,580,800	11,213,492	11,774,664	13,031,484	13,773,314	14,474,514	15,282,770	16,103,528
3.030 Purchased Services	6,388,817	7,092,073	6,784,248	7,234,680	7,494,070	7,700,919	7,917,042	8,143,083
3.040 Supplies and Materials	1,439,462	1,410,568	1,460,303	1,540,509	1,571,319	1,602,746	1,634,801	1,667,497
3.050 Capital Outlay	118,617	200,006	107,554	208,630	210,716	212,823	214,951	217,101
4.010 Debt Service: All Principal (Historical)	159,510	163,750	168,110					
4.050 Debt Service: Principal - HB 264 Loans				172,590	177,180	181,900	186,750	191,720
4.055 Debt Service: Principal - Other	191,720	191,720	191,720					
4.060 Debt Service: Interest and Fiscal Charges	68,803	64,500	60,082	55,546	50,889	46,109	41,202	36,163
4.300 Other Objects	1,756,020	1,464,885	1,752,131	1,854,695	1,910,336	1,967,646	2,026,675	2,026,675
4.500 Total Expenditures	47,449,232	49,522,882	50,700,234	54,532,708	56,878,529	58,978,955	61,304,463	63,560,082
5.010 Operational Transfers - Out	30,000							
5.030 All Other Financing Uses		16,692						
5.040 Total Other Financing Uses	30,000	16,692						
5.050 Total Expenditure and Other Financing Uses	47,479,232	49,539,574	50,700,234	54,532,708	56,878,529	58,978,955	61,304,463	63,560,082
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	1,513,765	769,297	856,400	-2,331,309	-3,927,533	-5,164,703	-6,585,660	-13,996,011
7.010 Beginning Cash Balance	5,766,825	7,280,590	8,049,887	8,906,287	6,574,978	2,647,445	-2,517,258	-9,102,918
7.020 Ending Cash Balance	7,280,590	8,049,887	8,906,287	6,574,978	2,647,445	-2,517,258	-9,102,918	-23,098,929
8.010 Outstanding Encumbrances	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
9.030 Budget Reserve	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
9.080 Total Reservations	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
10.010 Fund Balance June 30 for Certification of Appropriations	6,612,891	7,382,188	8,238,588	5,907,279	1,979,746	-3,184,957	-9,770,617	-23,766,628
11.020 Property Tax - Renewal or Replacement								4,779,705
11.300 Cumulative Balance of Replacement/Renewal Levies								4,779,705
12.010 Fund Bal June 30 for Cert of Contracts,Salary Sched,Oth Obligations	6,612,891	7,382,188	8,238,588	5,907,279	1,979,746	-3,184,957	-9,770,617	-18,986,923
13.020 Property Tax - New								32,099
13.030 Cumulative Balance of New Levies								32,099
15.010 Unreserved Fund Balance June 30	6,612,891	7,382,188	8,238,588	5,907,279	1,979,746	-3,184,957	-9,770,617	-18,954,824

Source: DCSD and ODE

Chart C-2 shows the District's May 2017 five-year forecast.

Chart C-2: May 2017 Five-Year Forecast

Line	Actual			Forecasted				
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	26,054,066	26,303,612	26,938,398	27,134,262	27,047,613	27,234,501	27,266,079	23,299,928
1.020 Tangible Personal Property Tax	1,676,798	1,707,410	1,798,223	1,864,302	1,894,695	1,913,233	1,925,372	1,738,785
1.035 Unrestricted Grants-in-Aid	13,569,876	14,956,139	15,962,924	17,050,647	17,899,726	18,756,305	19,652,426	20,588,832
1.040 Restricted Grants-in-Aid	202,869	208,854	237,709	192,397	205,381	209,846	215,740	219,728
1.050 Property Tax Allocation	4,779,235	4,827,505	4,098,814	3,543,104	3,559,011	3,546,932	3,540,533	2,985,629
1.060 All Other Operating Revenue	2,416,122	2,006,315	2,514,205	2,268,542	2,107,784	2,084,859	2,130,493	2,177,318
1.070 Total Revenue	48,698,966	50,009,835	51,550,273	52,053,254	52,714,210	53,745,676	54,730,643	51,010,220
2.060 All Other Financial Sources	294,031	299,036	6,361	113,156	25,000	25,000	25,000	25,000
2.070 Total Other Financing Sources	294,031	299,036	6,361	113,156	25,000	25,000	25,000	25,000
2.080 Total Revenues and Other Financing Sources	48,992,997	50,308,871	51,556,634	52,166,409	52,739,209	53,770,677	54,755,643	51,047,808
3.010 Personnel Services	26,937,203	27,913,608	28,593,142	30,434,572	32,163,427	33,214,840	34,436,488	35,624,652
3.020 Employees' Retirement/Insurance Benefits	10,580,800	11,213,492	11,774,664	12,777,479	13,601,597	14,256,382	15,025,135	15,802,194
3.030 Purchased Services	6,388,817	7,092,073	6,784,248	7,196,852	7,354,461	7,560,109	7,779,173	7,998,504
3.040 Supplies and Materials	1,439,462	1,410,568	1,460,303	1,528,800	1,609,376	1,641,564	1,674,395	1,707,883
3.050 Capital Outlay	118,617	200,006	107,554	192,286	194,208	196,150	198,112	200,093
4.010 Debt Service: All Principal (Historical)	159,510	163,750	168,110					
4.050 Debt Service: Principal - HB 264 Loans				172,590	177,180	181,900	186,750	191,720
4.055 Debt Service: Principal - Other	191,720	191,720	191,720					
4.060 Debt Service: Interest and Fiscal Charges	68,803	64,500	60,082	55,546	50,889	46,109	41,202	36,163
4.300 Other Objects	1,756,020	1,464,885	1,752,131	1,874,150	1,980,375	2,039,786	2,100,979	2,100,979
4.500 Total Expenditures	47,449,232	49,522,882	50,700,234	54,232,275	57,131,514	59,136,840	61,442,234	63,662,188
5.010 Operational Transfers - Out	30,000							
5.030 All Other Financing Uses		16,692						
5.040 Total Other Financing Uses	30,000	16,692						
5.050 Total Expenditure and Other Financing Uses	47,479,232	49,539,574	50,700,234	54,232,275	57,131,514	59,136,840	61,442,234	63,662,188
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	1,513,765	769,297	856,400	(2,065,866)	(4,392,304)	(5,366,163)	(6,686,591)	(12,614,380)
7.010 Beginning Cash Balance	5,766,825	7,280,590	8,049,887	8,906,287	6,840,422	2,448,118	(2,918,046)	(9,604,637)
7.020 Ending Cash Balance	7,280,590	8,049,887	8,906,287	6,840,422	2,448,118	(2,918,046)	(9,604,637)	(22,219,017)
8.010 Outstanding Encumbrances	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
9.030 Budget Reserve	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
9.080 Total Reservations	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
10.010 Fund Balance June 30 for Certification of Appropriations	6,612,891	7,382,188	8,238,588	6,172,723	1,780,419	(3,585,745)	(10,272,336)	(22,886,716)
11.020 Property Tax - Renewal or Replacement								4,869,049
11.300 Cumulative Balance of Replacement/Renewal Levies								4,869,049
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	6,612,891	7,382,188	8,238,588	6,172,723	1,780,419	(3,585,745)	(10,272,336)	(18,017,667)
13.020 Property Tax - New								32,801
13.030 Cumulative Balance of New Levies								32,801
15.010 Unreserved Fund Balance June 30	6,612,891	7,382,188	8,238,588	6,172,723	1,780,419	(3,585,745)	(10,272,336)	(17,984,865)
ADM Forecasts								
20.010 - Kindergarten				442	469	476	477	482
20.015 - Grades 1-12				5,049	5,152	5,216	5,311	5,370

Source: DCSD

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.



"Achieving Excellence, Honoring Tradition"

May 18, 2017

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

Dear Auditor Yost:

On behalf of the Delaware City Schools, we want to thank the entire Performance Audit Team for their time and effort in preparing the audit report for our district. Zach Reeder, Matt Pattella, Jennifer Semon and Melissa Rohr were professional, deliberative and thorough in their performance of their duties.

We appreciate the recommendations the Performance Audit Team have provided. We are committed to providing an outstanding education to the students of Delaware City while serving as good stewards of the taxpayer dollars with which we have been entrusted. Evidence of our work in that arena is that last year the district spent 13% less per pupil than the state average and 18% less than the central Ohio average.

We have taken immediate action in line with several of your recommendations relating to facilities, purchasing and transportation. Other recommendations will inform our planning and negotiations processes going forward as we continue to work to maximize value for our stakeholders and the educational opportunities for our students.

Again, we would like to thank the representatives of your office for their hard work and professionalism.

Paul A. Craft
Superintendent
Delaware City Schools

Melissa N. Lee
Treasurer/CFO
Delaware City Schools



Dave Yost • Auditor of State

DELAWARE CITY SCHOOL DISTRICT

DELAWARE 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
MAY 25, 2017**