



Dave Yost • Auditor of State



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To the Residents and elected officials of the Buckeye Local School District:

The enclosed performance audit of the Buckeye Local School District was initiated by the Auditor of State in consultation with the Ohio Department of Education (ODE), following the placement of the District into fiscal caution.

In consultation with the District and ODE, the Auditor of State's Ohio Performance Team focused on Finance, Human Resources, Facilities, Transportation, and Food Services.

Among the primary conclusions of this audit is that the District could save more than \$1.7 million by implementing recommendations in this report, of which nearly \$1 million would be recurring savings.

The Auditor of State commends the District and the Ohio Department of Education for forthrightly addressing the difficult financial circumstances of Buckeye Local schools.

Sincerely,

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

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Table of Contents

Performance Audit Report—Summary.....	1
Performance Audit Report	2
Finance	8
Human Resources	9
Facilities	15
Transportation	16
Food Service	18
Appendix.....	21
District Comments.....	33

Performance Audit Report—Summary

The Auditor of State (AOS) initiated this performance audit of Buckeye Local School District (BLSD) in consultation with the Ohio Department of Education (ODE) following the placement of the District into fiscal caution. In consultation with the District and ODE, the Auditor of State's Ohio Performance Team focused on Finance, Human Resources, Facilities, Transportation, and Food Services.

Summary of Financial Implications

The performance audit identifies potential savings in excess of \$1.76 million, which represents 9.8 percent of the District's budget of \$18.1 million. The following table summarizes the performance audit recommendations that contain financial implications.

Summary of Performance Audit Recommendations

Recommendation	Impact
Reduce excess funding in the insurance reserve fund and use available revenues from tax abatements. (R1.1)	\$773,700 ¹
Negotiate to cease payment of the employee's retirement contribution, lower severance and retirement incentive payouts, and lower increments for sick leave reporting/use. (R2.3)	\$507,000
Reduce health and dental insurance costs. (R2.2)	\$321,000
Reduce staffing levels by at least 1 administrative and 2 office/clerical FTEs. (R2.1)	\$112,000
Eliminate 11 labor hours from the daily food service operations.(R5.1)	\$55,000
Total Cost Savings from Performance Audit Recommendations:	\$1,768,700

¹This reflects one-time impact, while the other recommendations reflect annual impacts.

Performance Audit Report

Background

AOS initiated a performance audit of Buckeye Local School District based on consultations with the Ohio Department of Education and the District's fiscal caution designation. Ohio Revised Code (ORC) § 3316.042 permits AOS to conduct performance audits of any school district in a state of fiscal caution, watch or emergency and review any programs in which it believes that greater operational efficiency, effectiveness and accountability can be achieved. Based on a review of relevant information and discussions with the District, the performance audit includes an examination of the following areas:

- Finance;
- Human Resources;
- Facilities;
- Transportation; and
- Food Services.

Audit Methodology and Scope

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide 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.

AOS conducted the performance audit of BLSD in accordance with Generally Accepted Government Auditing Standards. These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Audit work was conducted between July 2011 and December 2011, and data was drawn primarily from fiscal years 2009-10 and 2010-11. To complete this report, the auditors gathered data, conducted interviews with District personnel, and reviewed and assessed information from BLSD, peer school districts, and other relevant sources. The audit noted concerns with the District's transportation data. (See **R4.1**. Also, see **Table 4-1** in the Appendix.) Peer school district data and other information used for comparison purposes were not tested for reliability.

AOS primarily used six districts as peers for benchmarking purposes: Dover City (Tuscarawas County), Field Local (Portage County), Keystone Local (Lorain County), Lakeview Local (Trumbull County), Marlinton Local (Stark County), and Norton City (Summit). These districts

were selected based upon demographic and operational data, and input from the District. The peer average used in the audit report comprises these six school districts, unless noted otherwise.

Furthermore, external organizations and sources were used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), State Employment Relations Board (SERB), Ohio Department of Education (ODE), Ohio Department of Administrative Services (DAS), National Center for Education Statistics (NCES), and National Food Service Management Institute (NFSMI).

The performance audit process involved information sharing with BLSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held throughout the engagement to inform the District of key issues, and share proposed recommendations to improve or enhance operations. Input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on BLSD's comments.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Performance Audit Recommendations

Recommendation	Impact
Reduce excess funding in the insurance reserve fund and use available revenues from tax abatements. (R1.1)	\$773,700 ¹
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Reduce health and dental insurance costs. (R2.2)	\$321,000
Reduce staffing levels by at least 1 administrative and 2 office/clerical FTEs. (R2.1)	\$112,000
Eliminate 11 labor hours from the daily food service operations. (R5.1)	\$55,000
Total Cost Savings from Performance Audit Recommendations:	\$1,768,700

¹This reflects one-time impact, while the other recommendations reflect annual impacts.

Conclusions and Recommendations

Each section of the audit report contains recommendations that are intended to provide BLS D with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the recommendations from the performance audit report.

Finance

- Reduce excess funding in the insurance reserve fund and use available revenues from tax abatements.

Human Resources

- Reduce staffing levels by at least 1 administrative and 2 office/clerical FTEs.
- Reduce health and dental insurance costs.
- Negotiate to cease payment of the employee's retirement contribution, lower severance and retirement incentive payouts, and lower increments for sick leave reporting/use.
- Improve financial reporting and reduce special education costs.

Facilities

- Develop a formal preventive maintenance program.

Transportation

- Develop policies and procedures for compiling transportation data.

Food Service

- Eliminate 11 labor hours from the daily food service operations.
- Formally survey stakeholders regarding participation rates and review food purchases.

Issues for Further Study

The following list reflects issues requiring further study. In accordance with auditing standards significant issues identified during an audit are required to be disclosed. The following issues are not directly related to the audit objectives and were not reviewed in depth during the performance audit due to the limitations of time and resources. (See the **appendix** for a full description of these areas.)

- **Preschool at Litchfield Elementary:** The audit findings are inconclusive as to whether the District is breaking even on its lease of Litchfield Elementary with Litchfield Preschool and Childcare Center, LLC. BLSD should determine whether the current lease payment is covering the total expenses, including maintenance and other activities.
- **Athletic Fund Operating Deficits:** BLSD should examine the recurring operating deficit in the Athletic Fund and consider ways to make the fund self-sufficient. (The District reports athletic costs, including salaries for coaches and support staff, through the Athletic Fund.)
- **Centralized Kitchen:** Although not within the scope of this audit review, a central kitchen model for food services may enable the District to further improve efficiency and reduce costs.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes BLSD's noteworthy accomplishment identified during the audit:

- **Forecasting Process:** BLSD has implemented leading practices in its forecasting process. The Treasurer continuously updates forecasts based upon changes in State funding, local tax collections, program expenditures, and other significant information. Forecasting is part of a year-round process, with the Treasurer creating alternative scenarios. Additionally, the Board requests and receives presentations from the Treasurer throughout the year as changes occur to the forecast.
- **Prompt Financial Reporting:** BLSD published its audited financial statements for FY 2009-10 on August 25, 2010 and for FY 2010-11 on August 26, 2011. Both audited financial reports used generally accepted accounting practices. According to the Governmental Accounting Standards Board, smaller independent schools normally issue their reports in approximately five months after year-end. BLSD issued its last two reports less than 60 days from year-end. Prompt reporting of year-end financial information provides decision-makers with timely information upon which to base current and future strategies.

The Auditor of State and staff express their appreciation to BLSD for their cooperation and assistance throughout this audit.

Audit Objectives

The following detailed audit objectives were used to conduct the performance audit of the BLSD. According to Government Auditing Standards, the objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included, and may also include the potential findings and reporting elements that the auditors expect to develop. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

Finance:

- How do revenue and expenditures compare to peer districts?
- Does the District have comprehensive financial policies to guide management?
- Does the District's five-year forecast reasonably and logically project future revenues and expenditures to provide a reasonable assurance of accuracy?
- Does the District actively involve parents and guardians, business partners, and community organizations in the District's decision making and activities?
- Has the District established an effective performance measurement system?
- What can be done to improve the financial condition of the athletic fund?
- Is the reserve balance for the self-insurance fund appropriate?

Human Resources:

- Are the District's staffing levels efficient?
- Are the District's salaries comparable to peer districts?
- Are the District's insurance costs and benefits comparable to industry benchmarks?
- How do key provisions in the collective bargaining agreements compare to peers?
- How does sick leave use compare to industry benchmarks?
- Is the workers compensation program cost-effective?
- Is the special education program cost-effective?

Facilities:

- How do the District's custodial, maintenance and grounds keeping staffing levels, non-regular salaries (includes overtime and substitute costs), and expenditures per square foot compare to industry benchmarks and/or peers?
- Is the District recouping the costs related to Litchfield?
- Does the District have a preventive maintenance program for facilities?

Transportation:

- How do the District's transportation costs and operations compare to peers?
- Does the District use buses in an efficient manner?
- Are BLSD's bus replacement planning and preventive maintenance efforts consistent with leading practices?
- Is the District purchasing fuel and bus insurance cost-effectively?
- Are Transportation personnel involved in the IEP process?
- Are there any shared services with neighboring District's to take advantage of efficiencies?

Food Service:

- Is the current financial status of the District's food service operation positive?
- Is the District purchasing food and related items in a cost-effective manner?
- What impact does the District's wellness/nutrition program have on food service operations and costs?
- Are food service staffing levels efficient?
- Are meal prices set at the appropriate levels?
- Are the Districts food service information systems adequate and properly used (POS technology)?
- Does the District effectively monitor participation in free and reduced lunch programs?

In several areas BLSD performed at benchmark levels or had already adopted recommended practices. These areas are omitted from the report.

Finance

Recommendations

R1.1 Reduce excess funding in the insurance reserve fund and use available revenues from tax abatements.

The District should reduce the excess funding in the Self-Insurance Reserve Fund. Doing so would help improve the financial condition in the General Fund, while still maintaining an appropriate reserve as determined by an actuary. Likewise, the District should use the available tax abatement monies for General Fund expenditures.

Financial Implication: Based on the ending balance in FY 2010-11, the actuarial report, and the monies reimbursable to employees, the District could reduce the reserve balance by approximately \$551,000. This amount could be used to offset payments from the General Fund, thereby reimbursing the General Fund for \$551,000. Based on the District's projected financial condition, the entire \$551,000 will be included for FY 2012-13 as a positive impact for the General Fund. However, it should be noted that the District may need some of the extra reserve to fund two-year old claims. Similarly, the accumulated tax abatement fund balance of \$222,700 will be included as a positive impact for the General Fund in FY 2012-13. The cumulative effect of these two amounts is \$773,700.

At the end of FY 2010-11, the District's Self-Insurance Reserve Fund had an ending balance of approximately \$647,000. However, the actuarial report from the third-party self-insurance company recommended a reserve of at most \$27,000. This indicates that BLSD has over \$600,000 in excess reserve in this account. A portion of this amount is from employee paid contributions, but the remainder is employer paid contributions reimbursable to the District's General Fund. As a portion of this amount (approximately \$69,000) belongs to the employees who contributed to the account, BLSD can use \$551,000 of the reserve.

The higher reserve amount is due to the District previously providing healthcare, prescription drug, and dental coverage through self-insurance. However, in FY 2010-11, the District ceased self-insurance for healthcare by transitioning to a PPO plan with premiums paid to a provider. As a result, the District was self-insuring for only prescription drugs and dental care. In FY 2011-12, the District selected a health care plan that included prescription drugs, thus only providing for dental care claims through its internal self-insurance fund. In addition, the Treasurer indicated that claims remain valid for a two-year period. Therefore, the higher reserve amount may be affected by claims related to when the District was providing all insurance through the self-insurance fund. Nevertheless, maintaining an excessively high self-insurance reserve fund balance diverts resources from the General Fund.

Human Resources

Recommendations

R2.1 Reduce staffing levels by at least 1 administrative and 2 office/clerical FTEs.

Financial Implication: If the District eliminated 1 administrative FTE and 2 office/clerical FTEs, it would save approximately \$112,000 in salary and benefit costs. This is based on the lower salaried positions and the benefits-to-salary ratio in the five-year forecast (see **Table 2-1** below).

BLSD employs 6.5 administrative FTEs per 1,000 students while the peer average is 5.8. The District would need to eliminate 0.7 FTEs per 1,000 students, which corresponds to 1.4 actual FTEs, given current staffing levels, to achieve the peer average. Using the alternative measure of employees per administrator, the District would need to eliminate 3.1 FTEs to achieve the peer average number of employees per administrator FTE. Regarding clerical staff, BLSD employs 8.8 office/clerical FTEs per 1,000 students while the peer average is 7.3. The District would need to eliminate 3.3 actual FTEs to achieve the peer average. Similar to the administrative staff, the District’s office/clerical staff supports fewer employees than the peer average. As a result, the District would need to eliminate 4.7 FTEs to achieve the peer average number of employees per office/clerical staff. However, the District reported 0.7 fewer office/clerical FTEs in FY 2011-12 (EMIS report as of 1/30/2012). Assuming the District has already eliminated 0.7 FTEs, this would reduce the aforementioned reductions to approximately 2.6 FTEs to achieve peer average clerical FTEs per 1,000 students, and 4.0 FTEs to achieve the peer average number of employees per office/clerical staff.

Table 2-1: Staffing per 1,000 students

	BLSD	Peer Average
Administrative	6.47	5.84
Office/Clerical	8.82	7.25
General Education Teachers	41.95	43.15
All Other Teachers	9.74	11.18
Education Service Personnel (ESP)	8.32	7.28
Educational Support	3.01	2.80
Other Certificated	0.00	0.56
Non-Certificated Classroom Support	7.30	6.12
Operations	18.34	24.46
All Other Staff	3.55	4.08
Total Staff	107.50	112.72

Source: ODE

R2.2 Reduce health and dental insurance costs.

The District should review, develop, and adopt strategies for improving the cost-effectiveness of its health insurance program. Potential strategies include negotiating to increase employee contributions toward monthly premium costs (e.g., 15 percent) for the PPO plan and altering the plan design, such as increasing employee cost sharing for physician visits and prescriptions, increasing co-pays for mail order prescriptions and the number of tiers in the prescription plan, and increasing deductibles and out-of-pocket maximums. However, prior to enacting any changes, BLSD should carefully review the provisions under the Patient Protection and Affordable Care Act (PPACA), and ensure that they would realize a net cost savings by implementing the aforementioned changes. Lastly, the District should negotiate to increase the employee contributions for dental insurance and review its dental plan design for additional savings.

Financial Implication: By increasing the employee contribution to 15 percent for health and dental insurance, and reducing the family health insurance premium costs to the SERB state average for schools, and accounting for the potential impact of PPACA, the District could save approximately \$321,000 annually.¹

BLSD has a traditional health plan with three members and a PPO plan that covers the remaining 177 members through Medical Mutual. **Table 2-3** compares the District's health insurance premiums and employee contribution amounts for the PPO plan to data published by the State Employment Relations Board (SERB) for schools in Ohio and nationwide data published by the Kaiser Family Foundation (Kaiser). Since the District requires that the three members who are enrolled in the traditional plan pay the difference in cost between the PPO and traditional plan, the traditional plan was not further reviewed.

Table 2-3: Health Insurance Premium Comparison

	Single	Family
BLSD PPO	\$480	\$1,401
Kaiser PPO Average	\$448	\$1,227
SERB Cleveland Region Average	\$487	\$1,230
SERB State Average for Schools	\$487	\$1,253

Source: BLSD Treasurer's Office, Kaiser 2010 Annual Survey, and SERB 2010 Annual Report.

Note 1: The SERB and Kaiser data was inflated based on historical trends, to allow for a more reliable comparison to the District's data.

Note 2: The inflated SERB premiums for PPO plans are \$491 for single and \$1,265 for family.

The District's premiums exceed Kaiser and SERB for the family plan and Kaiser for the single plan. The following plan features (network services) contribute to the higher premium costs:

¹ Given both the complexity of changes to federal health care law, particularly PPACA, and the uncertainty regarding court review of the federal law, the city should consider appropriate professional analysis, e.g. legal or insurance consultation, of any proposed changes in health insurance benefits prior to implementation and collective bargaining negotiation.

- Office Visit Co-payments: The District requires a \$10 co-pay for doctor visits. Conversely, Kaiser reports that the average co-pay for PPO plans is \$22. SERB did not report this data.
- Average Annual Deductible: The District's annual deductible for single coverage is \$150 with family coverage at \$300. Kaiser reported that for PPO plans, the average single deductible is \$675 and the average family deductible is \$1,518.
- Annual Out of Pocket Maximum: The District's plan requires \$500 for single and \$1,000 for family out of pocket maximums. SERB reported a statewide median of \$1,000 for single and \$2,000 for family. Kaiser reported that of those who had a maximum, 96 percent face maximums of more than \$999 for single and 96 percent face more than \$1,999 for family.
- Prescription Coverage: The District operates only a two-tier plan, with a \$6.50 co-pay for generic and \$10 co-pay for brand name drugs under the retail and mail order plans. Conversely, Kaiser reported average co-pays for two-tier plans at \$10 for generic and \$28 for brand name. Kaiser also reported that 78 percent of workers face at least a three-tiered plan, with the average co-pays of \$11 for generic, \$28 for brand name, \$49 for non-preferred, and \$89 for the fourth tier. Furthermore, SERB reported higher copayments under the mail order plan (90-day supply) than under the retail plan (30-day supply).

In addition, the District's employee premium contribution of 10 percent for the PPO plan is lower than the Statewide SERB average of 11 percent for single and 12 percent for family, and lower than the Kaiser overall average of 19 percent for single and 30 percent for family.

The District also offers dental insurance to its employees. The total dental premium amount at BLSD is \$92.35 per member, with the employees paying 10 percent. This premium amount exceeds the inflated SERB average for schools and ESC's average premium of \$49.28 for single and \$87.21 for family, with the employee share of 13 percent and 21 percent respectively.

R2.3 Negotiate to cease payment of the employee's portion of the retirement contribution, lower severance and retirement incentive payouts, and lower increments for sick leave reporting/use.

During future BEA and OAPSE negotiations, the District should negotiate to cease payment of the employee's portion of the retirement contribution,² and lower severance and retirement incentive payouts. The District should also negotiate to eliminate the reporting of sick leave use in quarter day increments and accordingly lower the increments (e.g., 30 minute). Doing so could reduce sick leave costs.

Financial Implication: By eliminating paying the employee portion of the retirement payment for all employees, the District could save approximately \$507,000 annually.

A review of the District's BEA and OAPSE collective bargaining agreements found the following provisions:

- **Employee Retirement Contribution:** Both the certified and classified negotiated agreements require the District to pay half of the 10 percent employee retirement contribution, i.e., 5 percent. Based on financial data from FY 2009-10, this retirement benefit amounted to \$205 per pupil for certificated staff, whereas the peer average was only \$12 per pupil. For classified staff, the retirement benefit amounted to \$61 per pupil, whereas the peer average was only \$3 per pupil. This extra compensation further exacerbates the salary discrepancy in **Table 2-2** (see Appendix), which shows that the District-wide average salary was 7.4 percent higher than the peer average in FY 2010-11.
- **Severance and Retirement Incentives:** Staff with at least 5 years of service at BLSD receives 25 percent of the accumulated sick leave to a maximum accrual of 360 days, which equates to a maximum severance payout of 90 days pay. This is higher than the four peer contracts for certificated and classified staff, with the sole exception of the Field LSD certificated maximum payment also being 90 days. The range of maximum payments for the remaining peer contracts ranges from 51 to 80 days. Furthermore, if retiring in their first year of eligibility under STRS, BLSD's certificated staff are paid 50 percent of the accumulated sick leave maximum of 360 days, which equates to 180 days. This essentially amounts to an annual teacher's salary and is significantly higher than the peers that offer a retirement incentive. For example, two peers provide a retirement incentive payment of \$15,000. Finally, both CBA's require that sick leave use be charged in 1/4 day increments or 1/2 day increments for bus drivers if they miss the morning or afternoon route. This could artificially inflate the amount of sick leave actually taken because staff can charge more time than they actually need. Based on an 8-hour work day, classified staff averaged 85 sick leave hours per employee in FY 2010-11, higher than the average of 70 days per employee in the State's AFSCME CBA reported by the Ohio Department of Administrative Services.

²The District should also eliminate the payment of the employee's retirement contribution for non-bargaining staff. Although the performance audit did confirm that some non-bargaining staff also receives this added benefit, it did not review whether and to what extent that all non-bargaining staff receive this added benefit.

R2.4 Improve financial and management reporting of special education activities and reduce special education costs.

BLSD should take measures to improve the cost-effectiveness of the special education program, without negatively impacting program quality. In order to make reliable decisions about the program, the District should capture all of the special education costs in the related function codes and update the coding of expenditures to provide a more detailed breakdown. Furthermore, the District should review the mix of in-house and contracted staffing levels for special education, and the changes implemented in the IEP process for FY 2010-11 to ensure they achieve the intended results. Likewise, the District should conduct a formal review of the compact with the two other local Districts to ensure it is the most cost and academically effective tool for addressing student needs.

Based on ODE's Expenditure Flow Model (EFM), BLSD spent \$987 per pupil on special education in FY 2009-10, compared to the peer average of \$772. However, this reflects all students, not just the special education students. When including only the special education students, BLSD spent \$9,645 per student in FY 2009-10, which is 56 percent higher than the peer average of \$6,166. The higher spending on special education is further supported by data in the District's Special Education Fiscal Accountability Report for FY 2009-10. In this report, ODE determines whether school districts met the minimum required spending levels for special education. According to this report, BLSD spent 140 percent above the minimum required spending levels for special education, compared to the peer average of 90 percent.

The following factors impact the abovementioned reported expenditure levels:

- *Staffing Resources:* During discussions about the higher spending levels, the District noted that staffing levels have been reduced since FY 2009-10. The District employed 6.5 special education teacher FTEs per 1,000 total students during FY 2010-11, lower than the peer average of 8.9. Likewise, the District employed 6.0 special education teacher FTEs per 100 special education students, lower than the peer average of 6.5. However, the District also indicated that it contracts with the Medina County Educational Service Center (Medina County ESC) for special education staffing, which has offset some of the internal staffing reductions.
- *Coding Expenditures:* The Treasurer indicated that costs associated with purchased services from the Medina County ESC are not included in the special education function code. As a result, the total special education expenditures are understated. In addition, BLSD codes the majority of its expenditures in the 1220-1229 function codes (\$828 of the \$987 per pupil in FY 2010-11). For instance, the 1225 (Severe Behavior Handicapped), the 1226 (Developmentally Handicapped), and 1227 (Specific Learning Disability) codes comprise \$825 per pupil, whereas the peer average is only \$120 per pupil.³ Conversely, BLSD did not code any expenditures in the 1230 and 1240 function codes, which reflect spending by grade level groupings (K-6 and 7-12). The peers averaged \$233 and \$180 per pupil in these codes,

³ Effective FY 2010-11, the 1220-1229 function codes should no longer be used by school districts.

respectively. By using the additional function codes, the District would possess more detailed information for decision-making purposes.

- *Individualized Education Plan (IEP) Process:* During FY 2010-11, the District hired a new Special Education Director. According to the Special Education Director, teachers are much more involved than in the past in the IEP process. Likewise, the Special Education Secretary is responsible for entering EMIS data on the student as soon as a new IEP file is created.
- *Compact:* The District has a compact agreement with Highland LSD and Cloverleaf LSD to provide special education services and share costs for severely handicapped students. The respective treasurers submit the costs associated with the compact to the Medina County ESC, which then bills each school for their proportion of the costs. According to the Special Education Director, the compact is beneficial from an academic and cost perspective. The Special Education Director also indicated that the former Superintendent considered disbanding the compact two years ago, but decided that it was more cost effective to remain in the agreement. No other review of the compact was noted.
- *Compensation and Benefits:* Salaries and benefits comprised 97 percent of the total special education expenditures in FY 2009-10. As a result, addressing retirement related benefits and the health insurance plan would help reduce spending levels for special education.

Addressing the above-mentioned areas would help BLSD better manage its special education costs while continuing to provide needed services to its students.

Facilities

Recommendations

R3.1 Develop a formal preventive maintenance program.

BLSD should develop a formal preventive maintenance (PM) program. As a part of this process, the District should review its internal staffing levels and contracted services to ensure it effectively implements the PM program. Doing so would help avoid costly repairs in the long run.

The Maintenance Supervisor indicated that the District does not have a formal preventive maintenance program. The Maintenance Supervisor also noted that preventive maintenance is limited to simple tasks, such as filter replacement, and oil and grease fittings, due to staffing levels. While the District uses outside contractors to assist with certain preventive maintenance procedures, the staffing and expenditure comparisons in **Tables 3-1** and **3-2** in the Appendix indicate that the District is operating with minimal resources for facility operations. Specifically, **Table 3-1** illustrates that BLSD's custodial and maintenance employees are responsible for 47 and 110 percent more square feet per FTE than the respective benchmarks. Additionally, **Table 3-2** shows that the District spent \$4.18 per square foot in total facility expenditures for FY 2009-10, including \$1.97 per square foot in salary and purchased service expenditures. These amounts are significantly lower than the respective peer average of \$5.35 and \$2.85.

School Operations and Maintenance: Best Practices for Controlling Energy Costs (USDOE, 2004) states that a well developed preventive maintenance program increases efficiency, reliability, and safety, and can generate substantial energy savings. The *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that a good maintenance program is built on a foundation of preventive maintenance. Once the items that should receive preventive maintenance have been identified, planners must then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are a good place to start when developing this schedule; they usually provide guidelines about the frequency of preventive services, as well as a complete list of items that must be maintained. Once the information is assembled, it must be formatted so that preventive maintenance tasks can be easily scheduled.

The absence of a formal preventive maintenance program increases the risk for inadequate upkeep of facilities. This risk is elevated by the District's relatively low internal staff and contracted resource levels.

Transportation

Recommendations

R4.1 Develop policies and procedures for compiling transportation data.

The District should develop formal policies and procedures that stipulate the process for completing T-forms, as well as properly maintaining the required supporting documentation. The District should ensure that it is accurately reporting costs, riders, and miles to ODE in a timely manner and in accordance with State law. Additionally, the policies and procedures should cover the review process for data in the T-forms, such as reconciling costs in the T-2 form to the District's accounting system.

Each school District in Ohio is required to report information about transportation operations to ODE on an annual basis in accordance with ORC and OAC. The T-1 form is used to report information on students, buses, and miles. The T-2 form is used to report the actual expenses incurred in the transportation of eligible students to and from school.

At BLSD, the Transportation Supervisor and Treasurer are primarily responsible for preparing these reports. According to the Transportation Supervisor, the District does not have formal policies and procedures for completing T-forms or properly maintaining the required supporting documentation. During the course of the performance audit, AOS noted several T-form discrepancies discussed with the Treasurer and the Transportation Supervisor:

- BLSD's FY 2010-11 T-2 form was submitted to ODE after the August 1, 2011 deadline;
- BLSD over reported its bus insurance expenditures on the FY 2010-11 T-2 form; and
- AOS noted differences in mileage and ridership reported on the BLSD FY 2010-11 T-1 form reported to ODE and the supporting driver count sheets provided by the District.

As a result of the discrepancies, AOS adjusted the number of riders reported on the FY 2010-11 T-1 form and the bus insurance expenditures on the FY2010-11 T-2 form after review of the District's supporting documentation, for the comparisons used in **Table 4-1** (see Appendix). Most notably, the District reported 1,528 yellow bus riders on the T-1 form, but the bus driver count sheets supported only 1,438 yellow bus riders. The 1,438 figure was used in **Table 4-1**. Since the total mileage figures varied by less than five percent and either figure would result in lower spending per routine mile, they were not adjusted.

House Bill 1 included changes to the State funding formula for transportation purposes. The Transportation Coordinator at ODE indicated "a key difference in this formula from previous formulas is that the transportation funding will now be calculated based upon current year ridership, bus mileage, and service levels. This makes accurate and timely completion of T-forms very important."

The development of policies and procedures documenting the District's T-form reporting process and retention of supporting documentation will help ensure the BLSD is reporting accurate transportation information to ODE in accordance with ORC and OAC standards.

Food Service

Recommendations

R5.1 Eliminate 11 labor hours from the daily food service operations.

The District should eliminate up to 7 labor hours from the Primary School building, 3 labor hours from the High School, and 1 labor hour from the Junior High. This would bring the District more in line with industry benchmarks. However, the District should account for potential increases in participation rates as it considers reductions to daily labor hours (see R5.2).

Financial Implication: Based on the operating deficits in **Table 5-1** (see Appendix) and the District's October 2011 five-year forecast, and in an effort to account for the potential impact of **R5.2** and provide a conservative projection, this financial impact is estimated at approximately \$55,000 annually. The ultimate goal of **R5.1** and **R5.2** is for the Food Service Fund to be self-sufficient, thereby eliminating the need for General Fund support.

Table 5-3 compares the District's food service operation efficiency for FY 2010-11 with industry standards.

Table 5-3: Meals per Labor Hour

Building	District MPLH	Industry Benchmark	MPLH Over / (Under) Benchmark
Buckeye High School	12.1	15.0	(2.9)
Buckeye Middle School	11.1	12.0	(0.9)
Buckeye Primary School	14.1	19.0	(4.9)

Sources: BLSD, ODE, NFSMI and School Foodservice Management for the 21st Century.

Note: The national standard is based on a convenience system, high productivity level.

Table 5-3 indicates that the primary school, middle school, and high school each operate with more daily labor hours than the industry benchmark. The District currently employs 13 staff for a total of 55 labor hours, which is above the industry benchmark of 44 daily labor hours.

R5.2 Formally survey stakeholders regarding participation rates and review food purchases.

The District should conduct a formal survey of all stakeholders (students, parents, District staff, etc.) to identify factors impacting low participation, such as meal prices and the Health and Wellness Action Plan. This will ensure that stakeholders understand the costs and benefits related to the Health and Wellness Action Plan. It would also help the District determine whether lowering current meal pricing would have a net positive impact on revenues. Furthermore, the District should review the food purchases from the local

farmer’s market to determine whether they can be purchased at a lower cost while maintaining quality, such as through a competitive bid process and consortium purchasing.

ODE reports the District's total participation rate at 29 percent in FY 2010-11, which is significantly lower than the peer average of 64 percent. This is in spite of the District having a higher percentage of free and reduced lunches than the peer districts. In addition, preliminary participation data for FY 2011-12 suggests that the District's participation rate is further declining. The Food Service Director indicated that she regularly surveys students and parents concerning meal planning, attends classes to seek input from students, organizes taste tests of fresh fruits and vegetables, and helps hold the annual Health and Wellness Fair.

Table 5-4 compares the District's lunch prices with the peer average.

Table 5-4: FY 2011-12 Lunch Price Comparison

	Lunch Prices		
	High School	Middle School	Elementary School
Peer Average	\$2.46	\$2.31	\$2.08
Buckeye LSD	\$3.50	\$3.50	\$3.00
Difference	\$1.04	\$1.19	\$0.92

Source: BLSLSD and peer District websites

Note: High School and Middle School lunch prices were not found for Field LSD

As illustrated in **Table 5-4**, the District’s prices are significantly higher than the peer averages. The Food Service Director stated that she surveys local districts on lunch prices before submitting a yearly price recommendation to the Board of Education for approval. However, the Director acknowledged that price increases in recent years have been aimed at deficit reduction, rather than affordability. The Director stated that the District has never surveyed students or parents on lunch prices. In addition, the Food Service Director indicated the Department had done a survey of local school districts in FY 2010-11, which revealed that BLSLSD had the highest meal prices of any of the districts that responded to the survey.

The District implemented its Health and Wellness Action Plan during FY 2008-09. The action plan requires more healthy meal options to be served in the District's cafeterias, carbonated beverages to be removed from the District's vending machines, and greater care to be given to knowledge about health and wellness. The Food Service Director indicated that while the Health and Wellness Action Plan is the correct way to proceed from a nutritional standpoint, it has hurt the District’s ability to raise revenue from vending and daily meal sales. In addition, while BLSLSD is a part of a consortium for food purchases, the Food Service Director purchases fruits and vegetables from a local farmer’s market instead of the consortium. According to the Food Service Director, products from food service companies spoil too quickly and the quality of food provided by the local farmer's market is better than what could be provided by other suppliers.

The District's high meal prices, lack of formal feedback from all stakeholders (e.g., parents), and the Health and Wellness Action Plan can contribute to the low participation rates. For instance, despite increasing lunch prices by \$0.25 in FY 2009-10, revenues from student charges actually

declined nearly 9 percent. By conducting a survey of all stakeholders, the District would be in a better position to pinpoint the specific causes for the low participation and subsequently identify strategies for increasing participation. Likewise, reviewing food purchases would ensure that they are purchased in a competitive environment.

Appendix

Issues for Further Study

The following list reflects issues requiring further study. In accordance with auditing standards significant issues identified during an audit are required to be disclosed. The following issues are not directly related to the audit objectives and were not reviewed in depth during the performance audit due to the limitations of time and resources.

- **Litchfield Elementary:** The audit findings are inconclusive as to whether the District is breaking even on its lease of Litchfield Elementary with Litchfield Preschool and Childcare Center, LLC. The District is leasing the building due to possible increases in future enrollment necessitating its reuse as an elementary school. The school originally started a one year lease with Litchfield Preschool and Childcare Center, LLC on May 9, 2009 for an agreed upon rent of \$3,874 per month for the usage of four classrooms, the front office area, and any common areas such as the gymnasium, cafeteria, and restrooms. In October 2010, the lease was amended to become a month-to-month lease with a rent amount of \$2,500 per month, retroactive to August 2010. The amended lease limited the lessee to the usage of three classrooms, as opposed to the four in the original lease. Although the lessee is required to pay for custodial services and snow removal, the District is required by the contract to do any maintenance or repairs to the building and cover the utility expenses. The District spent on average \$2,224 per month on utilities expenditures for Litchfield Elementary during FY 2010. While the District's average utility costs are lower than the rent payment, costs do not include any maintenance activities. Therefore, BLSD should determine how much money is spent on maintenance and other activities at Litchfield Elementary in order to determine whether the current lease payment is covering the total expenses.
- **Athletic Fund Operating Deficits:** BLSD provides athletic opportunities for students, such as football and baseball. The District reports athletic costs, including salaries for coaches and support staff, through the Athletic Fund. Although the District charges for some participation through the "pay-to-participate" program, these revenues do not cover the annual operating expenditures in the Athletic Fund. BLSD's Financial Audits report that the district experienced operating deficits in the Athletic Fund of \$137,200 in FY 2009-10 and \$104,400 in FY 2010-11. In May 2010, the Board approved an increase for FY 2010-11 pay-to-participate athletic fees, but then reversed this decision in September 2010 and reinstated the prior fees. To avoid future transfers from the General Fund and thereby ensure that educational program funding is not diverted to the sports program, BLSD should examine the recurring operating deficit in the Athletic Fund and consider ways to make the Fund self-sufficient. Some areas for closer examination include evaluating the supplemental salary schedules, the number of supplemental positions and athletic teams, and "pay-to-participate" fees.

- **Centralized Kitchen:** Although reviewing the implementation of a central kitchen model for food services was outside the scope of this performance audit, a central kitchen may enable the District to further improve efficiency and reduce costs. According to *School Foodservice Management for the 21st Century* (inTeam Associates, 1999), a central kitchen operation consists of producing food in one location and transporting it to others for service. It also states that “the more meals produced at one site, the better productivity can be; thus, reducing production kitchens should be a goal.”

Additional Background Information

Finance – Background

ORC §5705.391 and OAC 3301-92-04 require all city, local, exempted village, and joint vocational school districts to submit a five-year forecast of general operating revenues and expenditures to ODE prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. The forecast format consists of three years of historical data, projections for the current and four ensuing years, and a summary of key assumptions.

The Treasurer uses sophisticated forecasting software to illustrate assumptions and build the forecast. Review of the supporting documentation found that the Treasurer included sufficient detail in the supporting documentation that is consistent with stated assumptions. Although the forecast is formally approved by the Board only twice each year (October and May), the forecasting process is ongoing and events that affect the forecast are taken into account and shared with the Board and administrators throughout the year.

Table 1-1 presents a summary of BLSD’s October 2011 five-year forecast. It should be noted that the significant aspects of the District’s May 2011 forecast were assessed as a part of this audit because it was the most recent one available for review. That assessment found the May 2011 five-year forecast to be materially reasonable. Although the October 2011 forecast was not reviewed in depth, it is presented in **Table 1-1** because it is more current and likely reasonable based on the testing results of the May 2011 forecast. The October 2011 forecast does portray a more favorable financial position due to higher projected revenues, which are primarily attributed to higher property tax allocations. However, because this is not a primary revenue source for the District, it was not reviewed in the audit. In FY 2010-11, property tax allocation comprised 24 percent of total operating revenues.

Table 1-1: BLSD Five Year Forecast (in thousands)

	Actual			Forecasted				
	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total Revenue and Other Financing Sources	\$17,867	\$17,962	\$17,490	\$16,821	\$16,198	\$15,894	\$15,592	\$15,229
Total Expenditure and Other Financing Uses	\$18,903	\$18,478	\$17,997	\$18,827	\$19,260	\$19,590	\$19,860	\$20,134
Result of Operations (Net)	(\$1,036)	(\$516)	(\$507)	(\$2,007)	(\$3,062)	(\$3,696)	(\$4,268)	(\$4,906)
Beginning Cash Balance (7/1)	\$2,978	\$1,942	\$1,427	\$920	(\$1,086)	(\$4,149)	(\$7,845)	(\$12,113)
Ending Cash Balance (6/30)	\$1,942	\$1,427	\$920	(\$1,086)	(\$4,149)	(\$7,845)	(\$12,113)	(\$17,018)
Outstanding Encumbrances	\$485	\$347	\$335	\$300	\$300	\$300	\$300	\$300
Fund Balance 6/30 for Certification of Appropriations	\$1,457	\$1,080	\$585	(\$1,386)	(\$4,449)	(\$8,145)	(\$12,413)	(\$17,318)
Cumulative Balance of New Levies	n/a	n/a	n/a	\$1,627	\$4,784	\$7,942	\$11,099	\$14,256
Unreserved Fund Balance 6/30	\$1,457	\$1,080	\$585	\$241	\$336	(\$204)	(\$1,314)	(\$3,063)

Source: Ohio Department of Education, October 2011 five-year forecast

Note: Totals may vary due to rounding.

As shown in **Table 1-1**, the District is projecting a negative ending cash balance in FY 2011-12 of approximately \$1.1 million. The negative ending cash balance is projected to grow to \$17.0 million by FY 2015-16. **Table 1-1** also shows that the District's actual and projected expenditures exceed the respective revenues for each year, as evidenced by the negative net *result of operations*. However, the District was able to delay the point at which cash will become negative by reducing staffing levels and not replacing retirements starting in FY 2009-10. Finally, even when assuming the passage of a new levy, **Table 1-1** indicates that the District is projected with negative ending fund balances from FY 2013-14 to FY 2015-16. Voters rejected the District's levy proposal on the November 2011 ballot.

Revenues and Expenditures

Table 1-2 compares BLSD's revenue per pupil with the peer average for fiscal year (FY) 2009-10 based on ODE's reporting system, which was the latest year available at the time of this audit.

Table 1-2: Revenue per Pupil Comparison (FY 2009-10)

	BLS D		Peer Average	
	Per Pupil	Percent of Total	Per Pupil	Percent of Total
Local Revenue	\$3,841	47.5%	\$3,854	45.8%
State Revenue	\$3,835	47.5%	\$3,907	46.5%
Federal Revenue	\$404	5.0%	\$646	7.7%
Total Revenue	\$8,080	100.0%	\$8,407	100.0%

Source: Ohio Department of Education

Note 1: Totals may vary due to rounding.

Note 2: ODE’s reporting system excludes revenues unrelated to the instruction of school-age students (i.e., special trust funds or adult education). As a result, not all money accounted for by a school district is included in the revenue per-pupil calculation.

As shown in Table 1-2, BLS D’s revenue was overall 3.9 percent less per pupil than the peer average in FY 2009-10. However, the breakdown of revenues from local, State, and federal sources are somewhat similar to the peer averages.

Table 1-3 compares BLS D's property valuation assessed for tax purposes and local tax collections with the peer averages for FY 2009-10.

Table 1-3: Local Tax Effort Comparison (FY 2009-10)

	BLS D	Peer Average
Assessed Valuation per Pupil	\$184,037	\$122,696
Property/Income Tax (Local) Collections per Pupil	\$4,315	\$4,061
Local Collections per Pupil as a % of Assessed Valuation per Pupil	2.3%	4.3%
Effective Millage Residential (Class I)	22.00	27.79
Effective Millage Business (Class II)	23.78	32.33

Source: Ohio Department of Education

Table 1-3 shows that BLS D has higher assessed valuation per pupil and higher local collections per pupil than the respective peer averages. However, the District's local collections per pupil, as a percentage of assessed valuation per ADM, is lower than the peer average. BLS D’s lower effective millage rates contribute to this variance. This indicates that the community is providing the District with a lower local tax effort, especially based on its relative wealth, in comparison to the peers. By adding in the effect of the sales tax (see following paragraph), the local collections per pupil as a percent of the assessed valuation per pupil increases to 2.5 percent. This is still significantly less than the peer average.

In Medina County, there is a 0.5 percent sales tax that is split among Medina County school districts based upon student population. By law, money generated by the sales tax must be used for building construction and permanent improvements. The District receives approximately \$698,000 from the County sales tax each year.

Table 1-4 compares the district’s spending per pupil by object level to the peer average for FY 2009-10, based on ODE’s reporting system.

Table 1-4: Expenditures By Object Comparison - Per Pupil

	BLSD	Peer Average
Salaries and Wages	\$4,907	\$4,981
Employee Benefits	\$2,347	\$1,821
Purchased Services	\$767	\$603
Supplies and Materials	\$507	\$500
Capital Outlay	\$313	\$169
Other Objects	\$110	\$155
Total Expenditure per Pupil	\$8,952	\$8,229

Source: FY 2009-10 ODE Expenditure Flow Model (EFM) Inclusion Reports for BLSD and the peer districts

Note: ODE's EFM reporting system excludes expenditures unrelated to the instruction of school-age students. As a result, **Table 1-4** does not include all expenditures.

As shown in **Table 1-4**, the District spent 8.8 percent more per pupil than the peer average in FY 2009-10, primarily due to employee benefits. The District's insurance costs and retirement related benefits contribute to the higher employee benefits per pupil (see the **human resources** section). Certain expenses related to expanding an elementary school building, utility costs, and contracted maintenance services contribute to the higher purchased service expenditures per pupil (see the **facilities** section). Furthermore, capital outlay costs per pupil are higher than peer average because of the Medina County sales tax levy and the inside millage permanent improvement levy. As a result of these funds, the District is not relying on General Fund spending for capital projects.

Table 1-5 compares BLSD's FY 2009-10 expenditures on a per pupil basis to the peer average by function, based on ODE's reporting system.

Table 1-5 Expenditure per Pupil Comparison by Function (FY 2009-10)

	BLSD	Peer Average
Administrative	\$1,088	\$957
Building Operations	\$1,495	\$1,572
Staff and Pupil Support	\$1,095	\$1,011
Instruction	\$5,275	\$4,690
Total	\$8,952	\$8,229

Source: ODE Expenditure Flow Model Reports

Note: ODE's EFM reporting system excludes expenditures unrelated to the instruction of school-age students. As a result, **Table 1-5** does not include all expenditures.

Table 1-5 shows that the District spent more per pupil in administrative, staff and pupil support, and instructional expenditures than the respective peer averages in FY 2009-10. However, during the course of this performance audit, ODE published the EFM for FY 2010-11. It showed that the District spent \$8,626 per pupil in FY 2010-11, which is 3.6 percent lower than in FY 2009-10. Additionally, the District reduced the variance in total expenditures per pupil from being 8.8 percent higher in FY 2009-10 to being only 1.5 percent higher than the peer average in FY 2010-11. Likewise, of the four categories in **Table 1-5**, the District spent more per pupil only in the instructional category (\$5,150 compared to \$4,794) for FY 2010-11. Addressing the District's

insurance costs and retirement related benefits would help reduce the instructional costs per pupil (see the **human resources** section).

Human Resources

Table 2-1 compares the full-time equivalent (FTE) staffing levels per 1,000 students at BLS D to the peer average for FY 2010-11.

Table 2-1: Staffing per 1,000 students

	BLS D	Peer Average
Administrative	6.47	5.84
Office/Clerical	8.82	7.25
General Education Teachers	41.95	43.15
All Other Teachers	9.74	11.18
Education Service Personnel (ESP)	8.32	7.28
Educational Support	3.01	2.80
Other Certificated	0.00	0.56
Non-Certificated Classroom Support	7.30	6.12
Operations	18.34	24.46
All Other Staff	3.55	4.08
Total Staff	107.50	112.72

Source: ODE

As illustrated in **Table 2-1**, BLS D total staff per 1,000 students is lower than the peer average. However, the District employed more FTEs per 1,000 students in the administrative and office/clerical categories in FY 2010-11 (see **R2.1**). During the course of this performance audit, the District's EMIS staffing report became available for FY 2011-12. According to the EMIS report as of 1/30/2012, the District reported approximately a total of 223 FTEs, or nearly 10 fewer FTEs than in FY 2010-11. However, the administrative staffing levels remained essentially the same (14.00 and 14.02 FTEs). In contrast, the District reported 0.7 fewer office/clerical FTEs, which will be considered in **R2.1**.

Table 2-1 also shows that the District employed approximately 1 more ESP FTE per 1,000 students than the peer average, which amounts to 2 more ESP FTEs. However, BLS D reported approximately 2 fewer ESP FTEs for FY 2011-12. Since the variance in educational support FTEs amounted to only 0.2 FTEs per 1,000 students or 0.5 more FTEs than the peer average, it was not further investigated. Lastly, the District employed 1.2 more non-certificated classroom support FTEs per 1,000 than the peer average in FY 2010-11, which equates to 2.5 more FTEs. However, the District reported 1.2 fewer non-certificated classroom FTEs in FY 2011-12. Coupled with the District's lower teacher staffing levels and potential impact on non-certificated classroom support staffing levels, the remaining variance of only 1.3 FTEs was not further investigated.

Table 2-2 compares the District's average salary to the peer average for FY 2010-11.

Table 2-2: Average Salaries

	BLSD	Peer Average	Difference	% Difference
Administrative	\$70,094	\$72,476	(\$2,382)	-3.40%
Office/Clerical	\$30,126	\$28,018	\$2,108	7.00%
General Education Teachers	\$57,750	\$53,974	\$3,776	6.54%
All Other Teachers	\$55,272	\$50,535	\$4,737	8.57%
Education Service Personnel (ESP)	\$52,291	\$55,988	(\$3,697)	-7.07%
Educational Support	\$36,983	\$45,288	(\$8,305)	-22.46%
Other Certificated	\$0	\$40,016	N/A	N/A
Non-Certificated Classroom Support	\$19,769	\$16,779	\$2,990	15.12%
Operations	\$22,995	\$23,139	(\$144)	-0.63%
All Other Staff	\$52,729	\$35,602	\$17,127	32.48%
Total Staff	\$46,326	\$43,140	\$3,186	6.88%

Source: ODE

Table 2-2 shows that the District-wide average salary was 7.4 percent higher than the peer average, primarily due to the higher average salaries for office/clerical, general education and all other teachers, and non-certificated classroom support. Although the average salary for all other staff is significantly higher than the peer average, this category comprised only 3.3 percent of total staffing in FY 2010-11 and therefore was not further reviewed.

The higher average salaries for teachers are due to the salary schedules. Specifically, AOS compared BLSD's salary schedules that also reflect longevity pay to those in place at Field Local School District (Portage County), Keystone Local School District (Lorain County), and Marlinton Local School District (Stark County). These districts were chosen from the six peers based on their proximity to BLSD and effective years for the salary schedules. The District's total lifetime salary for a master's degree (entry level salary to step 30) is 4.2 percent higher than the peer average. However, this comparison may not reflect BLSD's location in Medina County while the four peers reside in other counties. The salary schedules in place at the other school districts in Medina County can impact BLSD's ability to attract quality teachers and, in turn, affect its salary schedule. For instance, BLSD's beginning and ending salaries, prior to longevity increases, for teachers with a bachelor's degree and a master's degree are lower than the average of school districts in Medina County for FY 2008-09.⁴ Likewise, BLSD's salaries with a master's degree at 25 and 30 years of service are lower than the Medina County averages, as is the District's maximum salary with longevity.

Based on a comparison of salary schedules for office/clerical and non-certificated classroom support staff, the higher average salaries for these two groups are likely due to variances in employee tenure and local economic conditions. Specifically, while the salaries for office/clerical staff are higher during the first eight years of employment, they are lower each year thereafter than the average of the three peer districts in closer proximity to BLSD. Likewise, while the salaries for non-certificated classroom support staff are higher during the first ten years of employment, they are lower each year thereafter than the three-peer average. As a result, the

⁴ The data for districts in Medina County is taken from the FY 2008-09 Ohio Education Association salary survey. The district is still operating under the salary schedules in place in FY 2008-09.

total salaries over 30 years for these staff are 7 percent to 11 percent lower than the respective three-peer average.

Facilities

BLS D is comprised of three educational facilities consisting of a primary school (Kindergarten through 6th grade), a junior high (7th and 8th grades), and a high school (9th through 12th grades). The District also owns seven other facilities, including Litchfield Elementary (a former elementary school), a support services building, a Board of Education building, a field house, a bus garage, a maintenance shop and a storage barn. The District has retained ownership of Litchfield Elementary in case student enrollment increases and is currently leasing the building for preschool and child care services (see *Issues for Further Study* in the **executive summary**).

BLS D has 10 FTE employees that are responsible for the maintenance and operations (M&O) functions for the District's buildings. These functions include cleaning all areas of each school building and completing a variety of building maintenance tasks. Modern Tool & Die Company of Valley City, Ohio provides grounds keeping services to the District as a donation for research and development purposes through FY 2011-12. The day-to-day operations of BLS D's M&O function are overseen by the Maintenance Supervisor. The Maintenance Supervisor and one other maintenance employee comprise the District's maintenance staff. A head custodian and one custodian are assigned to each of the District's three educational facilities.

Key Statistics and Indicators

Table 3-1 compares key statistics for BLS D's M&O function to benchmarks from the *Planning Guide for Maintaining School Facilities* (NCES, 2003) and averages reported by the *Maintenance and Operations Cost Study* (AS&U).

Table 3-1: Key Statistics and Indicators

Total Square Feet Cleaned per FTE(8.0 FTEs)	43,433
<i>NCES Planning Guide Benchmark¹</i>	<i>29,500</i>
Total Square Feet Maintained per FTE (2.0 FTEs)	199,948
<i>AS&U Cost Survey National Median²</i>	<i>95,000</i>

Source: BLS D, National Center for Education Statistics, and American School and University Magazine

¹ According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. The level of cleanliness that is achievable with this workload ratio is acceptable to most stakeholders and does not pose any health issues.

² The AS&U medians are based on a five-year average (FY 2004-05 to FY 2008-09) derived from the annual national survey.

Table 3-1 illustrates that each BLS D custodial FTE cleans 13,933 more square feet than the NCES benchmark. Similarly, BLS D maintenance employees maintain 104,948 more square feet per FTE than the AS&U survey benchmark.

Facility Expenditures

Table 3-2 compares BLSD's M&O facilities expenditures per square foot to the peer average during FY 2009-2010, the most recent data available at the time of this performance audit.

Table 3-2: Facilities Expenditures per Square Foot (FY 2009-10)

	BLS D	Peer Average
Salaries and Wages	\$1.08	\$2.10
Employee Benefits	\$0.63	\$0.86
Utilities	\$1.17	\$1.16
Purchased Services	\$0.89	\$0.75
Supplies and Materials	\$0.27	\$0.35
Capital Outlay	\$0.14	\$0.14
Other Objects	\$0.00	\$0.00
Total Expenditures per Square Foot	\$4.18	\$5.35

Source: Ohio Department of Education

Table 3-2 shows that BLSD's total M&O expenditures per square foot were lower than the peer average for FY 2009-10. **Table 3-2** also indicates that the District was materially higher than the peer average in only one category: purchased services. The higher purchased services cost is related to the District's staffing and coding practices. Specifically, due to the District's low maintenance staffing levels (see **Table 3-1**), outside contractors are used to assist with certain preventive maintenance procedures. In addition, BLSD coded its food service point of sale (POS) system, website domain fees and other technology costs to the purchased services object code, inflating the purchased services category. Coupled with the significantly lower staffing levels and overall expenditures per square foot, BLSD's purchased services were not further reviewed during the audit.

Transportation

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 (K-8) who live more than two miles from their assigned schools. Districts are also required to provide transportation to community school and non-public school students on the same basis as provided to their own students. In addition, districts must provide transportation to disabled students who are unable to walk to school, regardless of distance.

BLSD's transportation mission states, in part, "commencing with the 2008-2009 school year, all students K-8 will be transported to Buckeye Schools; there will not be 'no transport zones'." As a result, the District does not provide transportation services to high school students. In addition, the District transports students residing within the District but attend parochial schools. BLSD transported 1,438 riders in FY 2010-11 and services are overseen by the Bus Supervisor. Furthermore, the District uses routing software.

Table 4-1 compares BLSD's FY 2010-11 and FY 2009-10 key operating ratios and expenditures to the peer average for FY 2009-10.

Table 4-1: Key Statistics and Operating Ratios

	BLS FY 2010-11	BLS FY 2009-10	Peer Average FY 2009-10
Square Miles	71.0	71.0	48.2
Total Yellow Bus Riders ¹	1,438	1,469	1,335.7
Enrollment per Square Mile	33.5	34.0	59.4
Riders per Square Mile	20.3	20.7	33.2
Yellow Bus Riders per Active Bus	65.4	61.2	69.6
Spare Bus Ratio	24.1%	22.6%	27.9%
Total Expenditures Per Yellow Bus Rider ²	\$688	\$725	\$722
Total Expenditures Per Active Bus ²	\$44,938	\$44,384	\$47,869
Total Expenditures Per Routine Mile ²	\$3.43	\$3.72	\$4.14

Source: BLS and peer transportation reports submitted to ODE.

¹ This is based on the bus driver count sheets, rather than the T-1 form for FY 2010-11 (see **R4.1**).

² The District's reported expenditures were adjusted to accurately account for bus insurance (see **R4.1**). In addition, the District's expenditure report (T-2) for FY 2010-11 was not yet approved by ODE at the time of this audit. However, a review of another financial report found no significant discrepancies that would affect data reliability of the T-2 report for FY 2010-11.

As illustrated in **Table 4-1**, BLSD transported fewer riders per active bus in FY 2009-10 and FY 2010-11 than the peer average in FY 2009-10. However, for FY 2011-12, BLSD reduced the fleet by two active buses to 20, which increases the number of riders per bus to 71.9 based on the number of riders in FY 2010-11. This would be higher than the peer average despite BLSD being less densely populated, as evidenced by its lower enrollment per square mile and lower riders per square mile. **Table 4-1** also shows that the District's percentage of spare buses was lower than the peer average in both years. Additionally, **Table 4-1** shows that BLSD's total transportation expenditures per rider, per active bus, and per routine mile were lower than the respective peer averages in both years. Furthermore, BLSD exceeded its efficiency target established by ODE in FY 2010-11 by attaining an efficiency ratio of 1.1.

Food Service

The Food Service Department at BLSD consists of 13 employees, including the Food Service Director (the Director), 3 head cooks, and 9 cooks. The Director is responsible for overseeing the day-to-day operations, working to fulfill nutritional guidelines, overseeing purchasing and budgeting, managing food service personnel, planning meals, and ensuring all federal regulations are met. The Director of Food Services reports to the Superintendent.

The Food Service Department Staff prepares and serves lunches in each of the District's 3 school buildings. The Director stated that the District's Health and Wellness Committee implemented a Health and Wellness Action Plan during FY 2008-09. The District operates a point-of-sales system which automates cash handling and tracks student accounts, and is used to prepare participation and lunch count reports and submit data to the Ohio Department of Education (ODE).

Financial Data

The Food Service Fund is an enterprise fund, meaning it is intended to be financially self-sufficient by relying on charges and reimbursement to cover the costs of operations. **Table 5-1** illustrates BLSD's Food Service Fund revenue, expenditures, and other financial activities for FY 2007-08 through FY 2009-10.

Table 5-1: Financial Activity

	FY 2007-08	FY 2008-09	FY 2009-10
Revenue			
Student Charges	\$322,713.62	\$290,951.12	\$265,598.78
Interest	(\$712.00)	\$296.65	(\$50.82)
Miscellaneous	\$4,250.00	\$0.00	\$0.00
Restricted Grants-in-Aid (State Sources)	\$4,619.75	\$4,575.53	\$4,583.70
Unrestricted Grants-in-Aid (Federal Source)	\$122,249.05	\$180,418.37	\$161,011.03
Total Revenue	\$453,120.42	\$476,241.67	\$431,142.69
Expenditures			
Personal Services - Salaries	\$192,146.11	\$188,203.07	\$202,263.63
Employees Retirement and Insurance	\$95,411.29	\$108,633.98	\$98,100.87
Purchased Services	\$1,577.09	\$1,026.50	\$2,410.27
Supplies and Materials	\$217,875.84	\$233,739.27	\$246,803.79
Total Expenditures	\$507,010.33	\$531,602.82	\$549,578.56
Surplus/(Deficit)	(\$53,889.91)	(\$55,361.15)	(\$118,435.87)
Transfers-In	\$78,550.75	\$40,000.00	\$96,614.99
Net Transfers/Advances	\$78,550.75	\$40,000.00	\$96,614.99
Revenues Over (Under) Expenses (Including Transfers)	\$24,660.84	(\$15,361.15)	(\$21,820.88)
Beginning Fund Balance	\$0.00	\$24,660.84	\$9,299.69
Ending Fund Balance	\$24,660.84	\$9,299.69	(\$12,521.19)

Source: BLSD FY 2008-10 year end expenditure flow model (EFM) reports

Table 5-1 indicates that the Food Service Fund has incurred operating deficits in FY 2007-08, FY 2008-09, and FY 2009-10, requiring transfers from the General Fund each year. The District tried to raise revenue by increasing the student lunch price by \$0.25 between FY 2008-09 and FY 2009-10, but revenue from student charges declined nearly 9 percent. The cost of supplies and materials increased each year. The Food Service Director stated that the District's Health and Wellness Action Plan was directly correlated to the decline in revenue and the increase in supplies and materials (see **R5.2**). Furthermore, the District's FY 2010-11 financial audit was released during the course of this performance audit, which showed that the Food Service Fund incurred an operating deficit of approximately \$49,000 in FY 2010-11.

Table 5-2 compares BLSD's Food Service Fund expenditures on a per meal equivalent basis to the peers for FY 2010-11. Meal equivalents were based on definitions from the National Food Service Management Institute, as follows:

- 1 lunch = 1 meal equivalent;
- 3 breakfasts= 2 meal equivalents; and
- A la carte meal equivalents = a la carte sales divided by free lunch reimbursements plus commodity value per meal.

Table 5-2: FY 2010-11 Expenditures per Meal Equivalent

	BLSD	Peer Average	Percent Difference
Salaries	\$1.65	\$1.05	56.4%
Fringe Benefits	\$0.80	\$0.43	87.8%
Purchased Services	\$0.02	\$0.04	(51.8%)
Supplies and Materials	\$2.01	\$1.26	59.1%
Capital Outlay	\$0.00	\$0.02	(100.0%)
Other	\$0.00	\$0.00	(100.0%)
Total Expenditure	\$4.47	\$2.81	59.2%

Source: FY 2010-11 BLSD and peer District EFM reports

Note: Based on the availability of data during fieldwork, meal information is from FY 2010-11 while expenditure data is from FY 2009-10. Although the District’s participation rate was higher in FY 2009-10 which would support a higher meal count, it is highly unlikely that using the FY 2009-10 meal counts would impact the above comparisons. Specifically, the participation rate was 14 percent higher in FY 2009-10 than in FY 2010-11, but the expenditure variances in **Table 5-2** are much higher than 14 percent.

As shown in **Table 5-2**, BLSD had higher expenditures per meal equivalent than the peer average in FY 2010-11. The District's expenditures for salaries, fringe benefits, and supplies and materials were above the peer average. By reducing labor hours (see **R5.1**), the District would lower its salary and fringe benefit expenditures per meal equivalent. Fringe benefit expenditures would be further reduced by addressing the health insurance program and retirement related benefits (see **human resources**). Similarly, by addressing the impact of the Health and Wellness Action Plan (see **R5.2**) and purchasing practices, the District could reduce its supplies and materials expenditures per meal equivalent.

District Response

The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with BLSD officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



Buckeye Local School District

BUCKEYE LOCAL BOARD OF EDUCATION

3044 Columbia Road
Medina, Ohio 44256
Phone: 330-722-8257
Press #1

Auditor of State of Ohio
Attn: Jim Pyers
101 Central Plaza South
Canton, Ohio 44702

June 4, 2012

Dear Mr. Pyers,

Per your request below are comments commencing from the Performance Audit for Buckeye Local School District June 1, 2012. Buckeye Local School District would like it known that the recommendations that have emerged from the Performance Audit have already been addressed as evidence by the comments below:

1. Self insurance fund has been used by the district to offset FY 12 deficit
2. Tax abatement funds are being used by the district of offset FY12 and FY 13 deficit
3. Food Service staffing hours will be reduced for FY 13 and a centralized kitchen concept will be implemented. Staffing was addressed in the FY 12 school year as well as vending machine offerings to offset deficit. The Food Service Director is compiling a survey for our constituents' to achieve input for our consumers.
4. Financial Advisory Committee has worked with Food Service analyzing increased revenue opportunities as well as cost cutting thoughts, to eliminate the reliance of Food Service on the General Fund.
5. Financial Advisory Committee is analyzing the Athletic budget to assure Athletics are self supporting.
6. Administratively the Board of Education has cut .40% of administration in April 2012 for the FY 13 school year, as well as, ½ office/clerical for FY 12, and 1 office/clerical for FY 13.
7. It is the intention of the Board of Education to address the noted items with our Unions.
8. District will be enacting recommendations for Facilities and Transportation in FY 13

Thank you.

Sincerely,

Brian J. Williams
Superintendent

Carolyn M. Weglewski
Treasurer

Buckeye Senior High
3084 Columbia Road
Medina, Ohio 44256
330-722-8257
Press #3

Buckeye Junior High
3024 Columbia Road
Medina, Ohio 44256
330-722-8257
Press #2

Buckeye Intermediate
3140 Columbia Road
Medina, Ohio 44256
330-722-8257
Press #4

Buckeye Primary
3180 Columbia Road
Medina, Ohio 44256
330-722-8257
Press #5