



Mary Taylor, CPA
Auditor of State

FIELD LOCAL SCHOOL DISTRICT
PERFORMANCE AUDIT

NOVEMBER 25, 2008



Mary Taylor, CPA
Auditor of State

To the Residents and Board of Education of the Field Local School District:

In accordance with House Bill 119, a performance audit was conducted in Field Local School District. The functional areas assessed in the audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its educational mission, and because improvements in these areas can assist the District in improving its financial condition.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The audit also provides an independent assessment of the District's financial situation and a framework for improving its financial condition. While the recommendations contained in the audit report are resources intended to assist in improving efficiency, the District is encouraged to assess overall operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology for the performance audit; and a summary of recommendations, noteworthy accomplishments, assessments not yielding recommendations, issues for further study and financial implications. This report has been provided to the District, and its contents discussed with the appropriate elected officials and administrators. The District has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. This performance audit is also accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 25, 2008

Executive Summary

Project History

In accordance with Ohio House Bill 119, AOS conducted a performance audit of Field Local School District (Field LSD or the District). Based on a review of the District's information and discussions with the Superintendent and the Treasurer, the following functional areas were included in the performance audit:

- Financial Systems;
- Human Resources;
- Facilities; and
- Transportation.

District Overview

Field LSD operates under a locally elected Board of Education (BOE) consisting of five members that is responsible for providing public education to the resident students of the District. The District is located in Portage County and encompasses approximately 46 square miles. According to the 2000 Census, Field LSD has a population of approximately 14,550 residents. According to the Ohio Department of Education (ODE), the District's median income was \$33,677 in FY 2007-08, compared to the State average of \$31,321.

In FY 2007-08, Field LSD employed approximately 264 full-time equivalent (FTE) staff. According to ODE, the District's student enrollment in FY 2006-07 was 2,343, which declined to 2,335 in FY 2007-08. Based on the FY 2007-08 ODE Local Report Card, Field LSD met 26 of 30 performance standards, which resulted in a designation of Effective.

Field LSD operates five schools: one kindergarten building, two elementary schools, one middle school and one high school. The District also operates a bus garage and a maintenance building.

At the time of this audit, Field LSD projected a deficit fund balance in the General Fund of approximately \$621,000 in FY 2007-08, but a surplus cash balance of approximately \$258,000. However, Field LSD ended FY 2007-08 with a higher surplus cash balance of approximately \$570,000, partially due to the District receiving a health insurance premium holiday in June 2008. The Treasurer projects deficit fund balances throughout the remaining forecast years.

Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides objective analysis so that management and those charged with governance and oversight can use the information 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 overall objective of the performance audit was to assist the District in identifying strategies to reduce expenditures and, in turn, help eliminate future deficits. The major assessments conducted in this performance audit included the following:

- ***Financial Systems:*** includes an evaluation of Field's LSD's April five-year financial forecast, strategic and financial planning, and revenues and expenditures;
- ***Human Resources:*** includes an analysis of District-wide staffing and salary levels, collective bargaining agreements, and benefit costs;
- ***Facilities:*** includes assessments of custodial, maintenance, and grounds staffing levels, and facility related expenditures; and
- ***Transportation:*** includes evaluations of key operational data (e.g., riders transported per bus and costs per rider), policies, data reporting, and planning.

The ensuing recommendations comprise options that Field LSD can consider in an effort to help stabilize its financial condition.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was primarily conducted between March and July 2008. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Field LSD, peer school districts, and other relevant sources. District data was tested and deemed reliable unless otherwise noted in the report sections. In addition, the performance audit did not include a formal test of the Average Daily Membership (ADM) figures used in the financial systems and human resources sections,

or the student headcounts reported in the transportation¹ section. Trend analyses suggest these data were reasonable and no further testing was deemed necessary. Peer school district data and other information used for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

AOS developed a composite of 10 selected districts, which was used for peer comparisons. The selected districts were Lake Local (Stark County), Tipp City Exempted Village (Miami County), Wadsworth City (Medina County), Canfield Local (Mahoning County), Poland Local (Mahoning County), Anthony Wayne Local (Lucas County), North Canton City (Stark County), Jackson Local (Stark County), Northmont City (Montgomery County) and Green Local (Summit County). These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts, along with 68 other districts and Field LSD, as urban/suburban with high median income. Additionally, these ten school districts were meeting a high number of performance standards (29 out of 30 in FY 2006-07) at a relatively low cost per pupil.

External organizations and sources were also used to provide comparative information and benchmarks. They included the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the American Schools and Universities (AS&U), and the National Center for Education Statistics (NCES).

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues affecting selected areas and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, resulted in report modifications.

The Auditor of State and staff express their appreciation to the Field LSD for its cooperation and assistance throughout this audit.

¹ The number of riders reported on District buses was tested for reliability.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following are noteworthy accomplishments that were identified during the course of the performance audit.

- **Discretionary Spending:** The District limited its discretionary spending during the last two years. Specifically, the District's total discretionary spending amounted to \$694 per student in FY 2005-06 and \$760 per student in FY 2006-07. These amounts were significantly lower than the peer average of \$878 in FY 2006-07.
- **Workers' Compensation:** Field LSD's experience modifier was 0.15 in 2007 and 0.45 in 2008. OBWC considers experience modifiers that are below 1.0 to be excellent ratings.
- **Copy Machine Costs:** Field LSD recognized the need to address expenses incurred for copy machine charges and is taking action to reduce these expenses.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on areas which did not warrant changes and did not yield recommendations. The following summarizes these assessments.

- **Financial Systems:** forecasting process;
- **Human Resources:** staffing planning, health insurance costs, certain collective bargaining provisions, sick leave usage, and teaching aide staffing; and
- **Transportation:** non-routine use, physical security, and bus insurance.

Recommendations

The following summarizes the recommendations in the performance audit.

Financial Systems

- Field LSD should analyze and use **Table 2-6** to evaluate the effect of recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits beginning in FY 2009-10. In addition, the Treasurer should update **Table 2-6** on an on-going basis to reflect changes, monitor revenue and expenditure activities, and review performance against projected figures.
- The District should develop a strategic plan that includes detailed goals, objectives, benchmarks, timeframes, performance measures and related cost estimates (where applicable). The District should link the strategic plan to the budget and forecast.
- The Treasurer should consider including estimates for negotiated wages in the five year forecast. This would likely improve the reasonableness of the forecast.
- The District should cease its practice of moving certified staff to the next longevity step one year early. The District should consult with its legal counsel as to whether this recommendation is subject to collective bargaining.

Human Resources

- Based on the District's financial condition, Field LSD should consider eliminating ten regular education teachers and five educational service personnel positions. However, the District should consider the impact such reductions may have on the quality of education.
- Field LSD should review its clerical staffing assignments in an effort to eliminate five FTEs, such as by consolidating duties. In addition, the District should consider purchasing an automatic substitute calling system to eliminate the extra pay provided to the secretary making the substitute calls and improve reporting capabilities.
- Subject to negotiations, the District should consider eliminating the payment of the employees' retirement contribution and require all employees receiving health benefits to contribute at least ten percent towards monthly health care premium costs.
- Field LSD should consider renegotiating to lower maximum sick days paid at retirement and vacation accrual rates. The District should also negotiate to eliminate the retirement

bonus provision from the collective bargaining agreements, and instead complete a formal a cost benefit analysis prior to offering potential retirement incentives.

Transportation

- Field LSD should purchase routing software based on a review of multiple systems to help improve bus utilization, routing efficiency and overall management of transportation. This, in turn, could allow the District to eliminate six of its more costly to maintain active buses. The District should also review the potential of implementing additional cluster stops without compromising student safety and three runs for some buses by altering bell schedules. Furthermore, the District should periodically review ridership trends and make corresponding changes to its routes and fleet size.
- The District should establish formal policies and procedures to ensure accurate T-forms are prepared, reviewed, and reconciled before submission to ODE. The policies and procedures should specify the parties responsible for each part of the process, and include review and reconciliation procedures.
- The District should include its service levels within the transportation policies. Once the policies are updated, the District should post the information on its website to provide community and parent access. Based on the current and projected financial condition, the District should review its transportation policy to determine the impact and feasibility of adopting standards that are closer to State minimum requirements.
- The District should establish and implement a formal bus replacement plan. The plan should include criteria for bus replacement, such as maintenance costs, estimated costs at the time of replacement, safety inspection results, age, mileage, and condition of the buses.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. The following summarizes the issues for further study.

- **Facilities:** staffing alignment; and
- **Transportation:** fuel purchasing and bus leasing costs.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of options that Field LSD should consider. Detailed information concerning the financial implications is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	FY 2009-10	FY 2010-11	FY 2011-12
Recommendations Not Subject to Negotiations			
R3.1 Reduce 10.0 FTE regular education teachers and 5.0 FTE ESP staff	\$740,000	\$754,800	\$769,896
R3.2 Reduce 5.0 FTE clerical staff	\$140,000	\$142,800	\$145,656
R3.2 Implement sub-calling system	\$6,700	\$7,900	\$7,900
R5.2 Reduce six buses and corresponding driver positions	\$88,800	\$90,640	\$92,517
<i>Subtotal Not Subject to Negotiations</i>	\$975,500	\$996,140	\$1,015,969
Recommendations Subject to Negotiations			
R2.3 Cease practice of moving certified staff to the next longevity increment one year early	\$19,500	\$11,700	\$22,200
R3.3 Eliminate the employees' retirement contribution	\$362,800 ¹	\$370,056	\$377,457
R3.4 Increase employee health insurance contribution	\$215,000	\$234,350	\$255,442
<i>Subtotal Subject to Negotiations</i>	\$597,300	\$616,106	\$655,099
Total all Recommendations	\$1,572,800	\$1,612,246	\$1,671,067

Source: Financial implications identified throughout this performance audit

¹ Adjusted from what is shown in the **human resources** section, assuming that the District implements **R3.1**, **R3.2** and **R5.2**.

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Financial Systems

Background

This section focuses on the financial systems in the Field Local School District (Field LSD or the District), including an assessment of Field LSD's five-year forecast. The executive summary of this performance audit summarizes the audit objectives used to guide the assessments in the financial systems section. Field LSD's operations were evaluated against leading or recommended practices and standards from applicable sources, including the Government Finance Officers Association (GFOA) and selected peer school districts.¹

Financial Condition

Field LSD receives funding at the local level through a variety of voter-approved levies, including a 7.3 mill operating replacement levy passed in March 2004 and a 6.0 mill continuing operating replacement levy passed in August 2006. The 7.3 mill operating replacement levy, which currently collects at \$2,545,421, expires in 2008 with collections through 2009. Field LSD's property tax levies generate approximately \$7.7 million in local revenues for the General Fund.

The District ended FY 2006-07 with a surplus fund balance of approximately \$330,000 and a surplus cash balance of approximately \$351,000. The Treasurer forecasted FY 2007-08 to end with a deficit fund balance of approximately \$621,000, but a surplus cash balance of approximately \$258,000. However, Field LSD ended FY 2007-08 with a higher surplus cash balance of approximately \$570,000, partially due to the District receiving a health insurance premium holiday in June 2008. The Treasurer projects deficit fund balances throughout the remaining forecast years, even with the assumption that the District passes a replacement operating levy that will generate approximately \$1.4 million in FY 2009-10 and \$2.7 million in FYs 2010-11 and 2011-12. During the course of this audit, the District decided to place a 7.3 mill operating levy on the November 4, 2008 ballot. However, voters did not pass this levy.

¹ See the **executive summary** for a list of peer districts and an explanation of the selection methodology.

Table 2-1 presents historical and projected revenues and expenditures as of April 2008. This forecast was used as the starting point for assessing the District's financial condition. AOS focused on testing the District's projections that have a material impact on its financial condition, primarily real estate tax revenues, unrestricted grants-in-aid, salaries and wages (see **R2.2**), and fringe benefits.

Table 2-1: Field LSD Financial History and Forecast (in 000's)

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12
Real Estate Property Tax	\$6,084	\$6,569	\$7,228	\$7,711	\$8,112	\$7,123	\$5,993	\$6,113
Tangible Personal Property Tax	\$1,889	\$2,008	\$1,615	\$1,227	\$871	\$497	\$467	\$439
Unrestricted Grants-in-Aid	\$6,469	\$6,486	\$6,458	\$6,381	\$6,448	\$6,448	\$6,448	\$6,448
Restricted Grants-in-Aid	\$108	\$94	\$152	\$46	\$46	\$46	\$46	\$46
Property Tax Allocation	\$824	\$868	\$1,239	\$1,663	\$2,000	\$2,157	\$2,038	\$1,820
Other Revenues	\$956	\$1,008	\$1,162	\$1,523	\$1,602	\$1,609	\$1,615	\$1,622
Total Operating Revenues	\$16,329	\$17,033	\$17,854	\$18,552	\$19,078	\$17,879	\$16,607	\$16,487
Salaries & Wages	\$9,689	\$9,917	\$10,463	\$10,578	\$10,616	\$10,762	\$10,904	\$11,034
Fringe Benefits	\$3,863	\$3,783	\$3,755	\$4,164	\$4,321	\$4,477	\$4,634	\$4,789
Purchased Services	\$2,101	\$2,163	\$2,250	\$2,431	\$2,516	\$2,604	\$2,695	\$2,789
Supplies, Materials, & Textbooks	\$448	\$537	\$491	\$473	\$957	\$981	\$1,004	\$1,028
Capital Outlay	\$51	\$75	\$209	\$144	\$158	\$174	\$192	\$211
Debt Service	\$711	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$389	\$399	\$424	\$476	\$500	\$525	\$551	\$578
Total Operating Expenditures	\$17,248	\$16,875	\$17,592	\$18,265	\$19,067	\$19,522	\$19,980	\$20,430
Net Transfers/Advances	\$81	(\$136)	(\$13)	(\$348)	\$0	\$0	\$0	\$0
Other Financing Sources/Uses	\$702	\$3	\$3	(\$31)	(\$73)	(\$72)	(\$35)	\$4
Net Financing	\$783	(\$133)	(\$10)	(\$379)	(\$73)	(\$72)	(\$35)	\$4
Result of Operations (Net)	(\$136)	\$25	\$252	(\$93)	(\$62)	(\$1,716)	(\$3,408)	(\$3,939)
Beginning Cash Balance	\$210	\$74	\$99	\$351	\$258	\$196	(\$1,520)	(\$4,928)
Ending Cash Balance	\$74	\$99	\$351	\$258	\$196	(\$1,520)	(\$4,928)	(\$8,867)
Encumbrances	\$41	\$81	\$19	\$35	\$35	\$35	\$35	\$35
Budget Reserve	\$0	\$0	\$0	\$844	\$744	\$644	\$544	\$444
Ending Fund Balance	\$33	\$19	\$332	(\$621)	(\$583)	(\$2,199)	(\$5,507)	(\$9,346)
Property Tax – Replacement (Cumulative Balance)	\$0	\$0	\$0	\$0	\$0	\$1,369	\$4,108	\$6,847
Ending Fund Balance	\$33	\$19	\$332	(\$621)	(\$583)	(\$829)	(\$1,399)	(\$2,499)

Source: Field LSD April 2008 Forecast

Note: Totals may vary from actual due to rounding.

Revenue and Expenditure Comparisons

Table 2-2 compares Field LSD's General Fund revenues by source and expenditures by object to the peer average in FY 2006-07. The data is on per student basis to account for differences in student population.

Table 2-2: Revenues by Source, Expenditures by Object

	Field LSD FY 2005-06	Field LSD FY 2006-07	Type 6 Peer Average
Property & Income Tax	\$3,876	\$4,014	\$4,237
Intergovernmental Revenues	\$3,366	\$3,547	\$3,294
Other Revenues	\$459	\$528	\$332
Total Revenue	\$7,701	\$8,089	\$7,863
Wages	\$4,474	\$4,738	\$4,668
Fringe Benefits	\$1,705	\$1,697	\$1,642
Purchased Service	\$977	\$1,021	\$733
Supplies & Textbooks	\$243	\$223	\$250
Capital Outlays	\$34	\$95	\$140
Debt Service	\$3	\$5	\$4
Miscellaneous	\$177	\$187	\$170
Other Financing Uses	\$80	\$8	\$103
Total Expenditures	\$7,693	\$7,973	\$7,710

Source: Field LSD and peer 4502 and SF-3 Reports

Note: Totals may vary due to rounding.

As illustrated in **Table 2-2**, Field LSD's total revenues were higher than the peer average by \$226 per student in FY 2006-07 due to higher intergovernmental and other revenues. However, the District's property tax revenues were lower than the peer average by \$223 per student. **Table 2-2** also shows that the District's total expenditures in FY 2006-07 were \$263 per student higher than the peer average, primarily due to the higher purchased service expenditures per student. Specifically, Field LSD's purchased services per student were 39 percent higher than the peer average in FY 2006-07. This is mainly due to tuition expenditure, which accounted for \$583 per student, or 57 percent, of total purchased services expenditures. By comparison, the peer average tuition expenditures were only \$173 per student. Excluding tuition, Field LSD's purchased services expenditures of \$438 per student is lower than the peer average of \$560 per student. Additionally, reducing clerical and bus driver staffing levels would lower the District's wage and fringe benefit expenditures (see **human resources** and **transportation**). The District would also reduce fringe benefit expenditures by negotiating to require all employees to pay at least 10 percent of the health insurance premium costs (see **human resources**).

Table 2-3 shows the amount per student and percent of total expenditures posted to the various Uniform School Accounting System (USAS) function codes for all governmental funds for Field LSD and the peer average. Function codes report expenditures by their nature or purpose.

Table 2-3: Governmental Expenditures by Function (in 000's)

USAS Function Classification	Field LSD FY 2005-06		Field LSD FY 2006-07		Type 6 Peer Average FY 2006-07	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instructional Expenditures:	\$4,828	58.8%	\$5,056	59.6%	\$4,860	59.0%
Regular Instruction	\$3,904	47.6%	\$4,129	48.7%	\$3,850	46.8%
Special Instruction	\$799	9.7%	\$781	9.2%	\$758	9.1%
Vocational Education	\$74	0.9%	\$80	1.0%	\$151	1.8%
Adult/Continuing Education	\$11	0.1%	\$16	0.2%	\$1	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$0	0.0%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$40	0.5%	\$50	0.6%	\$100	1.2%
Support Service Expenditures:	\$3,200	39.0%	\$3,226	38.0%	\$3,068	37.2%
Pupil Support Services	\$393	4.8%	\$459	5.4%	\$449	5.4%
Instructional Support Services	\$405	4.9%	\$371	4.4%	\$326	4.0%
Board of Education	\$7	0.1%	\$12	0.1%	\$30	0.4%
Administration	\$901	11.0%	\$897	10.6%	\$624	7.6%
Fiscal Services	\$214	2.6%	\$220	2.6%	\$177	2.2%
Business Services	\$24	0.3%	\$15	0.2%	\$39	0.5%
Plant Operation & Maintenance	\$721	8.8%	\$684	8.1%	\$875	10.6%
Pupil Transportation	\$515	6.3%	\$552	6.5%	\$465	5.7%
Central Support Services	\$20	0.3%	\$16	0.2%	\$84	1.0%
Non-Instructional Services Expenditures	\$8	0.1%	\$24	0.3%	\$57	0.7%
Extracurricular Activities Expenditures	\$168	2.1%	\$178	2.1%	\$256	3.1%
Total Governmental Fund Operational Expenditures	\$8,205	100.0%	\$8,483	100.0%	\$8,240	100.0%

Source: Field LSD and peer 4502 and SF-3 Reports

Note: Totals may vary due to rounding.

As shown in **Table 2-3**, Field LSD's total governmental fund expenditures per student for FY 2006-07 were \$243 higher than the peer average and increased \$278 from FY 2005-06. Explanations for higher per student expenditures include the following:

- *Regular Instruction* – The District spent \$279 more per student on regular instruction than the peer average. Negotiating to increase the monthly employee contribution for

health insurance would help to reduce the regular instruction expenditures per student. Refer to the **human resources** section for additional discussion.

- *Special Instruction* – The District spent \$23 more per student on special instruction than the peer average. However, when including only special education students as reported in December Child Count reports, the District spent \$5,169 in special instruction costs per student in FY 2006-07, which is much lower than the peer average of \$6,802.
- *Adult/Continuing Education* – The District spent \$15 more per student on adult/continuing education than the peer average. This is due to postsecondary education expenditures.
- *Pupil Support Services* – The District spent \$10 more per student on pupil support services than the peer average, which is only 2.2 percent higher than the peer average. This category includes guidance counselors. In FY 2006-07, a guidance counselor retired with no replacement of the position for FY 2007-08.
- *Instructional Support Services* – The District spent \$45 more per student on instructional support services than the peer average. This is due, in part, to employing more teaching aid full-time equivalents (FTEs) per 1,000 students when compared to the peer average. Refer to the **human resources** section for further discussion.
- *Administration* – The District spent \$273 more per student on administration than the peer average. This is due, in part, to employing more clerical FTEs per 1,000 students when compared to the peer average. Refer to the **human resources** section for additional discussion.
- *Fiscal Services* – The District spent \$43 more per student on fiscal services than the peer average. This function includes staff in the Treasurer’s Office and miscellaneous expenditures such as County Auditor and County Treasurer fees, bank fees and deposit slips, audit fees, membership dues, and the Treasurer’s bond.
- *Pupil Transportation* – The District spent \$87 more per student on pupil transportation than the peer average. Refer to the **transportation** section for additional information.

Assessments Not Yielding Recommendations

In addition to the analyses in this report, an assessment of the District’s overall forecasting process did not yield a recommendation because in the development of the five-year forecast, Field LSD’s Treasurer meets the AICPA recommended practices. The forecast is prepared with assumptions; follows appropriate accounting procedures; uses the best information available at

the time (and is updated when new information becomes available); identifies key factors in the assumptions; includes appropriate documentation; and is reviewed by the Board.

The District's forecasting process contributes to the development of an overall sound and reasonable forecast that was reviewed during the course of this performance audit. Specifically, with one exception (see **R2.2**), the Treasurer's projections appeared reasonable based on historical trends, actual year-to-date activity through April 2008, legislative requirements, third-party information, and/or current economic conditions. For example, health insurance expenditures comprise the largest portion of the benefits line item, at approximately 51 percent of total benefits in FY 2006-07. The Treasurer projects health insurance independent of the other benefits that are tied to salaries, based historical premium increases.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The District's discretionary spending levels qualify as a noteworthy accomplishment. Specifically, total discretionary expenditures per student totaled approximately \$694 in FY 2005-06 and \$760 in FY 2006-07. These amounts are significantly lower than the peer average of \$878 in FY 2006-07.

Recommendations

Strategic and Financial Planning

- R2.1 Field LSD should develop a new strategic plan which includes detailed goals, objectives, timeframes, performance measures, and cost estimates (where applicable). In addition, the District should link the strategic plan to the budget and the five-year forecast. This approach would shift the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs, outcomes, and ultimately to the accomplishment of the goals and objectives in the strategic plan. Finally, the District should compare, on a regular basis, the strategic plan to actual performance to determine its success in achieving the stated goals and objectives.**

Field LSD held a strategic planning session in February 2002, facilitated by the Ohio School Boards' Association (OSBA), to review and clarify the roles of the Board of Education (the Board) and Superintendent. However, the District's strategic plan does not include detailed objectives, performance measures, timeframes, and estimated costs. Rather, it includes nine recommendations made by OSBA and the District's response or action taken to the recommendations.

According to *Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005), all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan will establish logical links between spending amounts and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In developing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or at least verifiable statements and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and provide an important link between the goals in the strategic plan and the activities funded in the budget.

Without an updated comprehensive strategic plan that includes detailed objectives, performance measures, and estimated costs (where applicable), Field LSD increases the risk of not identifying and addressing critical needs, and not evaluating the relationship between its spending decisions and program outcomes.

R2.2 The Treasurer should consider including estimates for negotiated wage increases when projecting the personnel services line item. Doing so would likely improve the reasonableness of the projected figures because it is unlikely the District will be able to get through the forecast period without any negotiated wage increases.

Personnel services represents employee salaries and wages, including extended time, severance pay, and supplemental contracts. Personnel services are projected to represent approximately 58 percent of the District's FY 2007-08 general operating expenditures. Based on the collective bargaining agreements, the Treasurer's salaries projection for FY 2007-08 is calculated with a 1 percent increase on base for teachers and an approximately 2 percent increase on base for classified personnel. An additional 1 percent for teachers is contingent on a premium holiday month of health insurance and repayment of grants funds to ODE. Negotiated agreements with both unions were settled only for FY 2007-08, with re-openers. FY 2008-09 assumes the District settled its grant repayments and received a holiday month for health insurance in FY 2007-08, giving teachers a 2 percent increase in FY 2007-08. FY 2008-09 through FY 2011-12 reflects step increases, but not negotiated wage increases. The forecast also reflects savings achieved through previous staffing changes. During the course of this audit, the District settled the grant repayment with ODE and received a health insurance holiday for June 2008.

Based on the above and year-to-date expenditures through April 2008, the Treasurer's projection for FY 2007-08 appears reasonable. Likewise, based on reviewing the documentation maintained by the Treasurer to support the projected figures (see **R2.3** for more information), the personnel service projections thereafter appear reliable. However, not assuming any negotiated wage increase to base salaries may be difficult to achieve. As such, Field LSD's personnel services expenditure line item will be revised to include a 2 percent negotiated wage increase for all staff from FY 2009-10 to FY 2011-12. In addition, payroll related benefits are adjusted to reflect AOS revisions to personnel services. **Table 2-4** shows the impact of these revisions on Field LSD's forecast.

Table 2-4: Field LSD Expenditure Projections (in 000's)

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
FLSD Projections					
Personnel Services	\$10,578	\$10,616	\$10,762	\$10,904	\$11,034
Benefits	\$4,164	\$4,321	\$4,477	\$4,634	\$4,789
AOS Projections					
Personnel Services	\$10,578	\$10,616	\$10,943	\$11,277	\$11,618
Benefits	\$4,164	\$4,321	\$4,838	\$5,150	\$5,486
Difference between AOS and Field LSD Projections	\$0	\$0	\$542	\$889	\$1,281

Source: Field LSD Five-Year Forecast, April 2008 and AOS

R2.3 Field LSD should cease its practice of moving certificated staff to the next longevity increment one year early. This would reduce salary expenditures and subsequently help the District improve its financial condition. The District should consult with its legal counsel as to whether this recommendation is subject to collective bargaining.

The Treasurer created a spreadsheet that tracks certified staff's movement through the salary schedule during the forecast period to help project the personnel services line item of the forecast. For each certified employee, the spreadsheet lists the degree, years of experience, and placement on the salary schedule; contract salary amount; and cost of benefits, such as retirement and health insurance.

AOS randomly sampled 10 employees to tie their salary in the spreadsheet to the salary schedule in the certified collective bargaining agreement. While all ten individuals tied to the certificated salary schedule in each year of the projection, three of the individuals sampled are projected to receive a longevity increase one year early.

The Treasurer confirmed that Field LSD moves certificated staff to the next longevity step one year early and noted this is not stipulated in the certificated negotiated agreement. According to the certificated negotiated agreement, "Longevity increments are to be granted to all teachers according to the following schedule. The payments shall commence at the beginning of each of the following years." The agreement includes a table with increases in the 17, 20, 23, 26, and 29 year. The Treasurer noted that the District considered negotiating the practice away, but realized it would result in a minimal cost savings. According to the Superintendent, this practice predates his tenure with the District.

In addition, this practice does not appear to apply to the classified staff. The classified negotiation agreement states, "Longevity increments shall be granted to all employees according to the Salary Schedule." The salary schedule for each classified position provides longevity steps at 15, 20, 25, and 30 years of service. According to the spreadsheet created by the Treasurer to project classified salary expenditures during the forecast period, classified staff receive longevity step increases when their years of service matches a longevity step. For example, a 260 day custodian with 29 years of experience is paid at the 25 year longevity step.

Providing certificated staff with salary increases a year earlier than required by the collective bargaining agreement increases Field LSD's expenditures. This, in turn, makes it more difficult for Field LSD's to improve its financial condition.

Financial Implication: If Field LSD discontinued this practice, the District would realize cost savings in salaries and benefits of approximately \$24,200 in FY 2008-09, \$19,500 in FY 2009-10, \$11,700 in FY 2010-11, and \$22,200 in FY 2011-12.

Financial Recovery Plan

R2.4 Field LSD should analyze and use Table 2-5 to evaluate the effect of the recommendations presented in this performance audit. The District should consider implementing the recommendations in this performance audit and other appropriate actions to avoid the projected operating deficits throughout the forecast. In addition, the Treasurer should update Table 2-5 on an on-going basis to reflect changes, monitor revenues and expenditures, and review performance against projected figures.

Table 2-5 presents the revised projections discussed throughout this section of the audit report (see **R2.2**) and the cumulative effect of the audit recommendations.

Table 2-5: Field LSD Financial Recovery Plan (in 000's)

	Actual 2004-05	Actual 2005-06	Actual 2006-07	Forecast 2007-08	Forecast 2008-09	Forecast 2009-10	Forecast 2010-11	Forecast 2011-12
Real Estate Property Tax	\$6,084	\$6,569	\$7,228	\$7,711	\$8,112	\$7,123	\$5,993	\$6,113
Tangible Personal Property Tax	\$1,889	\$2,008	\$1,615	\$1,227	\$871	\$497	\$467	\$439
State Funding	\$6,577	\$6,580	\$6,610	\$6,426	\$6,493	\$6,493	\$6,493	\$6,493
Property Tax Allocation	\$824	\$868	\$1,239	\$1,663	\$2,000	\$2,157	\$2,038	\$1,820
Other Revenues	\$956	\$10,083	\$1,162	\$1,523	\$1,602	\$1,609	\$1,616	\$1,622
Total Operating Revenues	\$16,329	\$17,003	\$17,854	\$18,552	\$19,078	\$17,879	\$16,607	\$16,487
<i>Salaries & Wages</i>	\$9,687	\$9,917	\$10,463	\$10,578	\$10,616	\$10,943	\$11,277	\$11,618
<i>Fringe Benefits</i>	\$3,863	\$3,783	\$3,755	\$4,164	\$4,321	\$4,838	\$5,150	\$5,486
Purchased Services	\$2,101	\$2,163	\$2,250	\$2,431	\$2,516	\$2,604	\$2,695	\$2,789
Supplies & Materials	\$448	\$537	\$491	\$473	\$957	\$981	\$1,004	\$1,028
Capital Outlay	\$51	\$75	\$209	\$144	\$158	\$174	\$192	\$211
Debt Service	\$711	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$389	\$399	\$424	\$476	\$500	\$525	\$551	\$578
Total Operating Expenditures	\$17,248	\$16,875	\$17,592	\$18,265	\$19,067	\$20,064	\$20,869	\$21,711
Net Transfers/Advances	\$81	(\$136)	(\$13)	(\$348)	\$0	\$0	\$0	\$0
Other Financing Sources/Uses	\$702	\$3	\$3	(\$31)	(\$73)	(\$72)	(\$35)	\$4
Net Financing	\$783	(\$133)	(\$10)	(\$379)	(\$73)	(\$72)	(\$35)	\$4
Result of Operations (Net)	(\$136)	\$25	\$252	(\$93)	(\$62)	(\$2,258)	(\$4,297)	(\$5,220)
Beginning Cash Balance	\$210	\$74	\$99	\$351	\$573 ¹	\$511	(\$1,747)	(\$6,044)
Ending Cash Balance	\$74	\$99	\$351	\$258	\$511	(\$1,747)	(\$6,044)	(\$11,264)
Encumbrances	\$41	\$81	\$19	\$35	\$35	\$35	\$35	\$35
Reservation of Fund Balance	\$0	\$0	\$0	\$844	\$744	\$644	\$544	\$444
Ending Fund Balance	\$33	\$19	\$332	(\$621)	(\$268)	(\$2,426)	(\$6,623)	(\$11,743)
Property Tax – Replacement Levy	N/A	N/A	N/A	N/A	N/A	\$1,369	\$2,739	\$2,739
Cumulative Balance of Replacement Levy	N/A	N/A	N/A	N/A	N/A	\$1,369	\$4,108	\$6,847
Ending Fund Balance	N/A	N/A	N/A	N/A	N/A	(\$1,057)	(\$2,515)	(\$4,896)
Cumulative Impact of Performance Audit Recs.	N/A	N/A	N/A	N/A	N/A	\$1,573	\$3,185	\$4,856
Revised Ending Fund Balance	N/A	N/A	N/A	N/A	N/A	\$516	\$670	(\$40)

Source: Field LSD April 2008 Forecast and AOS Recommendations

Note: The performance audit recommendations are increased each year based on the Treasurer's assumptions, AOS revised assumptions, or inflation.

¹ FY 2008-09 reflects Field LSD's actual ending cash balance for FY 2007-08.

As shown in **Table 2-5**, the District is projected to eliminate the deficits by implementing all of the performance audit recommendations in FY 2009-10 and FY 2010-11. However, Field LSD is projected with a slight deficit in FY 2011-12, even when including the performance audit recommendations. In addition, **Table 2-5** includes potential staffing reductions for regular teacher and education service personnel positions (see **human resources**). If the District did not implement these staffing reductions, it would maintain deficits in FY 2009-10 and FY 2010-11. The forecasted ending balances in **Table 2-5**

will also depend, in part, on the attainment of Field LSD's and AOS revised projections. Therefore, monitoring the attainment of the projections and updating the forecast as necessary will ensure the District bases future decisions on the most current information. Lastly, the projected ending balances in **Table 2-5** will partially depend on the timing related to implementing the performance audit recommendations. **Table 2-5** does not include the impact of the performance audit recommendations until FY 2009-10.

Table 2-6 summarizes the performance audit recommendations reflected in the revised five-year forecast. Recommendations are divided into two categories, those subject to negotiation and those not subject to negotiation.

Table 2-6: Performance Audit Recommendations Included in Recovery Plan

Recommendation	FY 2009-10	FY 2010-11	FY 2011-12
Recommendations Not Subject to Negotiations			
R3.1 Reduce 10.0 FTE regular education teachers and 5.0 FTE ESP staff	\$740,000	\$754,800	\$769,896
R3.2 Reduce 5.0 FTE clerical staff	\$140,000	\$142,800	\$145,656
R3.2 Implement sub-calling system	\$6,700	\$7,900	\$7,900
R5.2 Reduce six buses and corresponding driver positions	\$88,800	\$90,640	\$92,517
<i>Subtotal Not Subject to Negotiations</i>	<i>\$975,500</i>	<i>\$996,140</i>	<i>\$1,015,969</i>
Recommendations Subject to Negotiations			
R2.3 Cease practice of moving certified staff to the next longevity increment one year early	\$19,500	\$11,700	\$22,200
R3.3 Eliminate the employees' retirement contribution	\$362,800 ¹	\$370,056	\$377,457
R3.4 Increase employee health insurance contribution	\$215,000	\$234,350	\$255,442
<i>Subtotal Subject to Negotiations</i>	<i>\$597,300</i>	<i>\$616,106</i>	<i>\$655,099</i>
Total all Recommendations	<i>\$1,572,800</i>	<i>\$1,612,246</i>	<i>\$1,671,067</i>

Source: AOS recommendations

¹ Adjusted from what is shown in the **human resources** section, assuming that the District implements **R3.1**, **R3.2** and **R5.2**.

Financial Implications Summary

The following table presents a summary of estimated cost savings identified in this section of the report.

Table 2-7: Recommendations Subject to Negotiation

Recommendation	Estimated Cost Savings FY 2009-10	Estimated Cost Savings FY 2010-11	Estimated Cost Savings FY 2011-12
R2.3 Cease practice of moving certified staff to the next longevity increment one year early	\$19,500	\$11,700	\$22,200
Total	\$19,500	\$11,700	\$22,200

Source: Auditor of State Recommendations

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Human Resources

Background

This section of the performance audit focuses on Field Local School District's (Field LSD or the District) human resource operations. Operations were evaluated against leading or recommended practices, industry benchmarks, operational standards, and selected peer school districts.¹ Sources of leading or recommended practices and industry standards include the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), State Employment Relations Board (SERB), Bureau of Workers' Compensation (BWC), and Kaiser Family Foundation.

Organizational Structure and Function

Field LSD does not have a separate department dedicated to human resource functions. Rather, the Superintendent, Treasurer and other staff members complete the majority of human resource functions. The Treasurer helps negotiate and administer the collective bargaining agreements; manages the workers' compensation program; conducts payroll functions; monitors the budget; and administers the District's employee benefit programs. The Superintendent oversees the activities used to recruit, select, and evaluate employees; helps negotiate and administer the collective bargaining agreements; and monitors compliance with minimum employment standards.

Staffing

Table 3-1 compares Field LSD's full-time equivalent (FTE) employees per 1,000 average daily memberships (ADM) in FY 2007-08 to the peer average for FY 2006-07.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 3-1: Staffing Comparison (FTEs per 1,000 students)

	Field LSD FY 2007-08	Peer Average FY 2006-07	Differences
Students	2,328	3,969	1,641
Administrators	5.15	5.10	0.05
Educational	60.56	63.99	(3.43)
Professional	2.58	1.90	0.68
Technical	0	2.33	(2.33)
Office/Clerical	16.16	12.19	3.97
Maintenance Workers	1.29	1.68	(1.39)
Custodians/Grounds	5.35	6.65	(1.30)
Bus Drivers	12.03	8.68	3.35
Food Service Workers	6.00	6.46	(1.46)
All Other	4.24	4.56	(0.32)
Total FTEs	113.36	113.55	(0.19)

Source: FY 2006-07 and FY 2007-08 EMIS data reported to ODE as of 02/02/07.

Table 3-1 shows that Field LSD's staffing levels exceeded the peer average by more than 1.0 FTE per 1,000 ADM in the office/clerical (includes teaching aides) and bus driver classifications. See *Assessments Not Yielding Recommendations* and **R3.2** for further assessment, and **R5.2** in the **transportation** section for an assessment of bus driver staffing levels.

Negotiated Agreements

The following collective bargaining agreements cover the District's certificated and classified personnel:

- **Field Local Teachers Association:** (Certificated contract) covers certificated employees and runs through June 30, 2008. Negotiations are in process.
- **Ohio Association of Ohio Public School Employees AFSCME/AFL/CIO OAPSE Local 259(OAPSE):** (Classified contract) covers classified employees and runs through August 31, 2010. This contract includes a re-opener for wages and benefits in addition to other "me too" language if teachers receive an increase.

The performance audit assesses certain contractual and employment issues and compares those issues to Ohio law and industry benchmarks (see *Assessments Not Yielding Recommendations* and **R3.5**).

Assessments Not Yielding Recommendations

In addition to the analyses in this report, assessments conducted on areas which did not warrant changes and did not yield recommendations include the following:

- **Staffing Planning:** The Superintendent reviews staffing weekly throughout the school year and the District plans for staffing changes beginning in January of each school year. The most current staffing plan is still in the tentative phase for FY 2008-09, but includes consideration of retiring teachers, transferring students, open enrollment, Maplewood Career Center students, post secondary students, and parent school choices.
- **Health Insurance Costs:** Field LSD's health insurance cost per full-time equivalent (FTE) of \$7,274 in FY 2006-07 is lower than the peer average of \$7,569. In addition, Field LSD's single and family medical premiums are comparable to adjusted data reported by SERB and the Kaiser Family Foundation². Lastly, Field LSD's total premium costs for health, dental, and vision are lower than the combined adjusted premium data from SERB.
- **Certain Collective Bargaining Provisions:** The following provisions in the collective bargaining agreements were identified as comparable to relevant benchmarks: length of workday, minimum staffing, building checks, minimum call-in hours, number of holidays, maximum class size, perfect attendance incentive, reduction in force, professional leave of absence, number of contract days, evaluations, number of personal days, and negotiated wage increases.
- **Sick Leave Use:** While the classified employees averaged 6.7 more sick leave hours per employee in FY 2006-07 when compared to the applicable DAS average, certificated employees used 6.2 fewer sick leave hours per employee when compared to the relevant DAS average. Furthermore, the District obtains physician certificates. The collective bargaining agreements allow Field LSD to request physician certificates to justify sick leave use.
- **Teaching Aide Staffing:** The District employs 7.1 teaching aide FTEs per 1,000 students, which is higher than the peer average of 5.2. However, the District does not employ any instructional paraprofessionals. When combining teaching aide and instructional paraprofessional positions, the District's ratio of 7.1 FTEs per 1,000 students is still higher than the peer average of 5.8. The EMIS staffing reports indicate that 79 percent of the District's teaching aide FTEs are assigned to special education students. The District spends an average of \$5,169 in special instruction costs per special education student, which is significantly lower than the peer average of \$6,802. However,

² SERB and Kaiser published data was adjusted for inflation to provide a reliable comparison to Field LSD's premiums.

the District codes salaries and benefits for teaching aides in another category. Even when including all of the teaching aid salaries and benefits, the District's revised special instruction cost per special education student (\$5,970) is still lower than the peer average (\$6,802).

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. According to the District's Ohio Bureau of Worker's Compensation (OBWC) representative, Field LSD's experience modifier for 2008 is 0.45. In 2007, it was 0.15. OBWC considers experience modifiers that are below 1.0 to be excellent ratings.

Recommendations

Staffing

- R3.1 Based on the District's financial condition (see financial systems), Field LSD should consider eliminating ten regular education teacher FTEs and five Educational Service Personnel (ESP) FTEs. The District could reduce up to an additional 13 regular education FTEs, based on State minimum requirements. However, the District should weigh decisions to reduce regular teacher and ESP staffing levels against the impact such reductions may have on the quality of education.**

Field LSD's ratios of regular students per regular education teacher (19.3) and total students per regular education teacher (21.8) in FY 2007-08 were comparable to the respective peer averages in FY 2006-07 (19.6 and 22.1). In addition, the District employs 7.5 educational service personnel (ESP) FTEs per 1,000 regular students and 6.4 ESP FTEs per 1,000 total students, which are lower than the respective peer averages in FY 2006-07 (8.1 and 7.3). While the District maintains similar number of students per regular education teacher as the peer average and employs fewer ESP FTEs per 1,000 students, it employs more regular education teachers and ESP FTEs when compared to State minimum requirements.

According to Ohio Administrative Code (OAC) 3301-35-05, Field LSD is required to maintain at least one FTE classroom teacher for every 25 regular education students on a District-wide basis. Based on the FY 2007-08 staffing levels, the District could reduce up to approximately 23 FTE regular education teachers and still comply with State minimum requirements. In addition, the District could continue to operate above State minimum requirements and still eliminate a significant number of regular education teacher positions. For instance, if the District eliminated 10 regular education teacher positions, it would maintain a regular student to teacher ratio of 21.4:1.

OAC 3301-35-05(A) (4) requires school districts to employ a minimum of five education service personnel for every 1,000 students in the regular student population. The statute goes on to indicate that ESP positions include art, music, and physical education teachers; counselors; registered nurses; social workers; and library/media specialists. The District could reduce ESP staffing levels by approximately 5 FTEs and still comply with OAC requirements.

Financial Implication: By reducing 10 regular teacher FTEs and 5 educational service personnel, the District could save approximately \$740,000 in salaries and benefits. This is based on the lower salaried staff.

R3.2 Field LSD should review its clerical staffing assignments in an effort to eliminate five FTEs, such as by consolidating duties. In addition, the District should consider purchasing an automatic substitute calling system to eliminate the extra pay provided to the secretary making the substitute calls and improve reporting capabilities.

Table 3-2 compares Field LSD's clerical staffing levels in FY 2007-08 to the peer average in FY 2006-07.

Table 3-2: Clerical Staffing Levels

	Field LSD	Peer Average	Difference
Total Clerical Staff	21.0	27.8	(6.8)
Clerical Staff per 1,000 Students	9.0	6.9	2.1
Clerical Staff per School Building	4.2	4.4	(0.2)
Employees per Clerical Staff	11.6	15.7	(4.1)

Source: EMIS data as reported to ODE.

Table 3-2 shows that Field LSD employs 21.0 clerical employees, while the peer average is 27.8. In addition, the District employs 0.2 fewer clerical staff per building than the peer average. However, the District has 9.0 clerical staff on a per 1,000 ADM basis, which is higher than the peer average of 6.9. Likewise, the District employs more clerical staff based on the number of employees. More specifically, Field LSD's ratio of 11.6 employees per clerical FTE is 26 percent lower than the peer average of 15.7. The District would need to eliminate 5 FTEs to achieve the peer average number of clerical employees per 1,000 students. While this would reduce the number of clerical staff per building to 3.2, this would result in an employee per clerical staff ratio of 15.2, which is still lower than the peer average of 15.7. The number of employees per clerical staff would further decline if the District implements other staffing reductions (see **R3.1** and **transportation**). Furthermore, the District's revised ratio of 3.2 clerical FTEs per building would be similar to three of the ten peer districts, which employed 2.7, 3.3, and 3.7 clerical FTEs per building, respectively.

According to the secretary assigned to call substitutes, she is paid two hours per day in additional pay for performing this task. This equates to approximately \$8,200 per year. However, the District could reduce costs and increase efficiency with an automated substitute calling system. For example, one particular software system would cost the District approximately \$1,500 in the first year and \$295 each year after, and includes the following features and benefits:

- Eliminates labor intensive task of manual call-in;
- Prints a list of absent teachers and arranged substitutes daily;

- Available for the teacher to call in anytime of the day;
- Capable to schedule substitutes for pre-arranged absences; and
- Allows employees that do not require a substitute to report absences for payroll records.

Financial Implication: Eliminating five clerical FTEs would save Field LSD approximately \$140,000 annually in salaries and benefits, based on the lowest salaried clerical positions. By purchasing an automated substitute calling system and accordingly eliminating the extra pay for the secretary, the District would save approximately \$6,700 in the first year and \$7,900 annually thereafter.

Salaries

R3.3 Based on the Field LSD's projected financial condition (see financial systems), the District should consider negotiating to eliminate the payment of the employees' retirement contribution for all staff. This would be particularly important if the District decides to maintain current staffing levels (see R3.1 and R3.2).

Table 3-3 compares Field LSD's average salaries by EMIS classification in FY 2006-07 and FY 2007-08 to the peer average in FY 2006-07. **Table 3-3** also includes the impact of Field LSD's payment of the employees' employee contribution. Specifically, this practice increases the District's salaries by 11 percent for administrators, 3.5 percent for certified employees, and 1 percent for classified.

Table 3-3: Average Salaries

	Field LSD FY06-07	Field LSD FY07-08	Peer Average FY06-07	Percent Difference to FY06-07	Percent Difference to FY07-08
Administrators	\$82,137	\$79,014	\$75,441	8.9%	4.7%
Educational Staff	\$50,329	\$50,936	\$52,014	(3.2%)	(2.1%)
Professional Staff	\$50,614	\$49,824	\$53,123	(4.7%)	(6.2%)
Office/Clerical	\$23,597	\$22,844	\$23,142	(2.0%)	(1.3%)
Maintenance	\$33,914	\$35,398	\$40,177	(15.6%)	(11.9%)
Operative	\$13,708	\$13,671	\$18,696	(26.7%)	(26.9%)
Service Worker	\$23,122	\$21,599	\$20,642	12.0%	4.6%
Total Average Salary	N/A	\$39,841	\$41,598	N/A	(4.2%)

Source: Field LSD and Peer EMIS Reports FY 2006-07.

As shown in **Table 3-3**, the District's average salary, including the payment of the employee retirement contribution, is lower in each classification for both years when compared to the respective peer averages, with the exception of administrators and service workers. However, the District's average compensation for administrators and service workers declined in FY 2007-08. As a result, assuming that the peer average

salaries increase in FY 2007-08, the District's average compensation for administrators and service workers would be more in line with the peer averages. Furthermore, Field LSD's total average salary (\$39,841) including the retirement benefit in FY 2007-08 is 4.2 percent lower than the peer average (\$41,598) in FY 2006-07. The Superintendent receives, from the county, an annual salary comparison to the neighboring school districts in Portage County to help maintain appropriate compensation levels.

Even though the District's overall compensation level is lower than the peer average, Field LSD is forecasting a deficit in each of the next five years. Therefore, the District will need to evaluate its ability to continue offering the retirement benefit in addition to other considerations, such as potential reductions to teacher and ESP staffing levels (see **R3.1**). Also, paying varying levels of the employee contribution for the different classifications fosters inequity in the District's provision of benefits for staff.

Financial Implication: If the District were to successfully negotiate eliminating the payment of the employees' retirement contribution without eliminating personnel, it would save approximately \$390,800 annually, which was the total cost of this benefit in FY 2006-07.

Benefits

R3.4 Field LSD should negotiate an increase in the employee contribution for the health insurance plan to at least 10 percent. This would reduce benefit costs and result in an employee contribution rate that is lower than industry data.

Field LSD offers medical, prescription, dental, vision and life insurance coverage to employees who work more than 30 hours per week through its membership in the Stark County Council of Governments (Stark County COG). While the District's health care costs compare favorably to relevant benchmarks (see *Assessments Not Yielding Recommendations*), Field LSD's requires employees to contribute a relatively low amount towards the health insurance premium costs. Specifically, the District requires employees to contribute 2.4 percent for single coverage and 2.0 percent for family coverage. By comparison, the 2007 SERB study reported a statewide average contribution rate of 12.3 percent for single coverage and 13.3 percent for family coverage, for employers that require employee contributions. The 2007 SERB study indicates that 73.5 and 74.9 percent of employers require employee contributions for single and family coverage, respectively. Furthermore, the Kaiser Family Foundation reported single and family average contributions of 16 and 28 percent, respectively, in its 2007 study. Lastly, the District's employee contributions have not increased in four years despite total premiums increasing 23 percent from FY 2005-06 to FY 2007-08.

Financial Implication: If the District required a ten percent contribution from each employee for health insurance, it could save approximately \$215,000 annually.

Negotiated Agreements

R3.5 Field LSD should consider renegotiating to lower the maximum sick days paid out at retirement and vacation accrual rates. Lower sick leave payouts would help limit Field LSD's long-term liability, while lower vacation accrual rates would potentially increase productivity and reduce substitute and/or overtime costs. Furthermore, the District should negotiate to eliminate the retirement bonus provision from the collective bargaining agreements, and instead complete a formal a cost benefit analysis prior to offering potential retirement incentives. This would ensure that offering such incentives would benefit the District and, in turn, justify their use.

A component of the performance audit compares certain provisions within the District's collective bargaining agreements to State requirements and leading or recommended practices. The following provisions appeared generous:

- **Sick Leave Paid Out at Retirement:** For Field LSD, the maximum sick leave payout at retirement is 56.75 days for certificated employees and 60.75 days for classified employees. By comparison, ORC § 124.39 requires a minimum sick leave payout of 30 days, but indicates that entities can adopt policies that allow for more than 30 days.
- **Vacations:** The District's vacation accrual rate is higher than ORC minimum requirements. For example, an employee with eight years of service receives 15 days of vacation per year at Field LSD. In contrast, ORC §3318.084 does not require the District to grant 15 days per year until employees have reached ten years of service.

In addition to a sick leave payout, the collective bargaining agreements require the District to offer a retirement bonus. The District provides a retirement bonus to all teachers who elect to retire with 25 years and less than 26 years of service, under the Ohio State Teachers Retirement System (STRS). Effective with the 1998-99 school year, a retirement bonus established on a base of \$15,000 shall be paid by the Board to all teachers who elect to retire with 30 years and less than 31 years of service under the Ohio STRS. Likewise, the District provides a retirement bonus to classified employees with at least 25 years of service. For those employees with less than 25 years of service, the bonus is pro-rated accordingly. While Field LSD did not provide a cost benefit analysis, the retirement bonus saved the District approximately \$53,000 in FY 2006-07, based on the data provided for certificated personnel. In addition, the Superintendent stated that the classified retirement bonus has saved the District money.

The Ohio Office of Budget and Management has established policies and procedures (February 2001) for State agencies to establish early retirement plans, which should meet the following criteria:

- Provide a documented cost savings, including the projected cost/savings that the early retirement incentive plan will provide, the time required to achieve those savings, and the actions that the agency will take to achieve those savings. Cost savings should be based on the elimination of the positions by the retirees and/or the filling of these positions with lower cost employees;
- Be affordable within the agency's current appropriations; and
- Help the agency meet its defined management goals.

Having the retirement bonus provision in the collective bargaining agreements prevents the District from using retirement incentives when they may be most advantageous, based on a cost-benefit analysis. Moreover, although the District restricts the retirement bonus for teachers based on the aforementioned years of service, every classified employee is eligible for a retirement bonus. This further limits the District from ensuring that the retirement bonuses are cost-effective.

Financial Implication: The savings associated with a reduction in the severance payout will vary depending on the number and rate of pay for the retirees in a given year. According to the District, Field LSD paid approximately \$138,700 for both classified and certificated employee-accumulated sick leave at the end of FY 2006-07. If the District limited accumulated sick leave payouts to the ORC minimum of 30 days in FY 2006-07, it would have saved approximately \$59,000. It should be noted that AOS did not test the reliability of this data provided by the District. Although not readily quantifiable, reducing vacation accrual rates could reduce overtime and substitute costs.

Financial Implications Summary

The following tables present a summary of annual cost savings and implementation costs identified in this section of the report.

Table 3-4: Recommendations Not Subject to Negotiation

Recommendation	Annual Cost Savings	Implementation Cost (One Time)
R3.1 Reduce 10.0 FTE regular education teachers and 5.0 FTE ESP teachers	\$740,000	
R3.2 Reduce 5.0 FTE clerical staff	\$140,000	
R3.2 Purchase sub-calling system	\$7,900	\$1,500
Total	\$887,900	\$1,500

Source: AOS Recommendations

Table 3-5: Recommendations Subject to Negotiation

Recommendation	Annual Cost Savings
R3.3 Eliminate payment of the employees' retirement contribution for all staff	\$390,800
R3.4 Increase the employee health insurance contribution to at least 10 percent	\$215,000
R3.5 Reduce the maximum sick days paid out at retirement	Will Vary – see R3.6
Total	\$605,800

Source: AOS Recommendations

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Facilities

Background

The facilities section focuses on custodial, maintenance, and grounds keeping staffing, as well as facility-related expenditures. Throughout this section, Field LSD's operations are evaluated against selected peer districts¹ and operational standards from applicable sources, including the American Schools and University Magazine (AS&U) and the National Center for Education Statistics (NCES).

Staffing

Table 4-1 shows the number of positions and the associated full-time equivalents (FTE) for the District during FY 2007-08.

Table 4-1: Field LSD's Number of Positions and FTEs

Classification	Total Number of Positions	Number of FTEs
Custodial	14.0	12.4
Maintenance	1.0	1.0
Grounds	2.0	1.7
Total	17.0	15.1

Source: Field LSD

Table 4-1 shows that Field LSD employs 12.4 custodial FTEs, 1.0 maintenance FTE, and 1.7 grounds FTEs.

Table 4-2 compares Field LSD's key statistics and indicators to data published in the *Planning Guide for Maintaining School Facilities (Planning Guide)* (NCES, 2003) and averages of data reported by *AS&U Maintenance and Operations Cost Study* from 2003 through 2007.

¹ See **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 4-2: Field LSD's Key Statistics and Indicators

Number of Buildings	6
Elementary Schools	3
Middle School	1
Junior/Senior High School	1
Other – Field House	1
Total Square Feet Cleaned and Maintained	309,617
Elementary Schools Square Feet Cleaned	129,000
Middle School Square Feet Cleaned	76,000
Junior/Senior High School Square Feet Cleaned	96,000
Other Square Feet Cleaned - Field House	8,617
Total Acres Maintained	78.1
Square Feet per Custodial FTE	24,894
Planning Guide (NCES) Square Feet Per Custodial FTE	29,500 ¹
Square Feet per Maintenance FTE	309,617
AS&U Five-Year Average Median Square Feet per Maintenance FTE	92,000
Acres per Grounds FTE	46.3
AS&U Five-Year Average Median Acres per Grounds FTE	42

Source: AS&U, NCES, and Field LSD

¹ This represents the mid-point of the *Planning Guide* range of 28,000 to 31,000 square feet. Level 3 is the normal standard for most school facilities.

As shown in **Table 4-2**, Field LSD custodial staff cleans 24,894 square feet per FTE, which is 4,606 square feet less than the *Planning Guide* benchmark of 29,500 square feet per custodian. In contrast, the District's maintenance staff is responsible for 309,617 square feet per FTE, much higher than the AS&U five-year average median of 92,000 square feet per FTE. **Table 4-2** also shows that the District maintains approximately 46.3 acres per grounds keeper FTE, which is 4.3 more acres than the AS&U five-year average median of 42 acres per FTE.

The above ratios suggest that the District is overstaffed in the custodial category and understaffed in the maintenance and grounds categories. However, the time dedicated by each position to other duties partially skew the ratios. According to the District, grounds keepers spend 100 percent of their time, from the beginning of March to the end of November, on grounds related duties. From the end of November to the beginning of March, the grounds keepers spend 70 percent of their time on maintenance tasks and 30 percent on grounds duties. Custodians spend 85 percent of their time cleaning and 15 percent on minor maintenance, such as changing light bulbs. To achieve the *Planning Guide* mid-point of 29,500 square feet per custodian and the five-year averages from AS&U, the District would need to employ 15.7 FTEs for custodial, maintenance and grounds work. By comparison, the District employs a total of 15.1 custodian, maintenance and grounds FTEs. Therefore, when considered collectively, the District appears efficiently staffed for its facility operations.

Financial Data

Table 4-3 compares Field LSD's facilities expenditures per square foot to the peer average.

Table 4-3: Expenditures per Square Foot

Object Code	Field LSD FY 2006-07 Actual	Field LSD FY 2007-08 Annualized ¹	Peer Average FY 2006-07	Difference FY 2006-07 Actual	Difference FY 2007-08 Annualized
Personnel Services/Benefits	\$2.39	\$2.68	\$2.83	(15.7%)	(5.5%)
Purchased Services	\$0.92	\$1.00	\$0.79	17.2%	27.7%
Utilities	\$1.37	\$1.38	\$1.72	(20.7%)	(20.0%)
Materials and Supplies	\$0.30	\$0.34	\$0.33	(9.7%)	3.9%
Capital Outlay	\$0.11	\$0.09	\$0.05	134.7%	74.6%
Miscellaneous	\$0.05	\$0.03	\$0.02	181.4%	83.6%
Total General Fund	\$5.13	\$5.52	\$5.74	(10.5%)	(3.8%)
All Funds Utilities	\$1.37	\$1.38	\$1.72	(20.7%)	(20.0%)
Total All Funds	\$5.13	\$5.52	\$6.23	(17.6%)	(11.4%)

Source: ODE and Field LSD

¹ AOS annualized Field LSD's actual expenditures as of January 22, 2008 to capture the effects of the District's new buildings and increased square footage.

As shown in **Table 4-3**, Field LSD's total all fund and General Fund expenditures per square foot were lower than the respective peer averages in FY 2006-07. Likewise, the District's projected spending levels per square foot in FY 2007-08 are lower in all funds and the General Fund when compared to the peer average. Although the District's overall expenditures are low, purchased services expenditures per square foot are higher than the peer average in FY 2006-07², and are projected to increase by 8.7 percent in FY 2007-08.

Table 4-4 shows Field LSD's purchased services expenditures for the past three fiscal years.

Table 4-4: Field LSD's Purchased Services Expenditures

Function Description	FY 2004-05	FY 2005-06	FY 2006-07
Environmental	\$12,560	\$7,760	\$5,976
Contracts	\$395,874	\$201,910	\$184,095
Trash Removal	\$11,856	\$13,363	\$15,130
Property Insurance	\$33,636	\$31,803	\$35,325
Rentals	\$6,627	\$3,869	\$2,552
Security	\$30,778	\$32,260	\$7,624
Travel	\$414	\$2,318	\$417
Communications	\$21,220	\$21,461	\$19,142
Total	\$512,965	\$314,744	\$270,261

Source: Field LSD

² While capital outlay and miscellaneous expenditures per square foot were also higher than the peer average in FY 2006-07, the performance audit did not further investigate these categories because they are immaterial.

Table 4-4 shows Field LSD's total purchased service expenditures decreased each year. Contracts account for the largest purchased services expenditure. In FY 2006-07, contracts comprised 68 percent of total purchased services expenditures. In FY 2006-07, the District spent \$85,507, or 46 percent of total purchased services expenditures, for 21 copy machines dispersed throughout Field LSD's buildings.

Noteworthy Accomplishment

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. Field LSD recognized the need to address the copy machine expenditures and began evaluating ways to reduce expenditures prior to AOS discussing its findings with the District. Specifically, the District decided to analyze its copy machine usage as well as associated costs and requested their copy machine vendors to create independent studies recommending ways the District could save money. Additionally, the District indicated that it would contact other copy machine vendors for pricing information.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not directly relate to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified the specific allocation of District staff to custodial, maintenance and grounds functions as an issue for further study.

Although the District collectively appears efficiently staffed for its facility operations, the District appears overstaffed by 1.9 custodial FTEs when compared to the *Planning Guide* benchmark. Conversely, the District appears understaffed by 2.4 maintenance FTEs and 0.2 grounds FTEs when compared to the respective AS&U five-year averages. These variances are partially attributable to the assignment of other duties (see page 4-2). However, based on the collective staffing comparison, AOS did not test the reliability of data reported by the District as to the assignment of custodial, maintenance, and grounds staff for other facility-related duties. Therefore, the District should ensure it devotes the sufficient amount of staff time to the various aspects of facility operations. Furthermore, the level of contracted services can also affect the District's staffing levels. The District spent \$3.31 per square foot in salaries, benefits and purchased services in FY 2006-07, which is 8.6 percent lower than the combined peer average (\$3.62). Consequently, aside from copy machine expenses (see *Noteworthy Accomplishment*), the performance audit did not further assess purchased services. However, the District should consider the level of purchased services as it reviews the time dedicated by its staff to the various aspects of facility operations.

Transportation

Background

This section of the performance audit focuses on Field Local School District's (Field LSD or the District) transportation operations. The operations were measured against leading or recommended practices, operational standards, and selected peer school districts¹. Leading or recommended practices and operational standards were drawn from various sources, including the American Association of School Administrators (AASA) and the National Association of State Directors of Pupil Transportation Services (NASDPTS).

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school regardless of the distance. In practice, Field LSD's transportation services exceed State minimum requirements. See **R5.1** for more information.

Organizational Structure and Responsibilities

Field LSD transported 1,999 riders in FY 2006-07 and 1,803 riders in FY 2007-08, on 30 active buses in both years. The Superintendent, with the assistance of the Head Mechanic, Transportation Secretary, and Treasurer, manages the District's transportation function. Transportation duties include establishing bus routes, preparing transportation reports (e.g., T-forms), coordinating transportation services with building principals, and ensuring overall safe delivery of all transportation services.

Operational Statistics and Cost Comparisons

Table 5-1 compares Field LSD's various key statistics and operating ratios for FY 2006-07 to the peer average.

¹ See the **executive summary** for a list of the peer districts and an explanation of the selection methodology.

Table 5-1: Key Statistics and Operating Ratios

Key Statistics	Field LSD FY 2006-07	Peer Average FY 2006-07	Percent Difference vs. Peers
Square Miles	46.0	33.9	35.6%
ODE Enrollment	2,342.0	4,206.1	(44.3%)
Total Students Transported (All Types)	2,026.0	2,921.6	(30.7%)
Yellow Bus Riders (Type I)			
Public	1,914.0	2,665.8	(28.2%)
Non-Public	57.0	180.5	(68.4%)
Community School	0.0	0.4	(100.0%)
Special Needs	28.0	31.0	(9.7%)
Total Yellow Bus Riders	1,999.0	2,877.7	(30.5%)
Buses (Type I)			
Active Buses	30.0	38.6	(22.3%)
Spare Buses	4.0	6.3	(36.5%)
Miles (Type I)			
Annual Routine Miles	300,960.0	418,014.0	(28.0%)
Annual Non-routine Miles	20,440.0	39,763.4 ¹	(48.6%)
Operating Ratios			
Enrollment per Square Mile	50.9	142.0	(64.1%)
Riders per Square Mile	43.5	94.7	(54.1%)
Daily Miles per Yellow Bus Rider	0.8	0.8	0.0%
Yellow Bus Riders per Active Bus	66.6	76.6	(13.1%)
Routine Miles per Active Bus	10,032.0	10,761.0	(6.8%)
Non-routine Miles % of Total Miles	6.4%	9.6% ¹	(3.3%)
Non-routine Miles per Enrollment	8.7	10.0 ¹	(12.6%)
Spare Bus Ratio	11.8%	14.3%	(2.5%)
Percent State Reimbursement	50.7%	53.4%	(2.7%)
Total Transportation Expenditures as Percent of General Fund	6.6%	5.4%	1.2%

Source: ODE

¹ Peer average excludes the one district reporting only 1,980 non-routine miles.

Table 5-1 shows that Field LSD transported an average of 66.6 riders per active bus, which declined to 60.1 riders per active bus in FY 2007-08. By comparison, the peers transported an average of 76.6 riders per active bus in FY 2006-07. However, **Table 5-1** also shows that the District's square mileage is 35.6 percent higher than the peer average and population density is lower than the peer average, based on enrollment per square mile and riders per square mile. The District's large size and lower population density can contribute to the District's lower number of riders per bus. However, despite its relatively large size and lower population density, Field LSD transported an average of 76.4 riders in FY 2004-05 and 72.6 riders in FY 2005-06, which are more comparable to the peer average in FY 2006-07. See **R5.2** for further assessment of operational efficiency.

Table 5-2 compares the District's cost ratios to the peer average in FY 2006-07.

Table 5-2: Transportation Cost Ratio Comparison

	Field LSD	Peer Average	Percent Difference
Salaries			
• Per Yellow Bus Rider	\$263	\$274	(3.7%)
• Per Active Bus	\$17,556	\$20,761	(15.4%)
• Per Routine Mile	\$1.75	\$1.96	(10.9%)
Benefits			
• Per Yellow Bus Rider	\$78	\$109	(28.7%)
• Per Active Bus	\$5,184	\$8,265	(37.3%)
• Per Routine Mile	\$0.52	\$0.77	(32.8%)
Maintenance & Repairs¹			
• Per Yellow Bus Rider	\$91	\$80	13.7%
• Per Active Bus	\$6,052	\$6,087	(0.6%)
• Per Routine Mile	\$0.60	\$0.57	5.3%
Fuel			
• Per Yellow Bus Rider	\$84	\$57	47.5%
• Per Active Bus	\$5,585	\$4,296	30.0%
• Per Routine Mile	\$0.56	\$0.40	37.9%
Bus Insurance			
• Per Yellow Bus Rider	\$15	\$10	48.0%
• Per Active Bus	\$1,030	\$762	35.1%
• Per Routine Mile	\$0.10	\$0.08	34.7%
All Other Costs			
• Per Yellow Bus Rider	\$33	\$25	32.8%
• Per Active Bus	\$2,184	\$1,713	27.6%
• Per Routine Mile	\$0.22	\$0.16	32.7%
Total Expenditures			
• Per Yellow Bus Rider	\$564	\$555	1.7%
• Per Active Bus	\$37,590	\$41,884	(10.3%)
• Per Routine Mile	\$3.75	\$3.95	(5.1%)

Source: Field LSD and T-1 and T-2 reports

¹Includes mechanic and mechanic helper salaries.

Table 5-2 shows that while Field LSD's total expenditures per yellow bus rider were 1.7 percent higher than the peer average, its total expenditures per active bus and per routine mile were 10.3 and 5.1 percent lower than the peer averages, respectively. However, the District's fuel cost and all other cost ratios were much higher than the respective peer averages (see *Issue for Further Study*). Likewise, **Table 5-2** shows Field LSD's bus insurance expenditure ratios were much higher than the respective peer averages. However, the District has taken measures to reduce bus insurance costs (see *Assessments Not Yielding Recommendations*).

Assessments Not Yielding Recommendations

In addition to the analyses in this report, AOS also conducted assessments on areas within the **transportation** section that did not warrant changes and did not yield recommendations. These areas include the following:

- **Non-Routine Use:** Field LSD has two policies regarding to non-routine use of District owned transportation. According to these policies, the District recoups the costs of transporting students on special-purpose trips. The policies also indicate that the District will assume transportation costs for a certain number of approved field trips as determined by the Superintendent. Through adherence of the policies, the District was able to reimburse the General Fund \$60,785 in FY 2006-07. Furthermore, **Table 5-1** shows that the District's non-routine miles per enrollment and as a percent of total miles were lower than the respective peer averages in FY 2006-07.
- **Physical Security:** Field LSD has two double wall aboveground fuel storage containers, each centrally located at the transportation garage. One of the tanks holds 3,000 gallons of diesel fuel and the other holds 1,000 gallons of gasoline. The Head Mechanic turns the gasoline pumps on and off from inside the transportation garage and locks the diesel pumps with a padlock and key. A chain link fence provides additional security for the tanks. Finally, the District prevents internal inventory abuse by requiring bus drivers to complete a fuel card and turn it in at the end of every month to the Head Mechanic or the Transportation Secretary. Additionally, the District secures its bus fleet by keeping them in a chain link fenced area.
- **Bus Insurance:** In FY 2006-07, the District spent \$189 or 26 percent more per total bus than the peer average for bus insurance. However, during FY 2007-08, the District changed insurance consortiums and the cost to insure each bus decreased from \$909 to \$679, which saved the District \$230 per bus or \$7,829 per year. As a result, the District's insurance cost per bus for FY 2007-08 is \$41 or 6 percent lower than the peer average in FY 2006-07.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that AOS did not review in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have time or resources to pursue. AOS has identified the following as issues for further study.

- **Fuel Purchasing:** Based on comparing Field LSD's fuel costs to the Ohio Department of Administrative Services' (DAS) fuel prices, the District has the potential to save approximately \$9,200 by joining DAS's fuel cooperative. However, the savings do not

account for costs related to storage container purchasing or leasing, and maintenance. According to the District's fuel contract, the current fuel supplier maintains the fuel storage containers it loans to Field LSD. Furthermore, the contract specifies the amount of fuel per month Field LSD must purchase and stipulates that the supplier will be the sole provider of fuel to the loaned tanks. The District should further study fuel procurement, as well as renegotiate with its current supplier the monthly minimum amount of fuel that the District must purchase. If the District is unable to lower fuel costs with the current supplier, it should determine whether it would be more cost effective to lease or purchase and maintain the fuel tanks, and purchase fuel from another supplier, such as a consortium.

- **Bus Lease Costs:** Table 5-2 shows that Field LSD spent more per rider, per bus and per mile in "all other costs" when compared to the respective peer averages. This is due primarily to bus lease costs because they comprised 78 percent (\$51,300) of the total all other costs in FY 2006-07. According to the Superintendent, the District leases 5 buses and the leases expire in August 2008. By comparison, only three of the ten peer districts reported bus lease costs in FY 2006-07. As bus lease costs comprised only 4.5 percent of the total yellow bus expenses in FY 2006-07, AOS did not further review these costs in the performance audit. However, the District should ensure that it obtains cost-effective bus lease agreements, assuming that it continues to lease these buses after August 2008.

Recommendations

Transportation Policies

- R5.1 Field LSD should include within its transportation policies the District's service levels, namely the miles from student's home that triggers transportation services with general guidelines that would result in exceptions to the policy (e.g., safety hazards). Once updated, the District should post the policies on its website to provide community and parent access. Based on Field LSD's current and projected financial condition (see financial systems), the District should review its transportation policy to determine the impact and feasibility of adopting standards that are closer to State minimum requirements.**

Field LSD's transportation policy indicates the Board of Education will provide public and non-public school students with the necessary services as established by State law and the State Superintendent of Instruction. Additionally, the policy establishes that bus stops will be available within a distance consistent with the guidelines provided by the Ohio Department of Education.

The District's transportation policy does not address actual service levels. The District's actual transportation practices exceed State minimum requirements by transporting kindergarten through eighth grade students living less than two miles from school, and transporting high school students. According to the Head Mechanic, the District does not use cluster stops except in apartment complexes. The hazards that deter the District from using cluster stops are high traffic areas, areas with low driver visibility (hilly areas), and four lane highways (State Route 43). Additionally, the District has not posted its transportation policies on its website.

According to the Ohio Revised Code (ORC) § 3327.01, school district's must minimally provide transportation to pupils in kindergarten through eighth grade who live more than two miles from school. Ohio Administrative Code (OAC) 3301-83-13 also states that students may walk up to one-half mile to a bus stop. Additionally, school bus stop locations shall provide for the maximum safety of pupils giving consideration to distance from residence, traffic volume, physical characteristics, and visibility and weather conditions.

By not including its actual service levels in the policy, the District is not communicating its service levels to the public. This also increases the risk of providing services that do not align with the Board's intent.

Operational Efficiency

- R5.2 Field LSD should purchase routing software based on a review of multiple systems to help improve bus utilization, routing efficiency and overall management of transportation. This, in turn, could allow the District to eliminate six of its more costly to maintain active buses. The District should also review the potential of implementing additional cluster stops without compromising student safety and three runs for some buses by altering bell schedules, which would be aided through the use of routing software. Doing so could allow for more bus reductions. However, in reviewing the potential of having some buses complete three runs, the District should first ensure that doing so would be cost-effective. If it is cost-effective, the District should then ensure that student ride times, and the adjusted pick up and drop off times are appropriate. Furthermore, the District should periodically review ridership trends and make corresponding changes to its routes and fleet size.**

Field LSD uses 30 active buses (routes) to provide transportation services to five public schools, on a two-tier system. The first run transports high school and middle school students, and the second run transports elementary and kindergarten students. In FY 2006-07 and FY 2007-08, the District averaged 66.6 and 60.1 riders per bus, respectively. By comparison, the District averaged 76.4 and 72.6 riders per bus in FY 2004-05 and FY 2005-06, respectively. The District's declining ridership per bus from FY 2004-05 to FY 2007-08 is due to the decline in riders each year, primarily public riders. The District was unable to explain the continued drop in riders. Nevertheless, the drop in riders is not due to student enrollment trends. More specifically, the District's student enrollment was relatively constant from FY 2004-05 to FY 2006-07 (2,352 in FY 2004-05, 2,358 in FY 2005-06, and 2,343 in FY 2006-07), and increased by 98 students to 2,441 in FY 2007-08. Additionally, the District averaged a utilization rate of approximately 50 percent of bus capacity in FY 2007-08 for its regular fleet (excludes three special needs buses).

According to *Hidden Savings in Your Bus Budget* (The School Administrator, AASA, December 2005), "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 average number of riders per bus and utilization rate fall well below 100 riders per bus and 80 percent.

Currently, Field LSD does not have routing software. Instead, the Head Mechanic develops bus routes based on a map, student counts, and his experience. According to *School Bus Routing Goes High-Tech* (Environmental Systems Research Institute (ESRI), Winter 2000/2001)), routing software can optimize routes, manage student and bus driver information, manage special education bussing, and provide driving directions and bus accounting. Bus routing software can also provide accident-tracking information to show the location of dangerous stretches of roadway. Additionally, bus routing software can

assist a district's fleet management by showing the number of buses, equipment, engines, and other equipment data required for conducting analyses. Finally, routing software can reduce the time it takes to create state reports and aide in the elimination of bus routes, ultimately saving money.

In addition, the current bell schedules inhibit Field LSD from increasing the number of runs per bus, which may enable the District to operate with fewer buses. The District's bell times are as follows: the two elementary schools are 8:30 am to 3:45 pm, the all day kindergarten building is from 9:10 am to 3:10 pm, and the middle and high schools are from 7:55 am to 2:45 pm. However, because Field LSD's current runs result in only one bus driver receiving insurance benefits, increasing the number of runs per bus may qualify more bus drivers for insurance and increase the District's personnel costs. According to the District's classified collective bargaining agreement, employees need to work at least 30 hours per week to be eligible for the insurance program. Lastly, due to hazards, the District only uses cluster stops in apartment complexes (see **R5.1**).

The Brownsville Independent School District Management (BISD) and Performance Review done by The Texas Comptroller of Public Accounts (February 2003) states, in part, that the use of staggered bell times at each school level allows buses to operate on a three tier-system. Staggered bell times reduce the vehicle and driver requirements and maximize resources often reducing the time students spend on a bus ride and preventing mixing students of different ages. A district can also have a cluster-stop policy for regular student riders to provide more efficient bus trips. Students are picked-up in groups at designated stops located throughout the communities. BISD chose cluster locations to decrease the number of stops made by each bus while ensuring that no student had to walk too far to be picked-up. Each cluster stop should be designed to optimize the balance between distance for students to walk and miles for buses.

While the above comparisons show that the District could increase bus utilization, Field LSD transports high school and middle school students together in the first run and elementary school students only in the second run. Therefore, it may be difficult for the District to achieve 80 percent bus utilization on the first run. Moreover, the District's larger size (square miles) and lower population density (see **Table 5-1**) may hinder Field LSD's from achieving an 80 percent utilization rate. However, if the District increased the number of riders per bus to be more comparable to its levels in FY 2004-05 and FY 2005-06, it could eliminate six active buses. This would increase utilization rate to approximately 66 percent², still well under the benchmark of 80 percent. Altering the bell schedules may also enable some buses to complete three runs, which would further assist in eliminating buses. However, the size of Field LSD, student ride times, and the

² Assumes the elimination of six 71-seat buses to show the highest adjusted utilization rate. The adjusted utilization rate will ultimately depend upon the specific buses eliminated by the District.

potential for more drivers qualifying for insurance benefits may make it difficult for the District to cost-effectively implement three runs for buses.

Financial Implication: If the District eliminated six active buses, it would save approximately \$92,000 annually in salaries, benefits, and bus insurance costs. This savings is based on the lower-salaried bus drivers and the average cost per bus in FY 2006-07. Based on information from one company, purchasing routing software could cost approximately \$3,200. Additionally, the District may incur annual software maintenance fees that are not currently quantifiable. Therefore, \$3,200 will be included as annual cost to be conservative. Lastly, the District may be able to realize additional costs savings related to fuel, and maintenance and repairs, if the above-mentioned strategies reduce the number of total miles driven each year.

Control Systems

R5.3 Field LSD should formally designate the individuals responsible for compiling and reviewing the T-forms. Additionally, the District should take advantage of training opportunities provided by relevant organizations. Field LSD should also establish formal policies and procedures to ensure accurate transportation reports (T-reports) are prepared, reviewed, and reconciled before submission to the Ohio Department of Education (ODE). The policies and procedures should define parties responsible for each part of the process, and include review and reconciliation procedures. Doing so would also provide a reference guide for staff in the event of employee turnover.

Currently, Field LSD does not have a person trained or dedicated to completing the T-forms. In the past, the Assistant Superintendent completed the T-forms. However, the Assistant Superintendent retired and the District has opted to leave this position vacant. Therefore, to fill the gap, the Superintendent, Transportation Secretary, and Treasurer are completing the T-forms. In addition, the District lacks formal policies and procedures for completing the T-forms.

According to the Ohio Association of School Business Officials (OASBO), school business officials that are responsible for pupil transportation need to understand how to collect, analyze, process, and submit data properly to ODE through the T-forms. OASBO offers numerous training workshops for transportation administrators to educate and reinforce the importance of proper T-form data retention and recording.

Financial Implication: Based on information from OASBO, the cost to attend the OASBO training workshops would be \$305.

Planning

R5.4 Field LSD should establish and implement a formal bus replacement plan to ensure that it is properly planning and budgeting for bus procurement in future years. The plan should include criteria for bus replacement, such as maintenance costs, estimated costs at the time of replacement, safety inspection results, age, mileage, and condition of the buses. The District should base all bus replacements upon economic modeling that allows for replacement at the most advantageous point in the vehicle's life cycle. By developing a formal replacement plan, Field LSD will be better able to plan for future expenditures and ensure a cost-effective bus fleet.

Field LSD does not have a formal bus replacement plan. Although the State Highway Patrol visits the District once a year to conduct annual bus inspections, there are no State guidelines for bus replacement beyond the requirement that the bus must be able to pass the annual Highway Patrol inspection. As long as the bus can pass the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. *School Bus Replacement Considerations* (The National Association of State Directors of Pupil Transportation Services (NASDPTS), January 2002) suggests replacement of Type C and D (conventional buses) buses after 12-15 years, and Type A and B buses (lighter duty buses) after 8-12 years. This publication also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. *A District's Guidebook to School Bus Purchasing in Ohio* (ODE, August 2002), indicates that on average, districts are matching the payment provided by the State for bus purchases with an equal amount of local funding. This has resulted in an average Ohio bus lifespan of 17 years.

Table 5-3 forecasts the District's annual mileage for its active fleet based on January 2008 odometer readings and average miles per active bus in FY 2007-08.

Table 5-3: Fleet Inventory and Mileage Forecast for FY 2007-08

Total Average Age	Total Average Fleet Mileage	Projected Fleet Mileage FY 2009	Projected Fleet Mileage FY 2010	Projected Fleet Mileage FY 2011	Projected Fleet Mileage FY 2012	Projected Fleet Mileage FY 2013
13	132,464	144,359	156,254	168,150	180,045	191,940

Source: Field LSD

Note: Includes non-routine miles in FY 2006-07 because data for FY 2007-08 was unavailable.

Table 5-3 shows that Field LSD's active fleet averages 13 years old with 132,464 miles. As such, the District's FY 2007-2008 active bus fleet will fall well under 250,000 miles during the forecast period, although it will exceed the average Ohio bus life span (2002) of 17 years. Regardless of the projected mileage and age, the District maintenance and repair costs per active bus and per routine mile are generally in line with the respective

peer averages (see **Table 5-2**). As a result, the District is not spending an excessive amount in maintenance and repairs for its active fleet.

According to the Government Finance Officers Association (GFOA), a multi-year capital plan identifies and prioritizes expected needs based on an organization's strategic plan, establishes projections and costs, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. In identifying needs for capital planning, governments should consider capital assets requiring repair, maintenance, or replacement that, if unaddressed, will result in higher future costs. According to Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA), a replacement policy should include criteria such as age of the vehicle, vehicle mileage, and maintenance costs vs. vehicle value. In addition, the school board should periodically review this policy for any needed revisions.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and implementation costs identified in this section of the report.

Table 5-4: Summary of Financial Implications for Transportation Section

Recommendation	Annual Implementation Costs	Cost Savings
R5.2 Purchase routing software and eliminate seven buses and driver positions (Purchase of Routing Software)	\$3,200	
R5.2 Purchase routing software and eliminate seven buses and driver positions (Salaries, benefits, bus insurance, and all other costs ¹)		\$92,000
R5.3 OASBO T-form training	\$305	
Total	\$3,505	\$92,000

District Response

The letter that follows is Field Local School 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 District officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised.

With respect to the concern about the peer group noted in the District's official response, AOS developed a composite of 10 districts, which was used for peer comparisons. These districts were selected based upon demographic and operational data. Specifically, ODE classifies these ten school districts in the same demographic grouping as Field LSD – urban/suburban with high median income. These ten school districts were also selected for benchmarking purposes because they meet a high number of performance standards at a relatively low cost per pupil. In addition, the recommendation to consider reductions in teacher and education service personnel staffing levels (**R3.1**) was made as a result of the District's financial condition and based on State minimum staffing standards.



FIELD LOCAL SCHOOL DISTRICT

ADMINISTRATION OFFICE
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Mogadore, Ohio 44260

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Web Site: www.fieldschools.com

Superintendent's Office
2900 State Route 43
Mogadore, Ohio 44260
330-673-2659

October 31, 2008

Treasurer's Office
2900 State Route 43
Mogadore, Ohio 44260
330-673-2676

The Honorable Mary Taylor, CPA
Auditor of State
Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801

Field High School
2900 State Route 43
Mogadore, Ohio 44260
330-673-9591

Dear Auditor Taylor,

Field Middle School
1379 Saxe Road
Mogadore, Ohio 44260
330-673-4176

The Field Local Schools have recently completed a performance audit coordinated by Jim Pyers of your office.

Brimfield Elementary
4170 State Route 43
Kent, Ohio 44240
330-673-8581

Representing the Field Local Schools Board of Education, students, staff, and community, we would like to recognize the time and effort of the Auditor of State's staff to gather information, provide insights and recommendations, and to make themselves available for questions and clarifications. Jim Pyers and his associates were professional and understanding of some of our challenges.

Central Elementary
1473 Saxe Road
Mogadore, Ohio 44260
330-673-4514

Treasurer Catherine Rouse began her duties as treasurer in March, 2007 following the resignation of Thomas Baker. David Brobeck began as the Field Local Schools Superintendent on August 1, 2008, replacing David Redd who resigned to accept a similar position with the Louisville City Schools.

Suffield Elementary
1128 Waterloo Road
Mogadore, Ohio 44260
330-628-3430

Background

In 2007, the treasurer, Tom Baker, over estimated revenue and underestimated salaries in the five-year forecast. Further review of the situation revealed the treasurer had spent grant funds prior to substantially approved dates. In addition, the treasurer failed to properly meet the state set aside requirements. As a result, the Field Schools were required to make the state whole for the errors in federal grants made by the treasurer.

Special Services
1473 Saxe Road
Mogadore, Ohio 44260
330-677-2509

Concerns

Our district takes our financial responsibilities very seriously. The treasurer's office has been diligent in limiting discretionary spending during the past two years, as noted as an accomplishment in the performance audit report. However, a concern has been raised by our board that an independent auditor, Fink & Associates, did not inform the board and administration of possible errors and problems. The 2007 board and superintendent were not aware of the issues that ultimately caused the financial crisis in the Field Local Schools. Thus, today the

students, staff, and community of the Field Local Schools bear the consequences of the errors committed over a period of time by the former treasurer.

The district has concern with the identification of the peer group, which appears to be chosen more for the report card indicators than being comparable to the Field Local Schools. Most of the districts in the peer group represent communities that are larger and more affluent than our district. Further, many of the financial recommendations are being made to adopt practices that are not present in ANY of the peer group schools. The concern of our board and administration is that to adopt the staffing recommendations would seriously limit our ability to compete with the assigned peer group and would lead our district on a downward spiral towards mediocrity.

Audit response: Noteworthy Accomplishments

The district appreciates the acknowledgement noted in the performance audit report:

- Discretionary Spending, which was significantly lower than our peer groups in FY 2006 and FY 2007.
- Workers Compensation experience modifier was “excellent” in 2008.
- Copy machine costs have been dramatically lowered.
- The five-year forecast meets AICPA recommended practices.

Audit Response: Specific Auditor Recommendations

- R2.1 The district and administration have begun a long-range planning process which has included goal setting sessions, community forums, and discussion of goals at each board meeting. A Business Advisory Council will be in place by January, 2009. The district is a Tier One district receiving support from the Ohio Department of Education to better employ data to drive decision making in all district matters.
- R2.2 The treasurer will consider the audit recommendation to include wage increases in the five-year forecast so long she is able to certify that funds are available to do so.
- R2.3 The administration has initiated conversation with the teachers’ association with the intent of rectifying the practice of early placement of a longevity step.
- R2.4 The district plans to utilize the performance audit data to avoid projected deficits.
- R3.1 The district believes that the recommendation to reduce 15 FTE’s to be a threat to the quality of education provided to the children of the Field Local Schools. However, the district does believe that

kindergarten students can be relocated to Brimfield and Suffield Elementary Schools. The district is considering reorganizing teaching staff to reduce five (5) FTE teachers without severely hampering the educational process.

- R3.2 The district can reduce clerical staff by five (FTE) through reorganization.
- R3.3 The recommendation to eliminate the payment of the additional retirement contribution of 3.5% is subject to negotiations with both employee associations. To eliminate the 3.5% contribution would be a reduction in pay, which can only be done if uniformly applied to all district employees.
- R3.4 A committee comprised of teacher association representatives and board representatives are actively engaged in a discussion to increase employee health care contribution to a level of 10% or higher.
- R3.5 The auditor's recommendation to lower the retirement and vacation accrual rates will be brought to the negotiations table.

Additional current efforts to address district finances

- Reduce the number of tube lights from 4 to 2 (in 4-light fixtures) district wide.
- Adopt food service competitive purchasing, increase daily lunches being served, and continue to seek improvements in service, menu, and quality.
- Implemented a new cell phone contract that is financially beneficial to the district.
- Keep south window shades at $\frac{3}{4}$ to save energy costs.
- A master calendar provided to Comfort Controls to maximize savings on days school is not in session.
- Train our two maintenance employees to monitor and make minor repairs to the HVAC systems.
- Combine co-curricular bus routes to maximize ridership and reduce costs.

Additional considerations to address district finances

- Develop a long range strategic plan outlining community and student wants and needs that is tied to budget and financial planning.
- Develop a district strategy to retain students leaving under open enrollment, as well as encouraging open enrollment students to return to our schools.

- Apply for a state grant (\$450,000) to start a conversion school (school within a school) that focuses on the visual and performing arts with rigorous integrated learning for grades 3-8 and segmented high school components.
- Develop an attractive program to minimize open enrollment losses and increase open enrollment interest.
- Develop partnerships with the University of Akron and Kent State University to gain beneficial services and grants.
- Implement in district special needs programs as a cost effective alternative to paying other districts for providing the education to the students.
- Redesign middle school teaching duties to increase assignments by one period per day per person for the regular classroom teacher assignments.
- Install routing software as part of a redesign of the transportation services intended to reduce from 29 assignments to 26 assignments.

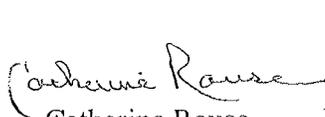
Understanding that the objective of the performance audit is to provide the district with a bird's eye view of our finances and to provide unbiased recommendations that can help the district with long-range planning and efficiency, the Field Local Schools plan to utilize the performance audit with a spirit of cooperation and appreciation. To that end, the recommendation contained in the performance audit will be a focus of the new Business Advisory Council, the board of education, and the administrative team.

Sincerely,

FIELD LOCAL SCHOOL DISTRICT



David Gynn
President,
Board of Education



Catherine Rouse
Treasurer



David G. Brobeck, Ph.D.
Superintendent



**Auditor of State
Mary Taylor, CPA**

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