

OHIO AUDITOR OF STATE
KEITH FABER



Minford
Local School District

Performance Audit

May 2022



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To the Minford Local School District community,

The Auditor of State's Office recently completed a performance audit for the Minford Local School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided at no cost to the District through state funds set aside to provide analyses for districts that meet certain criteria, including conditions that would lead to fiscal distress.

This performance audit report contains recommendations, supported by detailed analysis, 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 elected officials and District management. The District has been encouraged to use the recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

This data-driven analysis of operations provides the District valuable information which can be used to make important financial decisions. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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,

Keith Faber
Auditor of State
Columbus, Ohio

May 31, 2022

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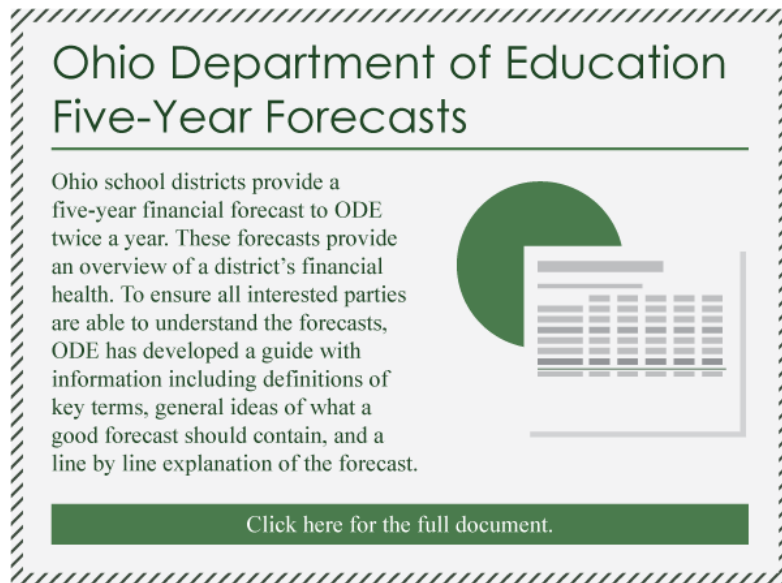
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Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. School officials have a responsibility to maximize program outcomes and success while minimizing costs. Transparent management of taxpayer dollars promotes a good relationship with the constituents served by a school district. School districts in Ohio are required to submit budget forecasts to the Ohio Department of Education (ODE) annually in the fall, with updates to the forecast submitted in the spring.¹

These documents provide three years of historical financial data, as well as the projected revenues and expenditures for a five-year period.



The Ohio Auditor of State's Ohio Performance Team (OPT) routinely reviews the submitted forecasts in order to identify districts which may benefit from a performance audit. These audits are designed to assist school districts which are struggling financially by using data-driven analyses to produce and support recommendations that identify opportunities for improved operations, effectiveness, increased transparency and reductions in cost. While we have the authority to initiate a performance audit for school districts facing financial distress, any school district can request, and benefit from, an audit.²



NOTE TO REPORT USERS

Due to the COVID-19 pandemic, districts received federal funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The aid was provided through Elementary and Secondary School Emergency Relief (ESSER) funding. Nearly \$500 million was allocated to traditional public schools and community schools throughout Ohio. Districts are allowed to use this funding on a variety of expenditures, and may, for a short time, impact the five-year forecasts.

¹ Ohio Rev. Code § 5705.391 and Ohio Admin. Code 3301-92-04.

² Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see **Appendix A** for more details.

Minford Local School District

Minford Local School District (MLSD or the District) is located in Minford, Ohio. The District spans 80 square miles and has a median income of \$36,549. In FY 2021, the District had 1,239 students enrolled and 17.9 percent were students with disabilities. Of the total enrolled students, 46.1 percent were considered economically disadvantaged. MLSD operates under an elected Board of Education, which consists of five members, and is responsible for providing public education to residents of the District.

Our audit focused on identifying opportunities where expenditures could be reduced, as the District administration has primary responsibility over decisions related to expenditures, with the aim of prolonging fiscal solvency. The recommendations, which we presented to MLSD, are based on a combination of industry standards and peer district analysis.

Financial Condition

In May 2021, the District released its semi-annual five-year forecast which showed negative year-end fund balances in the forecast period beginning in FY 2023. Due to the declining fiscal condition of the District, and in consultation with ODE, we chose to conduct a performance audit.

Financial Condition Overview (May 2021)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Revenue	\$16,385,730	\$16,439,802	\$16,534,162	\$16,629,328	\$16,725,307
Total Expenditures	\$16,752,047	\$16,955,882	\$17,211,196	\$17,494,827	\$17,785,983
Results of Operations	(\$366,317)	(\$516,080)	(\$677,034)	(\$865,499)	(\$1,060,676)
Beginning Cash Balance	\$1,162,081	\$795,764	\$279,683	(\$397,351)	(\$1,262,850)
Ending Cash Balance	\$795,764	\$279,683	(\$397,351)	(\$1,262,850)	(\$2,323,526)
Encumbrances	\$309,944	\$145,215	\$145,941	\$146,671	\$147,404
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$485,820	\$134,468	(\$543,292)	(\$1,409,521)	(\$2,470,930)

Source: ODE

After the initial engagement of this performance audit, the District released an updated forecast in November 2021. The following chart shows the District's financial condition as projected in its November 2021 five-year forecast.

Efficient • Effective • Transparent

Financial Condition Overview (November 2021)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Revenue	\$16,197,071	\$16,240,560	\$16,333,440	\$16,427,117	\$16,521,598
Total Expenditures	\$16,183,495	\$16,361,033	\$16,602,083	\$16,849,638	\$17,050,718
Results of Operations	\$13,576	(\$120,473)	(\$268,643)	(\$422,521)	(\$529,120)
Beginning Cash Balance	\$1,820,800	\$1,834,376	\$1,713,904	\$1,445,261	\$1,022,739
Ending Cash Balance	\$1,834,376	\$1,713,904	\$1,445,261	\$1,022,739	\$493,619
Encumbrances	\$168,505	\$170,190	\$171,892	\$173,611	\$175,347
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$1,665,871	\$1,543,714	\$1,273,369	\$849,128	\$318,272

Source: ODE

The District's November 2021 five-year forecast projects a positive fund balance from FY 2022 through the forecast period, ending with a total fund balance of approximately \$318,000 in FY 2026. The shift in financial outlook is primarily due to savings in personnel salaries/wages, which occurred due to salary renegotiations, retirements, and decline in other expense line items that were able to be offset using federal ESSER/COVID funding.

While the District shows a positive ending fund balance throughout the forecast period, it is projecting to have deficit spending in four out of the five years. This means that the District expects expenditures to exceed revenues during the majority of the forecast period. It is important to understand that the projected positive ending fund balance is due to federal relief funding that is not expected to continue, and because of this, the District should consider ways in which to resolve its continued deficit spending.

School Funding

Historically, school funding in Ohio has been a partnership between the state and local districts. Local districts can raise funds through property and income taxes and the state provides funding primarily through a foundation formula, which is intended to ensure a basic level of education funding for all students. Districts may also receive some funding from other sources, such as federal grants. In FY 2021, of the approximately \$25.3 billion in reported revenue for public education in Ohio, nearly 84 percent, or \$21.2 billion, came from state and local sources.

State Funding

On June 30, 2021 House Bill 110 of the 134th General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula,

commonly referred to as the Fair School Funding Plan, which replaced the previous state funding allocation model. This new model establishes and implements a cost methodology using student-teacher ratios, minimum staffing levels, local property values, and district-level income data. Further, the legislation includes guarantees to ensure no school district receives less funding than it did in FY 2021.

The new model is planned to be phased-in over several years, which will impact the amount of state funding received under the new formula over the period of the phase-in. During the phase-in period, the amount of state funding received in any given year will be less than what would have been received if the formula were fully funded. ODE is currently working to modify their systems in order to process payments according to the new funding model and districts began to see some changes to their payments in July of 2021. Payments reflecting all changes under the new funding model, as phased-in, began in January of 2022.

Local Funding

Local revenue can be raised through a combination of property and income taxes. While property taxes are assessed on both residential and business properties within a district, income tax is assessed only on residents³ – that is, individuals who work in a district but do not reside there would not be assessed an income tax on wages. Approximately one third of Ohio school districts currently have an income tax.

Property Tax

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution⁴ and the Ohio Revised Code (ORC).⁵ These restrictions limit the amount of tax that can be levied without voter approval to 10 mills⁶ or 1 percent of property value. While the Constitutional limitation is based on fair market value, the ORC sets a more restrictive limit based on taxable value which is defined as 35 percent of fair market value. These taxes are split between the various taxing districts that operate where a property is located.

The 10 mills allowed by the Constitution are typically referred to as inside, or un-voted mills. Inside mills for school districts range from three mills in some districts to nearly seven mills in some other. On average, school districts have approximately 4.7 inside mills and the remainder of property tax revenue would come from voted, or outside millage.

³ See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

⁴ Ohio Const. Art. XII, Section 2.

⁵ Ohio Rev. Code § 5705.02.

⁶ A mill is defined as one-tenth of one percent or \$1 for every \$1,000 of taxable value.

School districts can obtain additional property tax revenue through voter approved bonds and levies. These taxes can have a variety of purposes that are defined in the authorizing language which are generally divided into three broad categories: general operations, permanent improvement, and construction.

Levies may be defined as either a fixed-rate or a fixed-sum. A fixed-rate levy identifies an amount of mills that will be assessed in order to raise revenues. If new construction occurs within the district, the rate would apply and the district would realize additional revenues. Current expense levies, used for general operations, and permanent improvement levies are typically fixed-rate. A fixed-sum levy identifies an amount that will be generated from the levy. While there may be an estimated millage rate, the actual rate will vary based on assessed property values. If new construction occurs within the district, there would be no new revenues for a fixed-sum levy. Emergency levies⁷ for general operations, and bond levies for the financing of new buildings, are typically fixed-sum levies.

Ohio has historically had laws which limit the impact rising property values can have on property taxes. The most recent version of these limitations was enacted in 1976, and requires that the amount collected on fixed-rate millage is frozen at the dollar value collected in its first year.⁸ In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.⁹ Instead, the outside mills are subject to reduction factors¹⁰ which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.¹¹

However, under state law, in order to receive state foundation funding, a district must collect a minimum of 20 mills in property taxes for general purposes, or current expenses.¹² In order to prevent a district from failing to meet this minimum threshold, reduction factors stop being applied once a district reaches an effective rate of 20-mills, colloquially known as the 20-mill floor. Practically speaking, this means that if a district's effective tax rate is reduced to 20 mills for current expenses, the amount of revenue generated from levies will increase with property values unless a new operating levy is approved by voters. It is important to note, as discussed below, not all levies count toward the 20-mill floor.

⁷ Authorized by ORC §5705.194.

⁸ Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

⁹ If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

¹⁰ ORC § 319.301

¹¹ We are providing this information for historical purposes only. The law which regulates collection of on outside millage has been amended since enacted in 1976. The District should consult with the most current version of the law for a clear understanding of how this process works today.

¹² The term 'current expense' refers to revenue generated from levies that are not restricted in their use. It does not include bonds or levies that generate revenues for restricted funds, such as Permanent Improvement levies.

Ultimately, the mixture of property taxes approved by voters can have a wide-ranging impact on both the revenues collected by a district and the amount of tax that individual property owners are required to pay on an annual basis.

Income Tax

A school district income tax is an alternative method of raising local revenue. Like property taxes, an income tax must be approved by voters and may be for either general use or specific purposes, such as bond repayment. Once approved, a tax becomes effective on January 1st of the following year. Unlike municipal income taxes which are generally levied on wages earned in the municipality by both residents and nonresidents, school district income taxes are levied on wages earned by residents of the district, regardless of where the resident may work. Businesses operating within the school district are not required to pay the income tax.

A school board, when determining that an income tax is necessary for additional revenue, must submit a resolution to the Ohio Tax Commissioner identifying the amount of revenue to be raised and the tax base to be used for calculations. A school district income tax can be assessed on either a traditional tax base or an earned income tax base. The traditional tax base uses the same income base as Ohio's income tax and the earned income tax base is only earned income from an employer or self-employment. Under the earned income tax base, income such as capital gains or pension payments is not taxable, though this type of income may be taxed under the traditional tax base. Once this information is received, the Tax Commissioner identifies the income tax rate and equivalent property tax millage for the district.

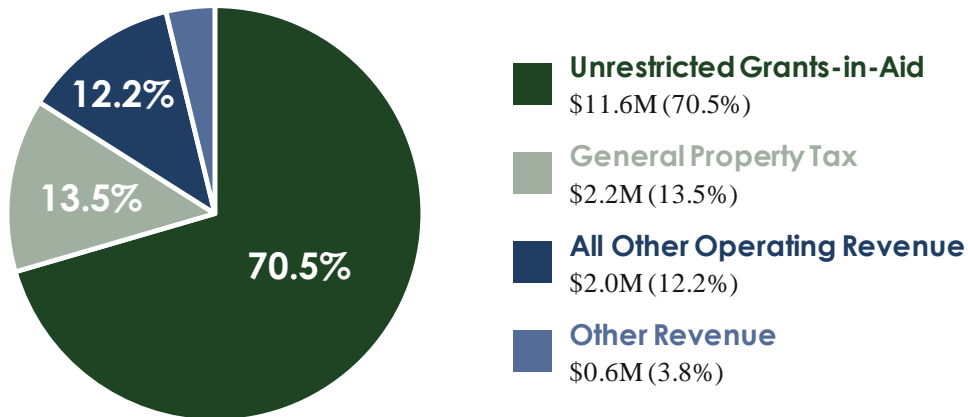
The Ohio Department of Taxation collects income tax through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state under the same rules and guidelines as are currently used for state income taxes. Districts receive quarterly payments from the Department of Taxation and each payment is for the amount collected during the prior quarter. A district receives the total amount of revenue collected less a 1.5 percent fee retained by the state for administration purposes. The amount of revenue collected via income tax each year will vary based on the earnings of the district's residents.

MLSD Revenues

A school district budget is comprised of revenues and expenditures. In FY 2021, the District's total general fund revenue was approximately \$16.5 million. The District's primary sources of revenue are unrestricted grants-in-aid, which is primarily state foundation funding. The remaining revenue is comprised of a variety of sources including a state property tax allocation.

FY 2021 Total General Fund Revenue Composition

Total: \$16.5M



Source: ODE

Note: Other Operating Revenue includes tuition, fees, earnings on investments, rentals, and donations.

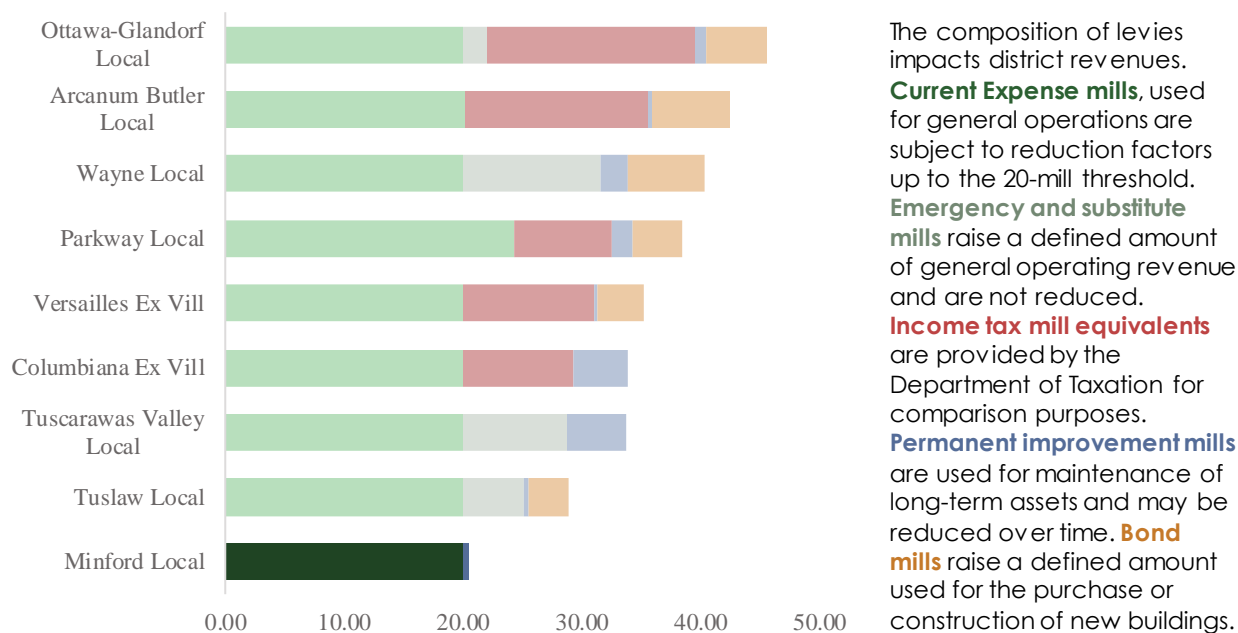
Note: Other Revenue includes Property Tax Allocation; Restricted Grants-in-Aid; Advances-In; and Operating Transfers-In.

In 2021, MLSD collected revenues on 20.50 mills of property tax for residential properties.¹³ This included 4.61 inside mills and 15.39 outside mills for current expenses. The District's current expense millage rate is at the 20-mill floor and therefore not subject to reduction factors. In addition to the 20 mills for current expenses, the District collects additional property tax revenue that does not count towards the 20-mill floor. This includes millage designated for permanent improvements that is subject to reduction factors and collected revenues based on 0.5 mills in 2020.

We compared the total effective millage for MLSD to that of its peers. The primary peer comparison is found in the chart below. The green portion of the bar represents the current expense millage rate, where several of the peers are also on the 20-mill floor. The grey portion represents emergency and substitute revenue which is not subject to reduction factors. The blue permanent improvement funds, and the orange represents bond funding.

¹³ Residential and agricultural property is considered Class 1 real estate. Commercial Property is considered Class 2 real estate and subject to a different set of reduction factors. The effective millage rate for Class 2 property in 2021 was 20.50.

2021 Millage and Millage Equivalents | Primary Peers



Source: Ohio Department of Taxation

Overall, the District's effective millage rate of 20.50 is significantly lower than all primary peers. Because the District is at the 20-mill floor, it will receive additional revenues as property values increase. Notably, many of the primary peers are also at the 20-mill floor, so they too would see increased revenue related to increases in property values. They would also likely see increased revenue from other property and income taxes as well.

It is important to understand that the revenue generated from bond and emergency levies will remain the same regardless of changes to property values as they are voted as a fixed-sum levy. The current expense millage and permanent improvement millage also stay the same, until the 20-mill floor is hit for current expense taxes. At that point, a district on the floor would see additional revenues from increases in value to existing properties.

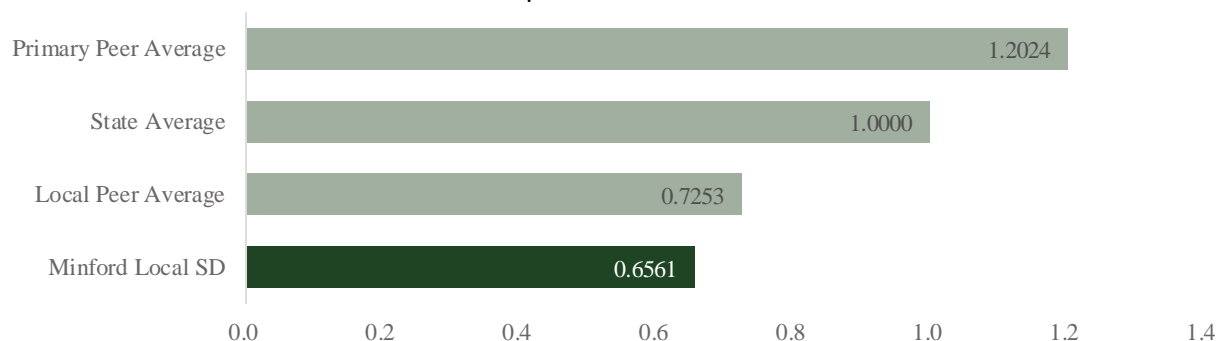
Local Tax Effort

ODE uses the Local Tax Effort Index as a measure of taxpayer support for the district in which they reside based on the capacity of the community. This index, one of a number of possible measures for evaluating local effort, was initially developed by the Division of Tax Analysis within the Ohio Department of Taxation and is calculated in the context of the residents' abilities to pay by determining the relative position of each school district in the state in terms of the portion of residents' income devoted to supporting public education. This index uses median

income data and provides context to better understand a community's tax burden, not only compared to other districts, but also as a function of the residents' ability to pay.

On this sliding scale, a value of 1.0 indicates the state average, a baseline against which all districts in the state are weighed. If a district has a local tax effort below 1.0, residents provide a smaller portion of their available income to public education whereas a value above 1.0 indicates the community pays a larger portion of their available income to public education compared to the state average. The index is updated annually by ODE as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.

FY 2021 Local Tax Effort Comparison



Source: ODE

The District's local tax effort was compared to the state average and primary peers. The District has a local tax effort of 0.6561, which is lower than both the state average and the primary peer average of 1.2024. Out of 612 school districts, MLSD ranks 546th in the state, which is in the lowest 10th percentile of all districts. By comparison, the local peer average of 0.7253 would rank approximately 500th out of all 612 districts, or the 17.49th percentile. MLSD's local tax effort could change as a result of the passage of any additional tax initiatives.

Revenue per Pupil

Revenue per pupil, broken down by type of funding, is another way to compare funding sources between Ohio school districts. Because our audit focuses on the projected deficit spending in the five year forecast, we reviewed only the forecasted fund revenues for this purpose.¹⁴ In FY 2021, the District received \$13,962 per pupil, with 13.5 percent, or approximately \$1,887, coming from local taxes.¹⁵ In FY 2021, the primary peer average was \$12,551 in revenue per pupil, with 48.2

¹⁴ Forecasted funds include the District's General Fund and funds derived from emergency levies.

¹⁵ The Cupp Report, issued by ODE, provides information on all revenues received by a district. Because of this, the percentage of revenues from local revenues in the Cupp report may vary from the amount in our report due to the inclusion of additional revenues. This is particularly true when reviewing FY 2021 data as districts received federal funding for COVID-19 relief through ESSER grants.

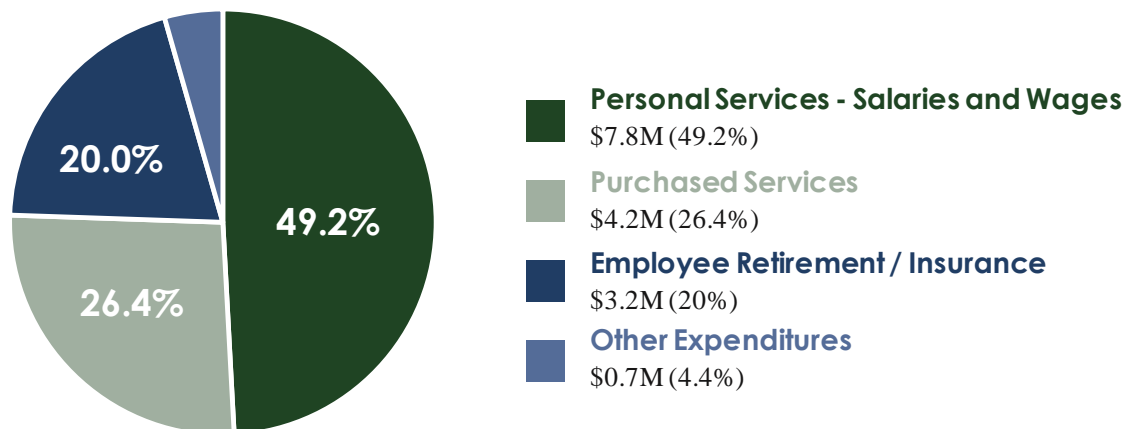
percent, or approximately \$6,056, coming from local taxes. The District's local revenue was lower than the primary peer average in FY 2021.

Expenditures

Generally speaking, human resources is the most significant source of expenditures for an organization. As seen in the chart below, more than 49 percent of District expenditures in FY 2021 were related to employee salaries and wages. Further, 20 percent of the District's expenditures are related to employee retirement and insurance benefits. This means that in total, nearly 70 percent of the District's total expenditures are related to personnel expenses.

FY 2021 Total General Fund Expenditure Composition

Total: \$15.8M



Source: ODE

Note: Other Expenditures includes Supplies and Materials; Capital Outlay; Other Objects; Principal on Loans, Interest & Fiscal Charges; Advances-Out; and Operating Transfers-Out.

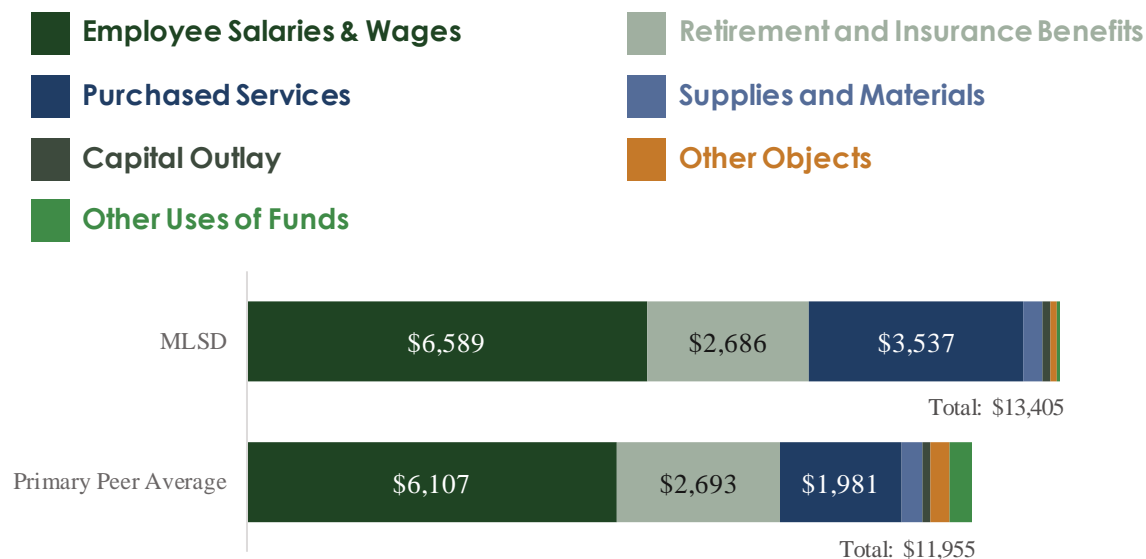
By undergoing this review, the District is taking steps to understand the current state of expenditures relating to personnel. It can then use this information to determine the optimal staffing model moving forward based on the needs of the District and the people it serves. In doing so, the District may be able to identify options that will provide more structural balance in its budget.

Expenditures per Pupil

In FY 2021 MLSD spent approximately \$13,400 (or 11 percent more) per pupil as compared to the primary peer average of \$11,900 per pupil. The District spent more than the primary peer average on employee salaries and wages, purchased services, and capital outlay, but less on

employee benefits, supplies and materials, professional & technical services, other objects, and other uses of funds.¹⁶

FY 2021 Total Expenditures Per Pupil



Source: MLSD and Peers

Results of the Audit

Based on an initial analysis of the District's data as compared to its peer groups, the following scope areas were included for detailed review and further analyses: Financial Management, and the operational areas of Human Resources, Facilities, Transportation, and Food Service. We identified nine recommendations which would result in reduced expenses or improve the District's operational management based on industry standards and peer averages.

¹⁶ The category of "Other Objects" includes things such as interest on loans, memberships in professional organizations, County Board of Education contributions, and various types of non-healthcare insurance. "Other Uses of Funds" mainly consists of transfers, contingencies, and advances within the various accounting dimensions.

Summary of Recommendations

Recommendations	Savings
R.1 Consider reducing the General Fund subsidy of Extracurricular Activities to the Local Peer Level	\$47,000
R.2 Eliminate 1.5 FTEs from Building Administrator and Administrative Support Positions above the Peer Average	\$107,000
Eliminate 1 FTEs Building Office Support Staff	\$60,000
Eliminate 0.5 FTE Assistant Principal	\$47,000
R.3 Eliminate 9.5 FTEs from Direct Student Education and Support Positions above the Peer Average	\$645,000
Eliminate 7.0 FTEs General Education Teachers	\$483,000
Eliminate 1.0 FTEs K-8 Physical Education Teachers	\$60,000
Eliminate 1.0 FTEs Library Staff	\$88,000
Eliminate 0.5 FTEs Nursing Staff	\$14,000
R.4 Renegotiate Tuition Reimbursement Provision in the Certified CBA	N/A
R.5 Develop a formal facilities preventive maintenance plan in accordance with best practices	N/A
R.6 Eliminate 7 FTEs Bus Route Driver Positions	\$250,000
R.7 Develop Internal Controls over Fuel Operations	N/A
R.8 Develop a formal bus replacement plan that considers the full cost of bus operations.	N/A
R.9 Establish a formal preventive maintenance plan for bus fleet	N/A
Total Cost Savings from Performance Audit Recommendations (General Fund)	\$1,049,000

Note: Numbers in this table are rounded down to the nearest \$1000 to provide conservative estimates and for readability purposes.

The recommendations contained in this audit provide District officials with options that should be reviewed in identifying the best course of action for the community served by MLSD. While the District may choose to only implement a portion of our recommendations, the results of the audit provide officials with a framework for reviewing operational decisions going forward.

The financial impact of this audit's recommendations on the November 2021 five-year forecast are shown in the following table. Implementing these recommendations will assist MLSD in maintaining fiscal solvency.

Results of the Audit Recommendations

	FY 2023	FY 2024	FY 2025	FY 2026
Original Ending Fund Balance	\$1,543,714	\$1,273,369	\$849,128	\$318,272
Cumulative Balance of Tier I Recommendations	\$1,022,022	\$2,065,049	\$3,129,202	\$4,217,001
Revised Ending Fund Balance with Tier I Recommendations	\$2,565,736	\$3,338,418	\$3,978,330	\$4,535,273

Source: MLSD

Note: Numbers in table were rounded down for readability purposes.

Financial Management

Any organization needs to consider both short-term needs and long-term goals when developing policies and procedures related to financial management. This requires strategic planning in order to identify the best use of available resources. School districts in particular must have sound planning processes in place so that they can effectively and transparently provide services to their residents. We reviewed MLSD's financial management policies in order to determine if there were areas for improvement.

Recommendation 1: Reduce General Fund Subsidy of Extracurricular Activities

MLSD should reduce the General Fund subsidy of extracurricular activities to the local peer level.

Impact

Aligning the General Fund subsidy of extracurricular activities with the local peer average would save the District an average of about \$47,800 annually in each year of implementation.

Background

School districts use specialized funds to collect revenues and record expenditures related to extracurricular activities. At times, the revenues generated by activities may not be enough to cover all expenses and a subsidy from a district's General Fund is necessary to prevent negative fund balances. MLSD has been using a larger portion of its General Fund subsidy to go towards extracurricular activities than local peers, particularly in regards to sports-oriented activities.

Methodology

The District's per-pupil General Fund subsidy for extracurricular activities was compared to the local and primary peer averages.

Analysis

In FY 2021, the District spent approximately \$401,200 on extracurricular activities, which included the salaries and benefits of directors, coaches, and advisors; supplies and materials; and other miscellaneous expenditures. Revenue from extracurricular activities was approximately \$102,500. The District's General Fund subsidy of extracurricular activities was \$253.44 per pupil, compared to the local peer average of \$212.94 per pupil, a difference of \$40.50 per pupil.

Conclusion

MLSD subsidizes its extracurricular activities from the General Fund at a level that is greater per pupil than its peers. MLSD should reduce subsidies for extracurricular activities to be in line with the local peer average. This action could reduce General Fund expenditures by \$47,800 annually.

To achieve these savings, the District should consider the following actions, individually or in combination.

- Implement pay-to-participate fees for extracurricular activities;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or,
- Eliminate programs that require higher expenses than the revenue generated, or activities that have low participation levels.

While reducing the General Fund subsidy would help MLSD officials reduce future potential General Fund deficits, implementing some of these measures may impact students and families within the District. Because of this, the District should determine which actions are appropriate based on the needs of the community.

Human Resources

Human resource (HR) expenditures are significant to both the operational and financial conditions within school districts. Specifically, personnel costs (i.e. salaries and benefits) accounted for 69 percent of MLSD's General Fund expenditures in FY 2021, which had a significant impact on the District's budget and financial condition. OPT reviewed MLSD's staffing levels, salaries, and CBA provisions and compared them to peer districts. We also reviewed Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) requirements¹⁷ to determine areas where the District could save money through reductions.¹⁸

Recommendation 2: Eliminate Building Administrator and Administrative Support Positions above the Peer Average

MLSD should consider eliminating building administrator and administrative support positions above the primary peer average.

Impact

By reducing building administrator and administrative support staff to be in line with primary peer average, the District could save an average of \$107,000 annually.¹⁹ However, the District should consider that a reduction in staff may also impact educational programming.

Background

The District employs individuals in building administrator and administrative support positions who are responsible for activities related to the daily operations of the District. While these positions provide support to students and educators within MLSD, the District may be able to reduce some positions based on peer comparisons.

¹⁷ Ohio Rev. Cod §§ 124.39, 3319.071, 3317.084, 3319.087, 3319.141, 3319.142, 3319.17, 3319.22 and Ohio Admin. Code § 3301-35-05.

¹⁸ Title 1 and Special Education staffing is excluded from our analysis due to various requirements. Appendix B contains additional detail regarding our methodology for the staffing analysis.

¹⁹ The value of the savings for all staffing recommendations were based on the lowest tenured employee salaries and inflated for contractual wage increases and increases in the costs of benefits. Benefits include medical, prescription drug, dental, vision, and life insurance, Medicare, and retirement.

Methodology/Analysis

Staffing levels for the District were identified and compared to the primary peer averages for all analyses.²⁰ In order to make data-driven decisions, the data was normalized on a per-1,000 student level and compared to the primary peer average.

Areas where MLSD has staffing levels above the primary peer average and could reduce administrative support staff include:

- 1.0 FTE Building Office Support Staff
- 0.5 FTE Building Administrator Staff

Building Office Support Staff

MLSD employees 5.0 FTE building office support staff, which is 1.0 FTE above the primary peer average. This category of positions includes building secretaries. Eliminating 1.0 FTE building office support staff could save an average of approximately \$60,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

Building Administrator Staff

MLSD employees 4.5 FTE building administrator staff, which is 0.5 FTE above the primary peer average. This category of positions includes principals, assistant principals, and dean of students. Eliminating 0.5 FTE assistant principal staff could save an average of approximately \$47,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

Conclusion

MLSD should eliminate 1.0 FTE building office support position, and 0.5 FTE assistant principal position. Eliminating these positions could save an average of approximately \$107,000 in each year of implementation and bring the district's baseline staffing ratio more in line with the primary peer average.

During the course of the audit, the District made the decision to eliminate the assistant principal position effective August 1, 2022.

²⁰ A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODE reporting guidelines.

Recommendation 3: Eliminate Direct Student Education and Support Positions above the Peer Average

MLSD should consider eliminating direct student education and support positions above the primary peer average.

Impact

By reducing direct education and student support staff to be in line with the primary peer average, the District could save an average of approximately \$645,000 annually.

Background

Direct education and support positions perform functions that assist students directly in some manner. These positions may include a variety of professionals including teachers, educational support specialists, and counselors. We found that based on peer comparisons, MLSD could eliminate staffing positions in several categories.

Methodology/Analysis

Staffing levels for the District were identified and compared to primary peer averages on a normalized FTE per-1,000 student basis. Areas where MLSD could reduce direct student education and support staffing include:

- 7.0 FTE General Education Staff;
- 1.0 FTE K-8 Physical Education Staff;
- 1.0 FTE Library Staff; and,
- 0.5 FTE Nursing Staff.

General Education Staff

MLSD employs 63.0 FTE general education teachers, which is 7.0 FTEs above the primary peer average. Eliminating 7.0 FTE general education teachers could save an average of approximately \$483,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

K-8 Physical Education Staff

MLSD employs 3.0 FTE K-8 physical education teachers, which is 1.0 FTE above the primary peer average. Eliminating 1.0 FTE K-8 physical education teacher position could save an

average of approximately \$60,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

Library Staff

MLSD employs 3.0 FTE library staff, which includes 2.0 FTE librarians and 1.0 FTE library aides. The District is 1.0 FTE above the primary peer average for library staff. Eliminating 1.0 FTE librarian positions could save an average of approximately \$88,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

Nursing Staff

MLSD employs 2.0 FTE nursing staff, which is 0.5 FTEs above the primary peer average. Eliminating 0.5 FTE nursing staff could save an average of approximately \$14,000 annually, bringing the District's baseline staffing ratio to a level consistent with the primary peer average.

Conclusion

MLSD should eliminate 9.5 FTE direct student education and support staff positions. Eliminating these positions could save an average of approximately \$645,000 annually and bring the District's baseline staffing ratio more in line with the primary peer average.

During the course of the audit, the District made the decision to reduce the nursing staff by 0.5 FTE for the 2022-2023 school year.

Recommendation 4: Align CBA Provisions

MLSD should align its collective bargaining agreement (CBA) provisions with the peers and/or Ohio Revised Code (ORC) requirements.

Impact

While there is no financial implication of this recommendation, the District's CBAs contain certain provisions that may increase future liabilities, specifically tuition reimbursement. Aligning this provision with ORC minimums and local peer averages would reduce future expenditures, the extent to which is not calculated in this audit.

Background

MLSD maintains two CBAs: The Minford Education Association certified CBA, and the Ohio Association of Public School Employees/AFSCME/AFL-CIO and its Local #621 classified CBA.

Methodology

MLSD's certified and classified CBAs were obtained from the State Employment Relations Board (SERB) and compared to the peer averages and ORC requirements.

Analysis

An analysis of MLSD's CBAs identified that the certified tuition reimbursement provision exceeds that of local peer districts. The District allocates \$45,000 in tuition reimbursement annually. Local peer districts allocate an average of \$10,700 annually. A three-year average of MLSD's actual expenditures for tuition reimbursement from FY 2019 to FY 2021 was approximately \$22,400, which is still \$11,700 above the peer average.

Conclusion

The District has negotiated a CBA provision that exceeds local peer averages and/or ORC requirements. MLSD should consider renegotiating its tuition reimbursement CBA provision in order to improve operational efficiency and provide cost savings.

Facilities

The changing landscape of education requires periodic reviews of facility usage and maintenance to ensure that a district is using limited resources wisely. We reviewed MLSD's use of existing facilities in comparison to best practices and industry standards to determine if there were any areas for improvement.

Recommendation 5: Formalize Preventative Maintenance

MLSD should formalize a preventative maintenance (PM) plan as recommended by the American Public Works Association (APWA) and National Center for Education Statistics (NCES) to help ensure that preventative maintenance of its facilities is conducted at optimal intervals, which could help mitigate otherwise unneeded costly repairs.

Impact

There is no direct financial implication of this recommendation; however, a formal preventative maintenance plan can assist the District in forecasting costs and reducing the impact of emergency repairs or replacements. It is generally more efficient to regularly maintain facilities as repairs and replacements are needed rather than attempt to conduct all repairs and replacements simultaneously.

Methodology

We conducted interviews with District officials on their PM practices. Their practices were then compared to industry standards and best practices from the APWA and NCES.

Analysis

According to the APWA, a formal PM program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning for PM 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.

Per NCES criteria, PM is the cornerstone of any effective maintenance initiative. It 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 PM. Once the items that should

receive PM have been identified, planners can decide on the frequency and type of inspection. Manufacturers' manuals are a good place to start when developing this schedule; they usually provide guidelines about the frequency of preventative service, as well as a complete list of items that must be maintained.

MLSD does not currently have a formal, written PM plan or schedule that encompasses all of its buildings. The District is actively working towards developing a plan, but currently only performs walkthroughs, and does a majority of repairs in a reactionary manner. The District has recently established committees for its various departments and is working with the Board of Education to develop a formal strategic and capital plan.

Conclusion

A lack of a formal PM plan can make it difficult to forecast and accurately plan for expenditures related to maintenance and repairs. The establishment of a formal PM plan as recommended by the APWA and NCES could assist the District in planning for repairs and the costs associated with those repairs.

Transportation

Transportation of students is a critical function for school districts. Ensuring that busing services are provided in a safe and efficient manner is important for both the well-being of students and the fiscal health of the school district. We examined MLSD's reporting policies and procedures as well as bus routing, preventative maintenance, fuel purchasing, and bus replacement practices in comparison to industry standards and best practices to determine whether there were any areas for improvement.

Recommendation 6: Eliminate Bus Routes

MLSD should eliminate seven bus routes from its active bus fleet in order to improve routing efficiency and increase ridership per bus.

Impact

Eliminating seven bus routes could save an average of approximately \$250,000 in salaries and benefits in each year of implementation over the forecasted period.

Background

In FY 2022, MLSD operated with 17 active buses, 9 spares, and 5 out-of-service buses. The District does not transport students who have open-enrolled out of the District, but does transport to a nonpublic Christian school, STEM school, and an ESC.

The District uses a two-tier system for transportation. This means that buses run two routes in the morning and in the afternoon based on differing start and end times at schools. Tier I bus routes serve students in grades 6-12 and Tier II bus routes serve students in grades PreK-5. Once a bus is finished collecting and dropping off students on a Tier I route, it may then be used for the transportation of students on Tier II routes.

ORC § 3327.01 establishes minimum transportation requirements, including an obligation to transport all resident K-8 students living two or more miles from their assigned schools, and an obligation to transport all non-public riders to their destinations if the location is within a 30-minute drive of the otherwise assigned resident school. State law does not cap bus ride times for students. While MLSD does not have a formal policy in place to cap ride times, it has an informal goal of 60 minutes.

Methodology

Opportunities for improved efficiency were identified in order to bring all possible bus routes up to the goal of 80 percent capacity utilization, consistent with benchmark criteria from the

American Association of School Administrators (AASA). According to the AASA (*Hidden Savings in Your Bus Budget*, 2017), “an effective pupil-to-bus ratio should average at least 100 pupils on a double-route, two-tier bus system. Actual capacity use must be measured with 80 percent of rated capacity as a goal.” The District’s ridership on each tier was compared to this industry benchmark.

Analysis

MLSD currently transports PK-12 students using two-tiered routes.²¹ The District currently operates 30 regular education routes and 2 nonpublic routes and reported transporting 718 total riders in FY 2022. Most of the District’s routes include special education riders.

When evaluating opportunities for improved efficiency without significant changes to tiers, start times, and bell schedules, it is important to determine whether all routes that are underutilized can be reasonably improved. This determination can be problematic for special purpose routes and for that reason, special education and non-public routes have been excluded from our analysis.

The following table shows a baseline overview of utilization for Tiers I and II, and focuses on which one has the highest baseline utilization. This analysis was used to identify opportunities for improved efficiency to bring all possible routes up to the goal of 80 percent utilization. For purposes of this analysis, we used the current routes used by the District and the number of riders reported in FY 2022.

Baseline Utilization by Tier

Tier	Total Routes	Average Capacity	Total Capacity	Peak Riders	Baseline Utilization
Tier I	15	61.3	920	348	37.8%
Tier II	15	61.3	920	370	40.2%

Source: MLSD and ODE

The tables that follow show a detailed review of Tier I and II routes after accounting for and excluding those routes that are currently meeting or exceeding the 80 percent utilization goal, as well as those that are already at or above the 80th percentile threshold for reported route times.

The remaining routes were then reviewed for additional efficiency opportunities. When considering only Tier I needs, it is possible to eliminate seven routes without exceeding the 80

²¹ Under the new foundation funding formula, school districts will receive additional revenue for transporting high school students.

percent utilization goal. However, a similar analysis of Tier II was necessary to affirm whether that level of reduction was fully achievable.

Tier I Routes Reviewed for Additional Efficiency Opportunity

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	15	61.3	920	348

Tier I Route Elimination Sensitivity Analysis and Impact on Utilization

Routes Eliminated	5	6	7	8
Capacity Eliminated	306.5	367.8	429.1	490.4
Adjusted Total Capacity	613	552	490	429
Adjusted Total Utilization	56.8%	63.0%	71.0%	81.1%

Source: MLSD and ODE

As shown in the table below, it is also possible to eliminate seven routes without exceeding the 80 percent utilization goal for Tier II routes.

Tier II Routes Reviewed for Additional Efficiency Opportunity

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier II	15	61.3	920	370

Tier II Route Elimination Sensitivity Analysis and Impact on Utilization

Routes Eliminated	5	6	7	8
Capacity Eliminated	307.0	368.4	429.8	491.2
Adjusted Total Capacity	553	491	430	368
Adjusted Total Utilization	58.0%	65.4%	74.7%	87.2%

Source: MLSD and ODE

Conclusion

The District's bus fleet is not operating as efficiently as possible by continuing to operate seven more routes than necessary. Eliminating seven bus routes could save an average of approximately \$250,000 in salaries and benefits in each year of implementation.

Recommendation 7: Develop Internal Controls over Fuel Operations

Due to a lack of internal controls over the collection, retention, and reporting of fuel usage and expenditures, MLSD should develop formal procedures for recording and monitoring such data.

Impact

While there is no direct financial impact of this recommendation, developing formal procedures for fuel operations could allow the District to gain more insight into actual fuel needs and more efficiently track expenditures.

Background

MLSD has a long-standing relationship and a verbal agreement for fuel purchasing with a local fuel vendor. The vendor assisted with the initial purchase and installation of the District's fuel equipment. However, the District does have full ownership over its fuel tanks. MLSD has not conducted a comparison of their vendor's fuel pricing to consortium pricing.

Methodology

District officials were interviewed regarding fuel purchasing and practices. A comparison analysis of the District's fuel purchasing to the DAS CPP²² pricing was unable to be conducted since the District uses a type of fuel unavailable with the consortium.

The District provided fuel purchasing receipts which were unable to be reconciled against their workflow system. Due to this, as well as MLSD being ineligible for the DAS comparison, it was determined that an analysis of the District's internal controls surrounding fuel was more appropriate.

Analysis

The District does not have any formal, written policies regarding fuel data. Fuel usage and expenditures per bus data are not maintained in any digital format. The District also does not have a formal method of determining improper fuel usage by bus drivers and the fuel tanks are not gauged prior to ordering additional fuel. The supplier is simply asked to top off the tank. Thus, the District has no way of determining if they are paying for the amount they received.

²² Ohio Department of Administrative Services Cooperative Purchasing Program

Bus drivers are required to document fuel usage. The drivers turn in monthly paper slips which logs the date of fill up, the mileage, and total fuel used. The data is not recorded or formally documented anywhere. Due to this, it was not possible to obtain a report on fuel usage by bus.

Security around the District's fuel pumps is limited to a security camera pointed in that direction. Only bus drivers have keys to the gate surrounding the pumps and to the pumps themselves. However, there is no way of determining which driver has used the pump other than the security camera. The District does not have a formal method of determining whether fuel has been used inappropriately.

The Government Finance Officers' Association (GFOA) provides guidance to governmental entities on implementing performance measures to improve operationally. *Performance Measures* (GFOA, 2018) recommends that all organizations identify, track, and communicate performance measures to monitor financial and budgetary status, service delivery, program outcomes, and community conditions. MLSD should implement similar measures, or controls, over fuel usage and expenditures data.

Conclusion

Due to a lack of internal controls over the collection, retention, and reporting of fuel usage and expenditures, MLSD should develop formal procedures for recording and monitoring such data.

Recommendation 8: Formalize Bus Replacement Plan

MLSD should develop a formal bus replacement plan tied to the District's budget that considers the full cost of bus operations. Doing so would allow the District to communicate to leadership and to the public about the needs of its bus fleet. It would also allow the District to communicate its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet.

Impact

The adoption of a formal bus replacement plan could reduce overall operating costs and help to avoid the need to replace a major portion of the fleet at the same time.

Background

MLSD has 17 active buses and 9 spare buses. The average age of all active buses is approximately six years and the average mileage is 80,861.

Methodology

The current state of the District's bus fleet was compared to industry benchmarks. The National Association of State Directors of Pupil Transportation Services (NASDPTS)²³ suggests a replacement cycle of 12 to 15 years or every 250,000 miles.

Analysis

Compared to NASDPTS criteria, the District meets or exceeds replacement criteria for two active buses. According to the District, three buses are in need of replacement. Two are active and one is a spare. Last year, the District was able to obtain a bus purchasing grant from the State. Another bus was purchased with township ESSER funds.²⁴ If there are remaining ESSER funds, those may go towards an additional bus.

During the course of the audit, the District revealed that it had received funding from ODE. That funding, combined with the ESSER funding, will allow the District to purchase the three new school buses.

²³ NASDPTS provides leadership, assistance and motivation to the nation's school transportation community with the goal of providing safe, secure, efficient, economical, and high-quality transportation to school children on their trips to and from school and school-related activities.

²⁴ Elementary and Secondary School Emergency Relief funds

Conclusion

MLSD can operate several more years without replacing buses based on expected purchases, and the current age and mileage of the fleet. Implementing a formal bus replacement plan tied to the budget will allow the District to avoid potential liabilities over the long-term and identify potential sources of funding in advance.

Recommendation 9: Formalize Preventative Maintenance

MLSD should establish a formal preventative maintenance (PM) plan in order to ensure the maximum useful life of its assets, the proper allocation of resources for maintenance and replacement, and the avoidance of unnecessary costs.

Background

MLSD does not have a formal preventative maintenance plan for its bus fleet. Bus drivers are responsible for alerting supervisors of anything on their buses that may require maintenance.

Methodology

Total transportation expenditures for MLSD for FY 2020 were analyzed and compared to the transportation peers. According to OAC 3301-83-22, school buses and other vehicles used to transport children should be maintained in safe operating condition through a systematic PM program. The District's PM practices were also compared to practices of the APWA.

Analysis

According to the District, MLSD has a bus mechanic that performs all maintenance repairs in-house that they are equipped to do. Repairs the District is unable to do include alignment, spring replacement, in-frame overhauls, welding, and computer replacement.

The District's FY 2021 maintenance, repairs, and operational expenses were 20.4 percent higher than that of the transportation peers. The District was slightly higher than the transportation peers in the areas of supplies and materials and capital outlay. The bulk of the capital outlay costs are attributed to school buses. The District has acquired several new school buses from 2019 to 2022 (See R.7). MLSD is approximately 59 percent lower in purchased services costs than the transportation peers.

The District provided documents which contains annual maintenance and repair costs per bus. This document only contains part of the District's total expenditures and does not include items such as bus purchases, tool purchases and inventory, fuel, insurance, etc. However, the data the District provided does indicate that repair and maintenance costs have increased from FY 2020 to FY 2022. A formal PM plan will help the District in avoiding unnecessary costs and better allocating resources.

Conclusion

Developing and ultimately implementing a formal preventative maintenance program will help ensure the District receives the maximum useful life of its assets, properly allocates resources for maintenance and replacement, and does not incur unnecessary costs.

Client Response Letter

Audit standards and AOS policy allow clients to provide a written response to an audit. The letter on the following page is the Minford Local School District's official statement in regards to this 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.

Minford Local Schools

Home of the Mighty Minford Falcons

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May 11, 2022

Keith Faber
Ohio Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor of State Faber,

On behalf of myself, the Minford Local Board of Education, and our District Treasurer, I would like to officially thank you and your audit team, led by Annett Guglielmi, for all of your work to complete the Performance Audit of our district. Annett and her team were extremely helpful throughout this process. They took the time to explain many aspects of the data analysis when asked, and they were sympathetic to the fact we were completing this audit during a busy school year and a global pandemic. The findings from this performance audit will assist the Minford Local School District in ensuring we are operating as fiscally responsible as possible, while maintaining an excellent educational experience for our students.

At this point, we have reviewed the draft findings of the audit, and look forward to the final exit conference and release of the official report. We are excited to begin some of the work required to address our deficiencies, and will use the data that was collected to guide future decisions. Although some progress has already been made to align our staffing to local peers, we hope that through attrition we will be able to make further progress toward our staffing level goals. We appreciate the recommendations for improving internal processes as well, and the outside perspective on our procedures and policies.

The professionalism, understanding, and support from the audit team was nothing short of amazing, and we truly appreciate all of the efforts put into the audit to again help us improve the operational aspects of the school district. Again, thank you to you and your team for this work.

Sincerely,



Jeremy Litteral
Superintendent
Minford Local School District

Appendix A: Purpose, Methodology, Scope, and Objectives of the Audit

Performance Audit Purpose and 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.

Generally accepted government auditing standards (GAGAS) 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.

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

Audit Scope and Objectives

In order to provide the District with appropriate, data driven, recommendations, the following questions were assessed within each of the agreed upon scope areas:

Audit Scope, Objectives, and Recommendations

Objective	Recommendation
Financial Management	
Are the District's forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	No Recommendation: We reviewed the District's forecasting practices and found them to be in line with industry standards.
Are the District's strategic and capital planning practices consistent with leading practices?	Verbal Recommendation: Due to the minor nature of variance from expected performance. The District is

	in the process of developing a formal Strategic and Capital Plan.
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	R.1
Are the District's purchasing practices consistent with leading practices and appropriate based on the District's financial condition?	No Recommendation: The District's purchasing practices are appropriate based on the District's financial condition
Human Resources	
Is the District's EMIS data process sufficiently reliable and consistent with leading practices?	No Recommendation: The District's EMIS data is sufficiently reliable.
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	R.2, R.3
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	No Recommendation: The District's salaries and wages are in-line with, or below the local peer averages, except for three classified positions, however, overall the classified positions are 1.4 percent below the local peers.
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimums requirements, and the District's financial condition?	R.4
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	No Recommendation: The District's Health and Dental insurance premiums are lower than the regional peer average. While the District's vision insurance is higher than the regional average, their overall cost of medical, dental, and vision combined is still below the regional peer averages.
Are the District's expenditures dedicated to professional and technical services consistent with peers and appropriate based on the District's financial condition?	No Recommendation: The District's Professional & Technical Services (Object 410) expenditures per pupil is lower than the primary peer average.

Facilities	
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	No Recommendation: The District's facilities staffing is lower than the industry standard.
Are the District's facilities non-regular labor expenditures appropriate in comparison to peers, leading practices, industry standards, and the District's financial condition?	No Recommendation: The District's non-routine labor costs as a percent of total salaries and wages is below the peer average.
Are the District's facilities preventive maintenance practices consistent with leading practices and industry standards?	R.5
Transportation	
Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?	R.6
Is the District's fuel purchasing practice resulting in efficient pricing?	R.7
Are the District's bus replacement practices consistent with leading practices?	R.8
Is the District's fleet maintained efficiently?	R.9
Food Service	
Is the District's food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District's financial condition?	No Recommendation: The District's food service operation is consistent with leading practices.

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. The following internal control components and underlying principles were relevant to our audit objectives²⁵:

- Control environment:
 - We assessed the District’s exercise of oversight responsibilities in regards to detecting improper payroll reporting and benefits administration, and
 - We assessed the District’s activities associated with its purchasing practices.
- Risk Assessment:
 - We considered the District’s activities to assess fraud risks.
- Information and Communication:
 - We considered the District’s use of quality information in relation to its financial and data reporting to ODE, specifically its five-year forecast, transportation, facility, and staffing data.
- Control Activities:
 - We considered the District’s compliance with applicable laws and contracts, including with outside stakeholders and employees
- Monitoring:
 - We considered the District’s monitoring activities concerning its building usage and enrollment.

Note: An internal control deficiency was identified during the course of the audit, and is discussed within **R.7**.

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

²⁵ We relied upon standards for internal controls obtained from *Standards for Internal Control in the Federal Government* (2014), the U.S. Government Accountability Office, report GAO-14-704G

relatively lower per pupil spending and similar 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. The Table below shows the Ohio school districts included in these peer groups.

Peer Group Districts

Primary Peers

- Arcanum Butler Local SD, Darke
- Columbiana Ex Vill SD, Columbiana
- Ottawa-Glandorf Local SD, Putnam
- Parkway Local SD, Mercer
- Tuscarawas Valley Local SD, Tuscarawas
- Tuslaw Local SD, Stark
- Versailles Ex Vill SD, Darke
- Wayne Local SD, Warren

Local Peers (Compensation, Benefits, and Bargaining Agreements)

Bloom-Vernon Local SD, Scioto
 Clay Local SD, Scioto
 Eastern Local SD, Pike
 Jackson City SD, Jackson
 Oak Hill Union Local SD, Jackson
 Portsmouth City SD, Scioto
 Valley Local SD, Scioto

Transportation Peers (Transportation expenditures)

Anna Local SD, Shelby
 Mount Gilead Ex Vill SD, Morrow
 Tuscarawas Valley Local SD, Tuscarawas
 Versailles Ex Vill SD, Darke
 West Muskingum Local SD, Muskingum

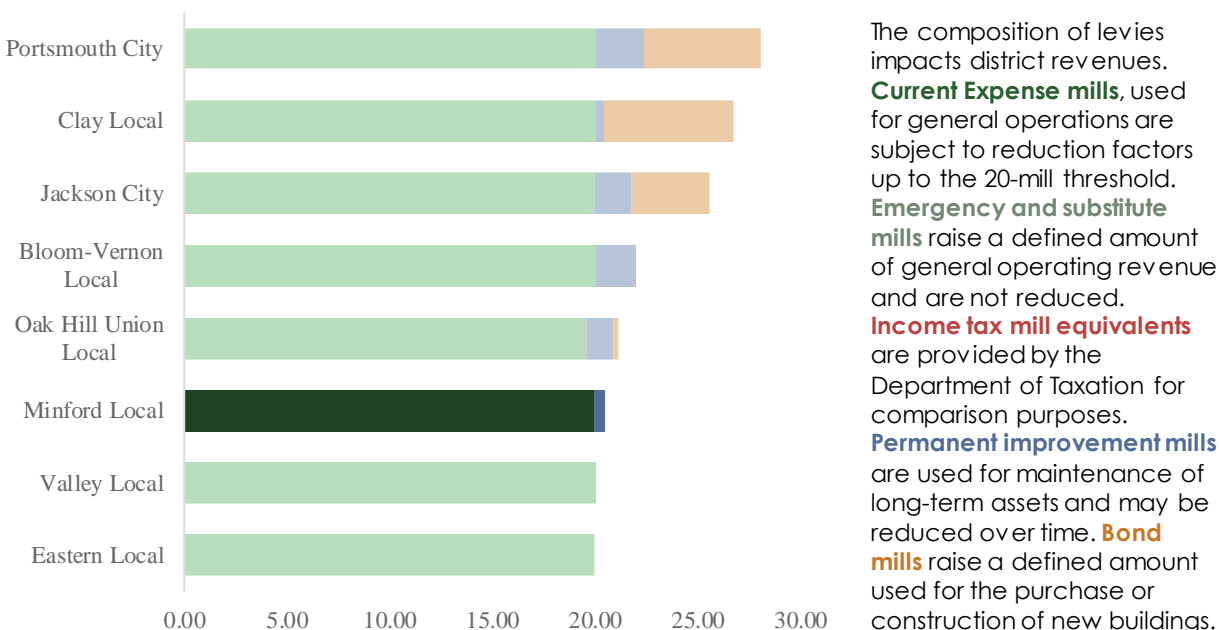
Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed. Each

recommendation in this report describes the specific methodology and criteria used to reach our conclusions.

Appendix B: Financial Systems

The following charts provide the local tax effort for local peers, as well as the General Fund millage for local peers.

2021 Millage and Millage Equivalents | Local Peers



Source: Ohio Department of Taxation

2021 Income Tax Revenue and Millage Equivalents

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
Arcanum Butler	1.50%	\$2,237,467	15.3982
Ottawa-Glandorf	1.50%	\$4,496,608	17.5535
Parkway	1.00%	\$1,265,538	8.1988
Columbiana	1.00%	\$2,078,294	9.3172
Versailles	1.00%	\$2,185,825	11.0282
Minford	0.00%	-	-
Tuscarawas Valley	0.00%	-	-
Tuslaw	0.00%	-	-
Wayne	0.00%	-	-

Source: Ohio Department of Taxation

2021 Local Tax Effort Comparison | Primary Peers

	LTE	Rank	Percentile
Parkway Local	1.8399	17	97.19%
Arcanum Butler Local	1.5177	69	88.61%
Ottawa-Glandorf Local	1.2533	148	75.58%
Columbiana Ex Vill	1.2342	161	73.43%
Versailles Ex Vill	1.1457	204	66.34%
Tuscarawas Valley Local	0.9485	327	46.04%
Wayne Local	0.9049	356	41.25%
Tuslaw Local	0.7753	456	24.75%
Minford Local	0.6561	546	9.90%
Peer Average	1.2024	N/A	N/A

Source: ODE

2021 Local Tax Effort Comparison | Local Peers

	LTE	Rank	Percentile
Eastern Local	0.9402	332	45.21%
Oak Hill Union Local	0.7583	474	21.78%
Jackson City	0.7113	510	15.84%
Bloom-Vernon Local	0.6918	527	13.04%
Portsmouth City	0.6881	529	12.71%
Valley Local	0.6693	541	10.73%
Minford Local	0.6561	546	9.90%
Clay Local	0.6182	560	7.59%
Peer Average	0.7253	N/A	N/A

Source: ODE

We conducted detailed analysis regarding the types of revenues and expenditures associated with extracurricular activities. This includes identifying costs by type and determining the amount of expenditures from the General Fund.

Student Extracurricular Activity Net Cost Comparison

Students Activity Type	MLSD		Local Peer Avg.
	Rev.	Exp.	Net Cost
Academic Oriented	\$0	\$46,340	(\$46,340)
Occupation Oriented	\$0	\$0	(\$838)
Sport Oriented	\$0	\$332,838	(\$332,838)
School & Public Service Co-Curricular	\$0	\$22,035	(\$34,613)
Bookstore Sales	\$0	N/A	\$0
Other Extracurricular	\$950	N/A	\$16,103
Non-specified ¹	\$101,596	N/A	\$78,298
Total	\$102,546	\$401,213	(\$298,667)
Total General Fund Direct Revenue			\$0.00
Total General Fund Direct Expenditures			\$298,682.29
Total General Fund Transfers			\$889.66
Total General Fund Subsidy of Extracurricular Activities			\$299,571.95
Total General Fund Subsidy of Extracurricular Activities per Pupil			\$253.44
Total Difference in General Fund Subsidy to Local Peer Average			\$47,871.00
Remaining General Fund Subsidy			\$251,700.95

Source: MLSD, local peers, and ODE

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

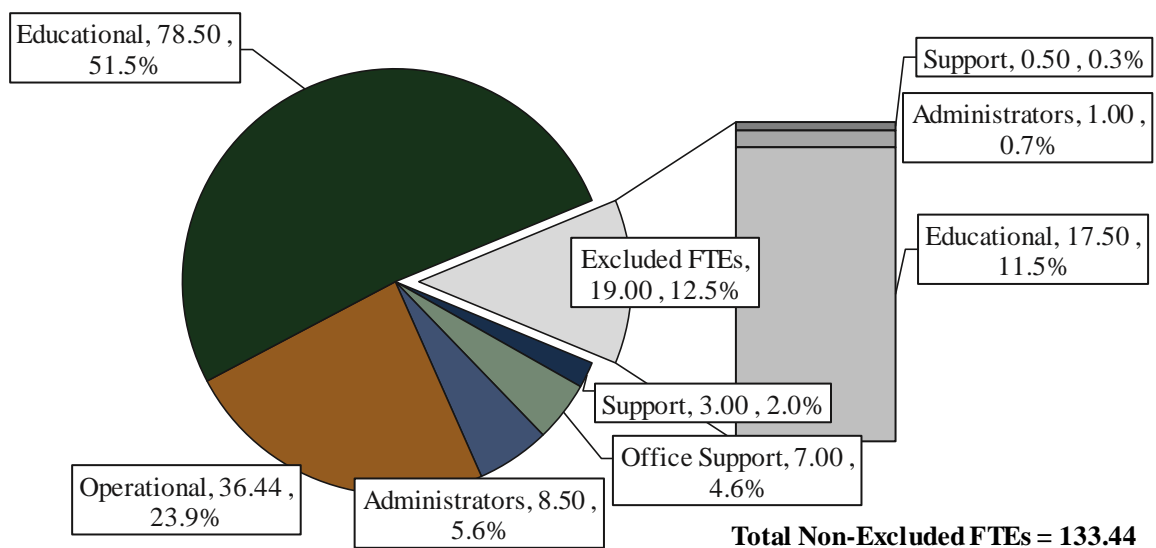
The District General Fund subsidy of its extracurricular activities is higher than the local peer average. See **R.1**.

Appendix C: Human Resources

Personnel costs represent over 69 percent of the District's spending. Due to this, we conduct several analyses relating to the expense associated with maintaining existing staffing levels. During the course of our analysis, we routinely excluded staff that are designated as Title 1 or Special Education as a result of specific rules relating to the funding of these individuals.

The following chart shows the breakdown of FTEs by category at MLSD.

FTEs by Category with Excluded FTEs Breakout



Source: MLSD

We excluded 19.0 FTE District employees from our analysis since they are considered Special Education or Title 1 employees, such as supplemental service teachers, psychologists, occupational therapists, speech and language therapists, and educational interpreters. This represents 12.5 percent of all MLSD staff.

All non-excluded staff were then compared on a district-wide level to primary peer staffing levels. Staffing was analyzed using the District and peer district Education Management Information System (EMIS) reports. Data reliability testing for the District's EMIS data was performed by comparing the EMIS report to payroll reports corresponding to the time of the report. Variances between EMIS and payroll were discussed with the District, with adjustments made as necessary. Adjustments were also made to the peer EMIS data in order to account for coding variations among MLSD and the peers. Following testing, the EMIS data was considered reliable use.

Staffing Comparison Tables

The following tables illustrate the District's employee FTEs compared to the primary peer average. In order to allow for more precise comparison, employees were compared on an FTE per 1,000 student basis. These variances are then converted to FTEs for the client district. This calculation (shown below) allows a more accurate comparison between districts when student counts differ.

Adjusted Difference in FTEs Equation

$$\left[\frac{\text{Client FTE}}{\left(\frac{\text{Client Enrollment}}{1,000} \right)} \right] - \left[\frac{\text{Peer Avg FTE}}{\left(\frac{\text{Peer Avg Enrollment}}{1,000} \right)} \right] * \left(\frac{\text{Client Enrollment}}{1,000} \right)$$

Central Office Administrator Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated	1,191		1,205	(14)	
Students Educated (Thousands)	1.191		1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Supervisor/Manager	1.00	0.84	0.84	0.00	0.00
Coordinator	1.00	0.84	0.30	0.54	0.64
Director	0.00	0.00	0.50	(0.50)	(0.60)
Other Official/Administrative	0.00	0.00	0.24	(0.24)	(0.29)
Total	2.00	1.68	1.88	(0.20)	(0.25)

Source: MLSD and ODE

Building Administrator Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Buildings	3.0	3.1	(0.1)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Assistant Principal	1.50	1.26	0.73	0.63
Principal	3.00	2.52	2.39	0.15
Total	4.50	3.78	3.12	0.66
Position	FTEs	FTEs per Building	Difference per Building	Adjusted Difference in FTEs
Assistant Principal	1.50	0.50	0.28	0.66
Principal	3.00	1.00	0.92	0.24
Total	4.50	1.50	1.20	0.30

Source: MLSD and ODE

Teaching Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
General Education	63.00	52.90	46.21	7.97
Gifted and Talented	0.00	0.00	0.45	(0.54)
Career-Technical Programs/Career Pathways	1.00	0.84	0.79	0.06
Total	64.00	53.74	47.45	7.49

Source: MLSD and ODE

K-8 Teaching Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated	848		839	9	
Students Educated (Thousands)	0.848		0.839	0.009	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Art Education K-8	1.00	1.18	1.56	(0.38)	(0.32)
Music Education K-8	2.00	2.36	2.72	(0.36)	(0.31)
Physical Education K-8	3.00	3.54	1.95	1.59	1.35

Source: MLSD and ODE

Non-Teaching Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated	1,191		1,205	(14)	
Students Educated (Thousands)	1.191		1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Curriculum Specialist	0.50	0.42	0.31	0.11	0.13
Counseling	3.00	2.52	2.20	0.32	0.38
Remedial Specialist	0.00	0.00	0.62	(0.62)	(0.74)
Tutor/Small Group Instructor	0.00	0.00	0.50	(0.50)	(0.60)
Other Educational	0.00	0.00	0.99	(0.99)	(1.18)

Source: MLSD and ODE

Professional Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated	1,191		1,205	(14)	
Students Educated (Thousands)	1.191		1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Psychologist	0.00	0.00	0.41	(0.41)	(0.49)
Other Professional - Other	0.00	0.00	0.21	(0.21)	(0.25)

Source: MLSD and ODE

Technical Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Computer Operating	1.00	0.84	0.34	0.40
Other Technical	0.00	0.00	(0.52)	(0.62)

Source: MLSD and ODE

Central Office Support Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Administrative Assistant	0.00	0.00	(0.21)	(0.25)
Accounting	0.00	0.00	(0.10)	(0.12)
Bookkeeping	0.00	0.00	(0.68)	(0.81)
Central Office Clerical	1.00	0.84	(0.44)	(0.52)
Records Managing	0.00	0.00	(0.10)	(0.12)
Other Office/Clerical	1.00	0.84	0.74	0.88
Total	2.00	1.68	(0.79)	(0.94)

Source: MLSD and ODE

Building Office Support Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated		1,191	1,205	(14)	
Students Educated (Thousands)		1.191	1.205	(0.014)	
Buildings		3.0	3.1	(0.1)	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
School Building Clerical	5.00	4.20	3.06	1.14	1.36
Other Office/Clerical	0.00	0.00	0.18	(0.18)	(0.21)
Total	5.00	4.20	3.24	0.96	1.15
Position	FTEs	FTEs per Building	FTEs per Building	Difference per Building	Adjusted Difference in FTEs
School Building Clerical	5.00	1.67	1.18	0.49	1.47
Other Office/Clerical	0.00	0.00	0.07	(0.07)	(0.21)
Total	5.00	1.67	1.25	0.42	1.26

Source: MLSD and ODE

Library Staff Comparison

Students	Minford Local SD		Primary Peer Avg.	Difference	
Students Educated		1,191	1,205	(14)	
Students Educated (Thousands)		1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Librarian/Media	2.00	1.68	0.10	1.58	1.88
Library Aide	1.00	0.84	1.36	(0.52)	(0.62)
Total	3.00	2.52	1.46	1.06	1.26

Source: MLSD and ODE

Nursing Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Registered Nursing	1.00	0.84	(0.04)	(0.05)
Practical Nursing	1.00	0.84	0.64	0.76
Total	2.00	1.68	0.60	0.71

Source: MLSD and ODE

Classroom Support Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Teaching Aide	0.00	0.00	(4.60)	(5.48)
Total	0.00	0.00	(4.60)	(5.48)

Source: MLSD and ODE

Other Support Staff Comparison

Students	Minford Local SD	Primary Peer Avg.	Difference	
Students Educated	1,191	1,205	(14)	
Students Educated (Thousands)	1.191	1.205	(0.014)	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Monitoring	0.00	0.00	(0.72)	(0.86)

Source: MLSD and ODE

In addition to comparing staffing levels we also reviewed actual salary data and compared the District's compensation schedules to those of local peers. We reviewed both the average annual salary for employees and the expected total compensation for a 30-year career. These comparisons are divided into two sections based on collective bargaining agreements, and salary schedules. The following tables show the salary comparisons for both classified and certificated employees.

Salary Comparison Tables

The following tables illustrate the District's employee salaries compared to the local peer average.

Certificated Career Compensation Comparison

	Minford Local SD	Local Peer Average	Difference	% Difference
BA	\$1,610,740	\$1,663,282	(\$52,542)	(3.2%)
BA+5	\$1,716,268	\$1,774,089	(\$57,821)	(3.3%)
MA	\$1,843,437	\$1,906,999	(\$63,562)	(3.3%)
MA+15	\$1,900,205	\$1,991,872	(\$91,667)	(4.6%)

Source: MLSD and ODE

Classified Career Compensation Comparison

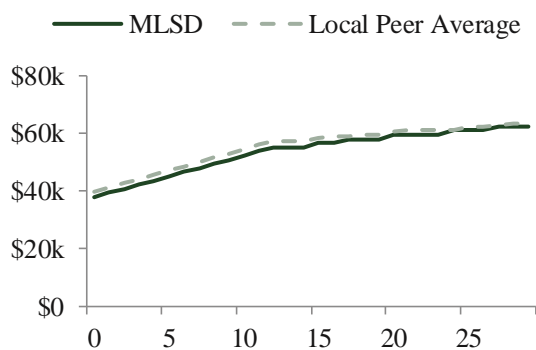
	Minford Local SD	Local Peer Average	Difference	% Difference
Bus Driver	\$593,061	\$682,321	(\$89,260)	(13.1%)
Custodian	\$1,282,112	\$1,246,090	\$36,022	2.9%
Secretary	\$1,044,028	\$1,033,266	\$10,762	1.0%
Cook	\$767,008	\$738,347	\$28,661	3.9%
Teacher Aide	\$778,336	\$761,566	\$16,770	2.2%
Bus				
Mechanic	\$1,375,088	\$1,432,669	(\$57,581)	(4.0%)
Head Cook	\$904,481	\$932,645	(\$28,164)	(3.0%)

Source: MLSD and ODE

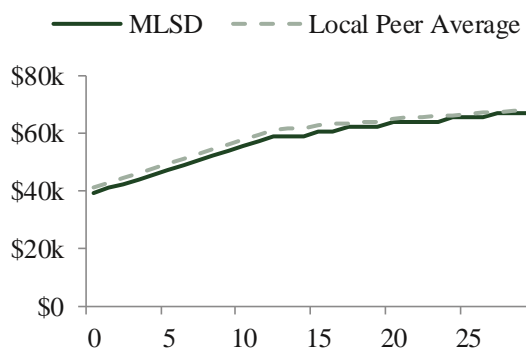
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee position types over the course of a career. The charts which follow show how the annual salaries according to the respective salary and wage schedules compare to peer districts.

Certified Annual Salary Comparisons

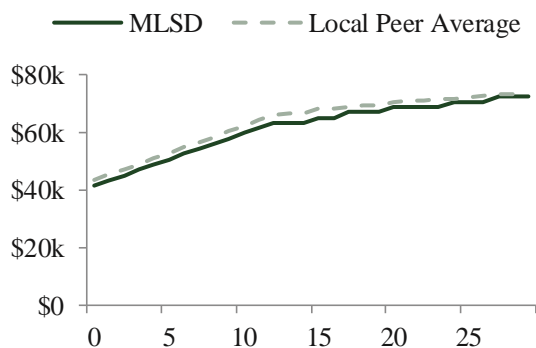
Bachelor's



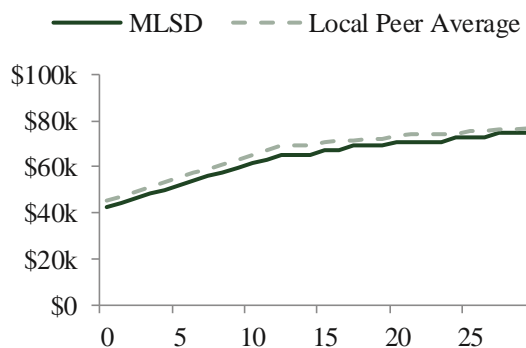
BA+5



Master's

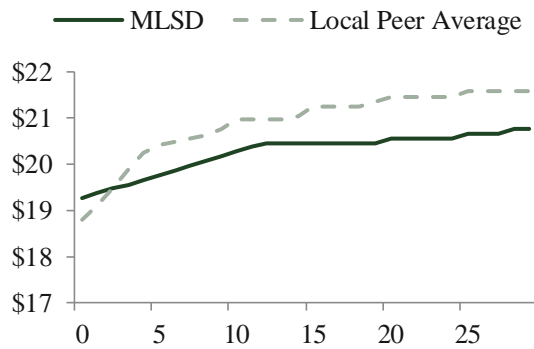


MA+15

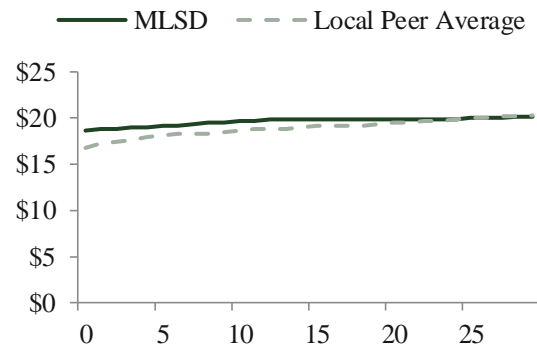


Classified Annual Salary Comparisons

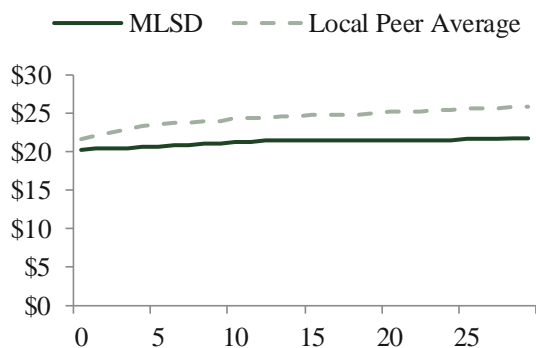
Head Cook



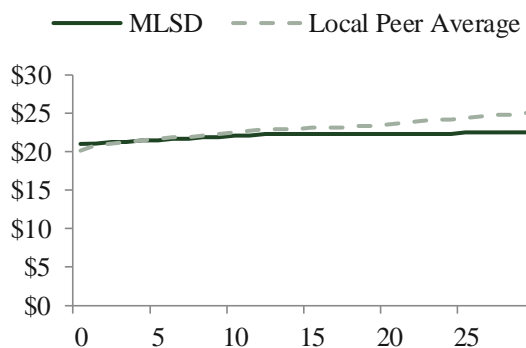
Cook



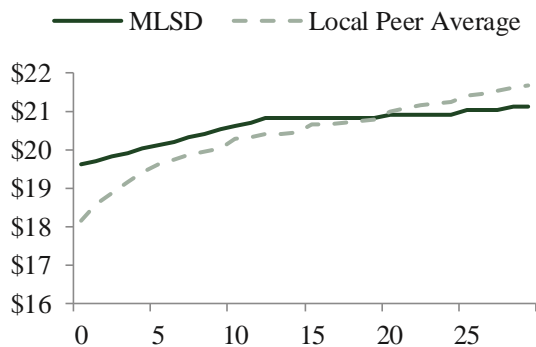
Bus Driver



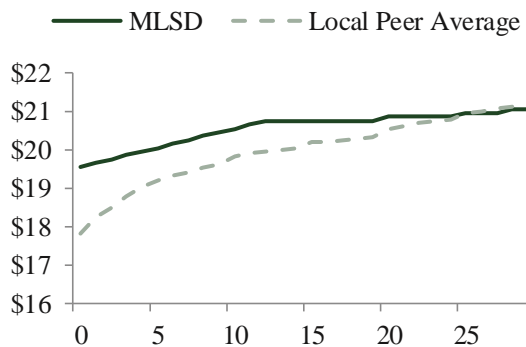
Bus Mechanic



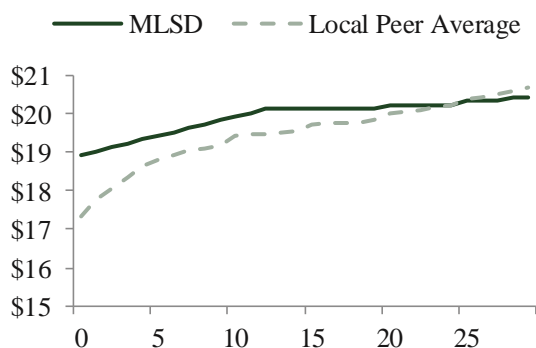
Secretary



Custodian



Teacher Aide



The results of the classified salary analysis revealed that MLSD's Custodians, Building Secretaries, Cooks, and Teacher Aides are compensated at a higher rate over the course of a 30 year career with the District relative to the local peer average. The Districts Bus Drivers, Bus

Mechanic, and Head Cooks are compensated at a lower rate over the course of a 30 year career. However, the overall average compensation difference of all the classified positions analyzed is 1.4 percent less than the peer average. The District could look to align the higher classified salary schedules mentioned in this section to the local peer averages. However, doing so may be challenging at the moment due to the fact that the bus drivers, bus mechanic, and head cooks, all of whom are also covered under the CBA, are currently compensated less relative to the local peer averages. The certified salaries were determined to be aligned with local peer averages.

Appendix D: Facilities

We reviewed the district's staffing for facilities compared to industry standards. Depending on the type of work that is done, a different standard is used; however, each uses a metric to define the time or personnel needed to maintain a specified amount of space.

Buildings & Grounds Staffing Comparison

Grounds Staffing

Grounds FTEs	1.0
Acreage Maintained	60.2
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	1.5
Grounds FTEs Above/(Below) Benchmark	(0.5)

Custodial Staffing

Custodial FTEs	9.4
Square Footage Cleaned	270,379
NCES Level 3 Cleaning Benchmark ¹ - Median Square Footage per FTE	29,500
Initial Benchmarked Staffing Need	9.2
Custodial FTEs Above/(Below) Benchmark	0.2
Adjusted NCES Level 3 Benchmark	29,500
Adjusted Benchmarked Staffing Need	9.2
Custodial FTEs Above/(Below) Benchmark	0.2

Maintenance Staffing

Maintenance FTEs	1.0
Square Footage Maintained	275,204
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.9
Maintenance FTEs Above/(Below) Benchmark	(1.9)

Total Buildings & Grounds Staffing

Total FTEs Employed	11.4
Total Benchmarked Staffing Need	13.6
Total FTEs Above/(Below) Benchmark	(2.2)

Source: Client, AS&U, NCES, THIRD PARTY SOURCE

¹ According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

Using level three cleaning standards, MLSD's total building and grounds staffing level is 2.2 FTEs below the benchmark, which is driven by the grounds and maintenance staffing levels

relative to the respective industry benchmarks.

OHIO AUDITOR OF STATE KEITH FABER



MINFORD LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 5/31/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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