



Dave Yost • Auditor of State

This page intentionally left blank.



Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Bethel-Tate Local School District,

In consultation with the Ohio Department of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations and management. Functional areas selected for review were identified with input from District administrators and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
April 12, 2016

This page intentionally left blank.

Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	1
Noteworthy Accomplishments.....	3
Issues for Further Study	4
Summary of Recommendations	5
Background.....	6
Recommendations.....	8
R.1 Update the strategic plan and link the budget to goals.....	8
R.2 Improve the accuracy and oversight of internal and external data reporting	8
R.3 Renegotiate costly provisions within collective bargaining agreements	11
R.4 Renegotiate sick leave policies and practices	12
R.5 Develop a comprehensive preventive facilities maintenance plan.....	13
R.6 Increase transportation fleet efficiency	13
R.7 Implement a formal bus replacement program	15
R.8 Improve food service management practices	16
R.9 Negotiate a two-year freeze on certificated base pay and step increases.....	21
R.10 Eliminate 10.0 FTE teaching positions	23
Appendix A: Scope and Objectives	26
Appendix B: Additional Comparisons.....	28
Appendix C: Five-Year Forecasts.....	32
Client Response	34

This page intentionally left blank.

Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) conducted a performance audit of the Bethel-Tate Local School District (BTLSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to conduct an objective assessment of the economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including: Financial Management, Human Resources, Facilities, Transportation, and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

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

This performance audit provides objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Audit Methodology

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

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

- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general spending and staffing comparisons. This peer set was selected based on demographic similarity, including such factors as: median income, percentage of students in poverty, and percentage of students with disabilities. A “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar square miles and population density, two significant factors that impact transportation efficiency. A “Salary Peers” set was selected for a comparison of employee salaries and step schedules. This peer set consists of districts in the same geographic proximity to provide a better gauge of local labor market conditions. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Amanda-Clearcreek Local School District (Fairfield County) • Grand Valley Local School District (Ashtabula County) • Indian Valley Local School District (Tuscarawas County) • James A. Garfield School District (Portage County) • Jefferson Area Local School District (Ashtabula County) • Lake Local School District (Wood County) • Milton-Union Exempted Village School District (Miami County) • Minerva Local School District (Stark County) • Salem City School District (Columbiana County) • Wheelersburg Local School District (Scioto County)
Transportation Peers
<ul style="list-style-type: none"> • Clark-Shawnee Local School District (Clark County) • Genoa Area Local School District (Ottawa County) • James A. Garfield School District (Portage County) • Lake Local School District (Wood County) • Milton-Union Exempted Village School District (Miami County)
Salary Peers
<ul style="list-style-type: none"> • Batavia Local School District (Clermont County) • New Richmond Exempted Village School District (Clermont County) • West Clermont Local School District (Clermont County) • Western Brown School District (Brown County) • Williamsburg Local School District (Clermont County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. These include American Association of School Administrators (AASA), American Schools and Universities (AS&U), DeJong and Associates, Inc. the Government Finance Officers Association (GFOA), the Institute of Child Nutrition (ICN), the National Center for Education Statistics (NCES), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE); and the Ohio State Employment Relations Board (SERB).¹ District policies

¹ DeJong and Associates, Inc. is a nationally recognized educational facilities planning firm that is utilized by the Ohio Facilities Construction Commission and its affiliate commissions for enrollment projections and capacity

and procedures in relation to pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

OPT shared information with District management, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues and proposed recommendations. The District was provided opportunity to share verbal and written comments in response to various recommendations, which were considered during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Bethel-Tate Local School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes noteworthy accomplishments identified during the course of this audit.

- **Facilities Expenditure and Staffing Levels:** BTLSD exceeded industry benchmarks in the square footage cleaned and maintained and acreage maintained by District employees. The District was able to provide this with only 13.0 full-time employees (FTEs) by performing custodial, grounds-keeping, and light maintenance in-house and outsourcing only more complex maintenance functions. In comparison, industry benchmarks allow for a workforce of up to 15.9 FTEs for these functions. As a result, the District incurred FY 2014-15 facilities costs of \$4.67 per square foot compared to the primary peer average of \$4.87.
- **Transportation Preventive Maintenance (PM) Expenditure Levels:** BTLSD uses industry standard practices by following a scheduled set of routine transportation PM activities to maintain the condition of the bus fleet. By using in-house, experienced services and a detailed set of cost records, the District reduced maintenance and repairs costs by 27 percent between FY 2013-14 and FY 2014-15, leading to a 7 percent reduction in overall transportation costs.

calculations on new building construction projects for school districts in Ohio. The Institute of Child Nutrition (ICN) was formerly known as the National Food Service Management Institute (NFSMI).

Issues for Further Study

Issues are sometimes identified by AOS that are not related to the objectives of the audit but could yield economy and efficiency if examined in more detail. The following issues for further study were identified during the course of this audit.

- **Health Care Consortium:** Although BTLSD's FY 2014-15 total and employer-paid insurance premiums were below the average of other districts in the region, additional comparison found that the Southwestern Ohio Educational Purchasing Council (EPC) had historically lower premiums than BTLSD's provider, the Clermont County Insurance Consortium (CCIC).² According to EPC, this was due to a substantially larger group of members, which created a broader risk pool. Because initial rates are adjusted based on claims, and BTLSD has high claims, the District may not be able to achieve immediate savings by joining this consortium. However, the District should consider changing consortiums based on the likelihood for future premium savings.
- **Future Building Closure:** Although FY 2014-15 building capacity and utilization configuration was assessed and determined to be appropriate (see **Appendix B**), the District's enrollment has been steadily decreasing, dropping 17.7 percent between FY 2007-08 and FY 2014-15. Should this trend continue, BTLSD could potentially close a building within the next decade. Since enrollment is subject to fluctuation based on several factors (e.g., demographic changes and economic development), the District should continue to annually monitor enrollment and develop updated projections. BTLSD should consider using the capacity analysis identified in **Table B-5** and update as appropriate for any future building changes.
- **Fuel Purchasing Options:** The District has not bid out fuel purchasing and has not compared prices to contracted rates available through the Ohio Department of Administrative Services (DAS). A pricing analysis showed the potential for minimal savings for the District, but delivery fees would likely eliminate any savings. BTLSD should work with other local governments in the region to determine if any joint fuel deliveries could be possible under the DAS contract, enabling it to take advantage of lower prices by sharing or avoiding delivery fees. The District should be aware of ORC § 125.04(C) and continue to review DAS costs to ensure it is bargaining for the lowest possible prices when purchasing fuel.
- **Administrative Salaries:** BTLSD should analyze administrator salaries, similar to the methodology used in **R.9**, to ensure appropriate alignment with the salary peers. Further, given the District's financial condition, any change negotiated in certificated or classified bargaining agreements should also be considered and applied equitably in the salary levels associate with administrative contracts.

² A regional comparison was conducted using data published in the 23rd *Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015). Specifically, BTLSD premiums were compared to Region 2 – Cincinnati, which consisted of Adams, Brown, Butler, Clermont, Clinton, Hamilton, Highland, and Warren Counties.

Summary of Recommendations

Table 2 shows a summary of the performance audit recommendations and financial implications, where applicable.

Table 2: Summary of Recommendations

Recommendations		Savings
R.1	Update the strategic plan and link the budget to goals	N/A
R.2	Improve the accuracy and oversight of internal and external data reporting	N/A
R.3	Renegotiate costly provisions within collective bargaining agreements	N/A
R.4	Revise sick leave policies	N/A
R.5	Develop a comprehensive preventive facilities maintenance plan	N/A
R.6	Increase transportation fleet efficiency	\$19,500
R.7	Implement a formal bus replacement program	N/A
R.8	Improve food service management practices	N/A
R.9	Implement a two-year freeze on certificated base pay and step increases	\$270,100
R.10	Eliminate 10.0 FTE general education teaching positions	\$501,300
Cost Savings Adjustments¹		(\$39,200)
Total Cost Savings from Performance Audit Recommendations		\$751,700

¹ If **R.9** and **R.10** are implemented together, the savings from freezing salaries would be reduced due to the eliminated positions.

Table 3 shows the District's ending fund balances as projected in the October 2015 five-year forecast. Included in the table are annual savings identified in this performance audit and the estimated effect that implementation of the recommendations will have on the ending fund balances.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Original Ending Fund Balance	\$831,769	\$331,399	(\$260,510)	(\$1,206,850)	(\$2,666,767)
Cumulative Balance of Performance Audit Recommendations	N/A	\$598,900	\$1,350,600	\$2,102,300	\$2,954,000
Revised Ending Fund Balance	\$831,769	\$930,299	\$1,090,090	\$895,450	\$187,233

Source: BTLSD, ODE, and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable, there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2016-17 through FY 2019-20 only. Due to the nature of the recommendation, **R.9** was applied partially in FY 2016-17 and fully in FY 2017-18.

As shown in **Table 3**, implementing the performance audit recommendations contained in this report could enable the District to eliminate projected deficits throughout the forecasted period.

Background

An analysis of BTLSD's May 2015 five-year forecast projected annual operational deficits occurring in FY 2014-15, FY 2017-18, and FY 2018-19, with ending fund balance deficits occurring in FY 2018-19, the final year of the forecast. Projected deterioration of BTLSD's financial condition served as the primary determination of need for this performance audit. **Table 4** shows the District's total revenues, total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances and improvements, and ending fund balances as projected in the May 2015 five-year forecast.

Table 4: BTLSD Financial Condition Overview (May 2015)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenues	\$14,860,136	\$15,048,613	\$15,298,696	\$15,256,468	\$15,340,868
Total Expenditures	\$15,301,158	\$15,034,581	\$15,275,383	\$15,720,295	\$16,257,493
Results of Operations	(\$441,022)	\$14,032	\$23,313	(\$463,827)	(\$916,625)
Beginning Cash Balance	\$1,878,415	\$1,437,393	\$1,451,425	\$1,474,738	\$1,010,911
Ending Cash Balance	\$1,437,393	\$1,451,425	\$1,474,738	\$1,010,911	\$94,286
Encumbrances & Improvements ¹	(\$225,111)	(\$200,000)	(\$220,000)	(\$225,000)	(\$250,000)
Ending Fund Balance	\$1,212,282	\$1,251,425	\$1,254,738	\$785,911	(\$155,714)

Source: BTLSD and ODE

¹ Includes outstanding encumbrances, capital improvements, and Disadvantaged Pupil Impact Aid (which ended in FY 2014-15).

As shown in **Table 4**, the District's May 2015 five-year forecast projected negative results of operations in FY 2014-15, FY 2017-18, and FY 2018-19. These results of operations were projected to deplete cash reserves over the forecasted period culminating in a projected negative ending fund balance in FY 2018-19, the final year of the forecast period.

In October 2015, the District updated its five-year forecast, projecting a worsening financial condition. **Table 5** shows total revenues, total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances and improvements, and ending fund balances as projected in the October 2015 five-year forecast.

Table 5: BTLSD Financial Condition Overview (October 2015)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenues	\$14,867,749	\$15,040,709	\$15,230,458	\$15,294,358	\$15,227,924
Total Expenditures	\$15,400,788	\$15,521,079	\$15,817,367	\$16,215,698	\$16,687,841
Results of Operations	(\$533,039)	(\$480,370)	(\$586,909)	(\$921,340)	(\$1,459,917)
Beginning Cash Balance	\$1,564,808	\$1,031,769	\$551,399	(\$35,510)	(\$956,850)
Ending Cash Balance	\$1,031,769	\$551,399	(\$35,510)	(\$956,850)	(\$2,416,767)
Encumbrances & Improvements ¹	(\$200,000)	(\$220,000)	(\$225,000)	(\$250,000)	(\$250,000)
Ending Fund Balance	\$831,769	\$331,399	(\$260,510)	(\$1,206,850)	(\$2,666,767)

Source: BTLSD and ODE

¹ Includes outstanding encumbrances and capital improvements.

As shown in **Table 5**, the District's October 2015 five-year forecast projects operating deficits to occur in every fiscal year in the forecast period. In addition, year end fund balance deficits are projected to occur in FY 2017-18, two years earlier than previously projected. Operating deficits are a direct result of expenditures outpacing revenues, depleting cash balances over the forecast period, resulting in a cumulative deficit of over \$2.6 million by FY 2019-20.

Based on the financial condition presented in the District's May 2015 five-year forecast, initial objectives and analyses were designed to review the management and operational performance of the District in comparison to industry benchmarks and peer averages. However, in light of the worsening financial condition projected by the District in the October 2015 five-year forecast, the financial impact of these recommendations was not sufficient to alleviate financial deficits. As a result, additional analyses were conducted to develop recommendations based on steps necessary to address the projected deficit.

Recommendations

R.1 Update the strategic plan and link the budget to goals

BTLSD created a long-term, comprehensive strategic plan in 2013, which is published on its website and includes details such as a capital replacement plan. The District has not continued to update the plan nor has it linked annual budgets to the plan. Although the previous Treasurer requested and included input from District administrators when creating the annual budget, there was no formal connection between planned goals, objectives, and performance measures and the annual spending decisions.

Establishment of Strategic Plans (Government Finance Officers Association (GFOA), 2005) recommends that governments develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan should establish logical links between spending and goals. In addition, the focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future.

Financial situations often lead districts such as BTLSD to reduce focus on long-term, strategic planning in order to address immediate constraints. However, during such periods, these decisions and the impact of all financial changes are even more critical. By linking strategic planning more directly to budgets, the District and the community can more fully evaluate desired outcomes and the effect that spending decisions, including reduced spending, will have on program outcomes. This, in turn, could result in an increase in the efficiency and effectiveness of addressing District needs and preparing for the future.

R.2 Improve the accuracy and oversight of internal and external data reporting

Data management areas were identified during the audit which demonstrated opportunities for improvement in tracking and reporting. One area involved the staffing and payroll information as managed by the Treasurer's Office, and the other was school bus mileage and ridership as managed by the Transportation Department.

The Treasurer's Office is responsible for creating staff and payroll records and associated database fields (e.g., employment type, position, compensation rate, etc.) for each employee using the Education Management Information System (EMIS). The EMIS Coordinator, a separate position outside of the Treasurer's Office, reports the data to ODE but is not responsible for maintaining and making necessary changes to the records.

A review of BTLSD staffing and payroll data identified significant errors in comparison to expected recording standards. In general, records for FY 2013-14, FY 2014-15, and FY 2015-16 were found to have numerous discrepancies in terms of position codes and FTE calculations.³

³ According to the *EMIS Reporting Manual* (ODE, 2015) instructions for reporting staff data, an FTE is defined as the ratio between the amount of time normally required to perform a part-time assignment and the time normally

The staff and payroll database contained incorrectly assigned position codes, duplicative entries, and obsolete entries (staff no longer working for the District). In addition, the period pay attached to multiple certificated employees was identified as being inconsistent with the collective bargaining agreement schedules. The agreement stipulated 25 pay periods effective FY 2014-15 and 24 pay periods effective FY 2015-16. During the audit, the District discovered some certificated employees received period pay at amounts that would not match their corresponding annual salary schedules. As a result of these staff and payroll inconsistencies, the District reported EMIS data that was inaccurate according to the guidance in sections 3.4 (v1.0) and 3.9 (v2.0) of the *Ohio Department of Education EMIS Manual* (ODE, 2015). The District was aware of payroll errors and took steps to correct the mismatched pay rates. During the course of this audit, as these errors were identified, adjustments were made to the original data to ensure accurate information was used for the staffing and payroll analyses included in this performance audit.

In addition to EMIS data, another area within BTLSD was determined to have a similar internal controls issue with data management and reporting. The District's FY 2014-15 transportation (T-1 and T-2) reports were reviewed and tested for accuracy. BTLSD is required under Ohio Administrative Code (OAC) 3301-83-01 to file annual reports to ODE that include all transportation information necessary to calculate State payments. Districts are required to submit transportation data to ODE via the T-1 and T-2 Forms, and ODE provides detailed filing instructions for both forms.

The T-1 Form contains operational data such as method of transport, pupil ridership, mileage, and buses used for transport. The T-2 Form contains end-of-year expense data for transportation operations. Bus drivers are responsible for collecting information pertaining to daily ridership and mileage. Bus drivers submit count sheets to the Transportation Director who completes the T-1 Form based on the information recorded in the count sheets. Forms must be digitally signed by the Treasurer and Superintendent, and then submitted electronically directly to ODE, which subsequently processes the information.

To verify accuracy of the reported information, the T-1 and T-2 reports were compared to the corresponding bus driver count sheet reports recorded during the District's count week in October. Although the overall variances between the T-1 Report and the bus driver count sheets for the number of riders and mileage reported was low (1.8 percent in ridership and 0.9 percent in mileage), multiple entries were found to be inconsistent, representing a pattern of errors. In addition, the T-2 Report variance was 2.5 percent between actual pupil transportation expenditures as recorded by the Treasurer's Office and the T-2 Report data. The Transportation Director indicated that no administrator review of the data occurred prior to the submission even though submission of these reports requires the signatures of the Superintendent and Treasurer and, at the District's discretion, the Transportation Director.

According to *Documenting Accounting Policies and Procedures* (GFOA, 2007), governments should use policies and procedures to "delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the

required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

safekeeping of assets and records.” GFOA recommends that the documentation “should indicate which employees are to perform which procedures.” In BTLSD, the correction process for EMIS data was not well defined, creating confusion on who was responsible for ensuring the accuracy of the information and enforcing corrections where necessary. In the submission of transportation reports, signatories were not tasked with the responsibility for serving as controls on the data.

Internal Controls: Reconciliation (The University of Washington, 2016) presents an example of policies with a clear definition of reconciliation and detailed discussion of the concepts and expected financial reporting practices in this area and how these related to the goals of improved internal controls. The list includes the following:

- **Accuracy of activity:** A good internal control system provides a mechanism to verify that transactions and activity are for the correct purpose and amount, and allowable.
- **Error correction:** Errors and discrepancies, intentional or unintentional, should be detected, investigated, and resolved in a timely fashion.
- **Matching to the source:** The oversight of any transaction is strengthened by the process of matching source documentation of the transaction to the appropriate reporting documentation or reporting tool.
- **Documenting the process and completion:** Reconciliation processes are most effective when they are consistent and thorough. Employees involved in the reconciliation process should be knowledgeable and clear on their responsibilities and expectations. It should be clear to an external review when reconciliation has been completed.

In both EMIS and transportation data management and reporting, BTLSD did not complete internal processes designed to check errors, make corrections, and ensure necessary oversight. The District has not developed a system of internal controls for these data processes that would provide for monitoring and updating the information, and reporting accurately on a regular basis. The number and type of errors in the various internal and external reports indicate that there are deficiencies in the District’s data entry and review processes. Although the District was experiencing transitions in personnel within the Treasurer’s Office, changes specifically identified by the EMIS Coordinator were not completed, and required supervisory oversight of the transportation reports did not occur before final submission.

Although reconciliations are most often thought of in the context of purchases, employee salaries and transportation expenses are among the largest expenditures for a school district. Failure to accurately report this information could result in incorrect calculations of State payments to the District. Therefore, the systems that assist in tracking and monitoring staffing information are among the most significant to the District and should be treated with the same type of heightened scrutiny and control. Furthermore, the District should have procedures in place that ensure consistent processes even during periods of employee transitions. By developing clear accountability protocols in these areas, BTLSD can ensure sufficient internal control and strengthened oversight that could lead to improved accuracy of all recorded staffing and payroll information.

R.3 Renegotiate costly provisions within collective bargaining agreements

The District has collective bargaining agreements (CBAs) with the Bethel-Tate Teachers Association (the certificated CBA) and Bethel-Tate's Association of Public School Employees (the classified CBA).⁴ An analysis of these CBAs identified the following comparatively costly provisions that exceeded State minimum standards and/or provisions found in the primary peer district contracts:

- **Sick leave accumulation:** BTLSD has no limit on the maximum amount of sick leave classified and certificated employees can accumulate. Ohio Revised Code (ORC) § 3319.141 allows a school employee to accrue at least 120 unused sick days but more can be approved by the local board of education. The majority of the primary peers have limits ranging from 220 to 340 days. The financial risk of unlimited accumulation is mitigated by the District's payout structure, but the potential for abuse in the usage of leave may exist if not combined with a well-defined sick leave policy (**R.4**).
- **Sick leave payout:** Eligible BTLSD employees receive sick leave payout equal to 25 percent of accumulated, unused sick leave (the equivalent of up to 50 days of payout). This payout maximum is lower than the majority of primary peers, but is higher than the State minimum requirement of 25 percent of 120 days, or the equivalent of 30 days. The additional 20 days of sick leave could cost the District at least \$8,100 in additional payout for each retiring teacher based on the FY 2015-16 highest salary.
- **Sunday/Holiday pay (classified CBA):** BTLSD pays classified staff two times their regular rate of pay for working on Sundays or holidays. In contrast, for holiday pay, only three primary peers pay at two times the regular rate, while five pay at one and one-half times their regular rate. Further, only four of the ten primary peer districts separately address Sunday pay. Two districts pay classified staff two times their regular rate of pay and two districts pay one and one-half times their regular rate. These suggest costly differences that should be discussed during negotiations.
- **Supplemental salary schedule tied to regular salary schedule (certificated CBA):** BTLSD has language stating that the supplemental salary schedule will change in correlation with negotiated changes to the regular salary schedule. In other words, as base salary schedules for teaching positions are renegotiated and potentially increased, the schedules for supplemental positions such as coaches and advisors are also proportionally increased. In contrast, only two of the primary peer districts have a similar provision.

CBA provisions that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs. In addition, restrictive collective bargaining agreement

⁴ The certificated bargaining unit includes all certificated employees who are under contract with the Board including all classroom teachers, special teachers (art, remedial reading, music, physical education, etc.), project directors, department heads, guidance counselors, librarians, and other certificated employees. This CBA is effective April 1, 2013 through March 31, 2016. The classified bargaining unit includes full time and regular short-hour non-certificated employees. This CBA is effective July 1, 2013 through June 30, 2016.

provisions can reduce the ability of District administration from implementing the most cost-effective staffing and management decisions.

R.4 Renegotiate sick leave policies and practices

Although the District has contractual provisions addressing sick leave, its bargaining agreements do not clearly state what constitutes a pattern of abuse, nor do they contain sufficient language to enforce management's review of its use. For example, while certificated and classified employees are directed by the contract to sign a request form to justify the use of any sick leave, physician statements are not consistently required for all employees. Physician statements are only required for certificated employees when the employee has used 30 consecutive days and requests additional days. For classified employees, staff may continue to use up to each individual's respective accumulated sick leave balance.⁵

During the course of the audit, District administration indicated that excessive leave use was problematic and that days were often used prior to or after holidays. A review of the District's FY 2014-15 sick leave usage reports found the following:

- 59 employees, or 24.4 percent, were absent nine or more days;
- 28 employees, or 11.6 percent, were absent 15 or more days;
- 40 employees were absent before or after a holiday;
- 6 employees were absent three or more times before or after a holiday; and
- At least one employee took sick leave before or after a holiday seven times.

The collective bargaining agreement between the Ohio Civil Service Employees Association (OCSEA) and the State of Ohio defines abuse as "consistent periods of sick leave use" and provides specific examples of indicators of abuse. The contract identifies possible abuse as sick leave taken:

- Before and/or after holidays;
- Before and/or after weekends or regular days off;
- After pay days;
- On any one specific day of the week;
- Following overtime worked;
- For half days;
- Maintaining zero or near zero balances; and
- Excessive absenteeism.

To better manage and control against the abuse of sick leave use, *Remedies for Sick Leave Abuse* (International Public Management Association for Human Resources, 2015) recommends that policies to reduce sick leave should include requiring medical verification of illnesses and questioning employees who use sick leave immediately prior or after a vacation or weekend.

Since BTLSD's sick leave policy does not define what constitutes sick leave abuse nor indicate any limitations, employees and administration do not have sufficient guidelines for identifying

⁵ Both CBAs offer the opportunity to use a shared sick leave bank, which lists a physician's statement as one of several required elements for use of the bank.

unacceptable practices. The District should include more detailed sick leave abuse definitions and instructions in its policy and require more consistent physician requirements. Revising formal policies that effectively communicate specific leave expectations with employees, as well as procedures for administration or department heads to use in monitoring sick leave use, may allow the District to reduce cumulative leave usage.

R.5 Develop a comprehensive preventive facilities maintenance plan

The District does not have a formal preventive maintenance plan which provides guidelines for timely, effective facility and equipment maintenance. Instead, a majority of the maintenance conducted is reactionary in nature.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative. A good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district should then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services, as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

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

R.6 Increase transportation fleet efficiency

During FY 2015-16, the District maintained 14 active buses; 3 of the buses were designated for special needs transportation. The District transported approximately 869 regular and special needs student, of which 38 percent lived within one mile of their designated school building. The District develops bus routes with use of routing software, commonly used by school districts to plan more efficient routes and decrease cost.

One way to assess transportation efficiency is through systematic efficiency ratings. In *Pupil Transportation Efficiency Target* (ODE, 2009), ODE states that transportation efficiency ratings take into account factors including the regular student population, number of buses and the size of a district. An efficiency rating of 1.0 is considered to be on par with similar peer districts, an efficiency rating above 1.0 is considered good, and an efficiency rating of less than 1.0 means there could be an opportunity to do better.

Table 7 shows BTLSD’s transportation efficiency in comparison to the transportation peer average. These performance measures illustrate the District’s relative efficiency in routing, ridership, and mileage in relation to the averages from the operationally similar set of transportation peers.

Table 7: Transportation Efficiency Comparison

Category	BTLSD	Transportation Peer Average	Difference	% Difference
Efficiency Rating	0.9	1.2	(0.3)	(22.0%)
Total Riders Per Bus	66.7	65.4	1.3	2.0%
Miles Per Bus	12,008.6	13,276.2	(1,267.6)	(10.6%)

Source: BTLSD and ODE

As shown in **Table 7**, the transportation peers were somewhat more efficient than BTLSD based on the relative efficiency rating. The District also has fewer miles per bus. These factors indicate a potential opportunity for routing improvements, which can be a way for a District to reduce transportation costs while maintaining the same level of service

According to *Hidden Savings in Your Bus Budget* (American Association of School Administrators (AASA), 2005), operating buses more efficiently is one of the most effective ways to achieve savings in a school district’s transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. AASA recommends that the target utilization for a school bus is 80 percent of its rated capacity.⁶

Table 8 shows a comparison of BTLSD’s routing efficiency for regular ridership in FY 2015-16 in comparison to industry benchmarks. This provides an opportunity to identify the number of buses necessary to transport students based on efficient industry routing levels.

⁶ *School Bus Seat Capacity* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 1999) established an industry standard for a 39 inch wide bus seat as having a maximum seat capacity of three students, but noted that older students may require more room. The National Highway Traffic Safety Administration’s *The Number of Persons That Can Safely Sit on a School Bus Seat* (NHTSA, 2016) states that “school transportation providers generally... fit three smaller elementary school age persons or two adult high school age persons into a typical 39 inch school bus seat.”

Table 8: Ridership Benchmark Comparison

BTLSD Regular Riders	827.0
Regular Active Buses	11.0
Average Runs Per Bus (20 Runs)	1.8
Total Bus Rated Seat Capacity ¹	1,224.0
Potential Seats Available Per Run at Capacity	61.2
Actual Riders Per Run	41.4
Actual Percent of Capacity	67.6%
Target Benchmark	80.0%
Benchmark Seats Per Run	49.0
Number of Buses Needed for Targeted Benchmark Capacity ²	9.3
Number of BTLSD Buses Over (Under) Target	1.7

Source: BTLSD, ODE, and AASA

¹ Capacity of each bus (55 or 72 seats) per number of runs performed by that bus and using a two-thirds industry standard adjustment for middle school/high school runs.

² Calculated using BTLSD Regular Riders / Benchmark Seats Per Run / Average Runs Per Bus.

As shown in **Table 8**, the District has slightly more buses (1.7) than recommended for transportation at targeted capacity. All of the District's active regular buses had a rated capacity of 72 passengers and the majority performed two separate runs, one for elementary school students and one for middle, high, and joint vocational school students. Based on rated capacity and the number of runs, the District was performing at a 67.6 percent average ridership utilization rate. Although routes are designed using routing software, some routes had low ridership. The District indicated that ride times on buses already average an hour each run, and that this creates difficulties in achieving higher utilization. However, the District's financial condition indicates that it should use its routing software to strive to achieve industry efficiency targets of 80.0 percent utilization.

Eliminating a bus could reduce costs related to the maintenance and operation. Furthermore, consolidating the District's fleet could reduce future replacement costs. The District should consolidate its bus routes and eliminate one active bus from its fleet in order to raise the rider utilization rate closer to the recommended benchmark.

Financial Implication: A reduction of one active bus would yield savings of approximately **\$19,500**. This savings is calculated using the lowest full-time driver staff salary of \$13,500 and includes an average benefit ratio of 37.7 percent.⁷ A bus insurance premium of \$800 is also included. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salary staff.

R.7 Implement a formal bus replacement program

Although BTLSD established a bus replacement plan as part of its strategic plan in 2013, it has neither followed, nor updated the plan to reflect more current information, such as changes in average and total bus mileage. For example, the plan was initially created during a period when the District was using a three-tiered routing system, where annual mileage accumulation was

⁷ The average benefit percentage is calculated by taking the District's total employees' retirement and insurance benefits divided by the District's total personnel service expenditures in FY 2014-15.

being estimated at approximately 16,200 miles per bus. The plan's estimated future mileage for each bus was not updated to account for the change to a two-tiered system in FY 2013-14, when annual mileage dropped to an estimated 14,000 miles per bus. These factors reduce the effectiveness of having a plan since it is not able to assist in guiding decision-making.

According to *Capital Asset Assessment, Maintenance and Replacement* (GFOA, 2011), "Budgetary pressures often impede capital program expenditures or investments for maintenance and replacement, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels." GFOA cautions that capital planning must occur to maintain the safety and adequacy of assets and recommends planning to include:

- Developing a policy to require an inventory be kept current with periodic measurement of the condition of all assets;
- Establishing condition/functional performance standards for each type of asset;
- Evaluating assets and prioritizing maintenance and replacement in accordance with objectives to maintain service levels;
- Allocating sufficient funds in the capital plan and annual operations budget for assessment, preventative maintenance, and repair and replacement;
- Monitoring and communicating on progress toward stated goals and the overall condition of the assets; and
- Providing a report at least every one to three years to elected officials and the public on asset conditions.

Constrained resources have affected BTLSD's ability to maintain its capital plans with regard to bus replacement. The District developed an initial plan but did not tie it to the annual budget process and did not update the information as circumstances changed. By not updating information on the mileage of certain buses or the accumulated mileage, the District no longer has a document that can accurately inform the decision-making process. While changes in finances can constrain the ability to follow a specific schedule, maintaining a formal bus replacement plan would set priorities and establish an understanding of criteria for decision-makers. The need for planning is most important during times of economic stress to review how proposed changes will affect service efficiency, potential maintenance costs, and overall safety.

R.8 Improve food service management practices

During the course of the audit, the District contracted out the management of its food service operations to a third-party contractor. The contractor provides management of purchasing, meal planning, and grant reporting, while the District retained employment of the food services staff.

Although BTLSD has significant reserve balances in its Food Service Fund, it has experienced accelerating operating deficits. **Table 9** shows the historical operating performance of the Food Service Fund for FY 2012-13 through FY 2014-15. Analyzing annual revenues and expenditures and the effect on reserve balance is important as this provides an indication of the overall health of the operation and identifies any trends that could point to future financial difficulties.

Table 9: Historical Food Service Fund Performance

	FY 2012-13	FY 2013-14	FY 2014-15
Beginning Balance	\$540,417	\$525,412	\$452,901
Revenue	\$624,138	\$584,903	\$571,862
Expenditures	\$639,142	\$657,414	\$667,430
Ending Balance	\$525,412	\$452,901	\$357,332
Operating Gain/Loss	(\$15,005)	(\$72,511)	(\$95,569)
Expenditures as % of Revenue	102.4%	112.4%	116.7%

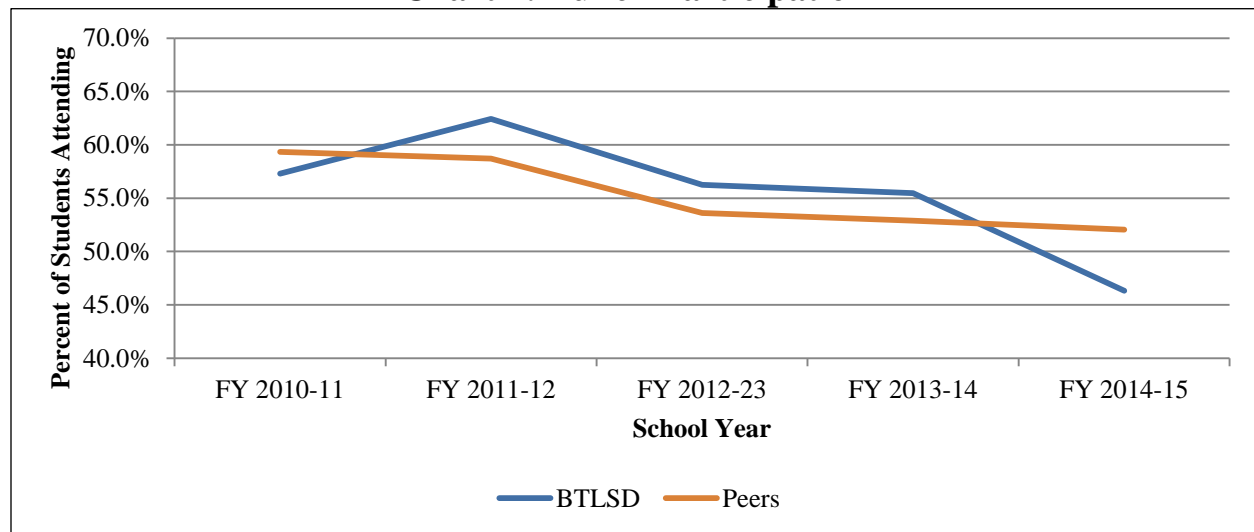
Source: BTLSD

As shown in **Table 9**, BTLSD’s Food Service Fund had an initial FY 2012-13 beginning fund balance of approximately \$540,000. However, decreased revenues and increased expenditures resulted in widening operational deficits in the three-year period shown, reducing the fund balance to just over \$357,000 by FY 2014-15.

According to the District, the near-term goal of food service operations has been on increasing participation, not in reviewing and balancing cost drivers. Menus were set to maximize satisfaction without focusing on financial priorities of meal cost and availability. The focus on participation was based on a perception that changes in federal food regulation standards had affected taste quality resulting in a negative impact on participation.

Chart 1 shows a comparison of participation as a percentage of average daily attendance for BTLSD and the peers for FY 2010-11 through FY 2014-15. This analysis is important because it shows the relative participation between BTLSD and the primary peers and provides an indication the effect of the FY 2011-12 changes in federal regulations for food served in school districts had on service levels.

Chart 1: Lunch Participation

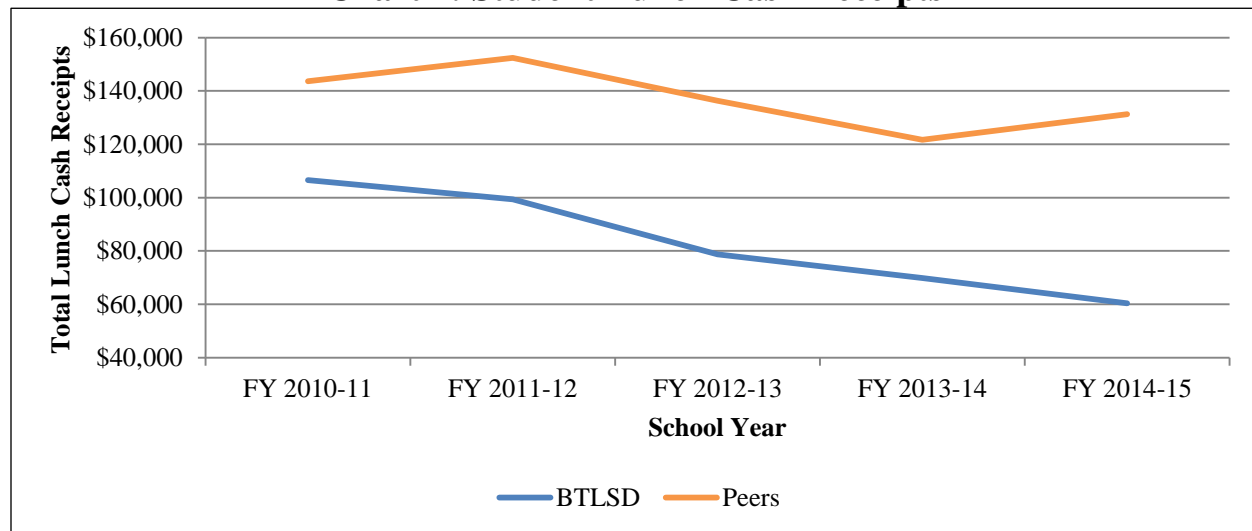


Source: BTLSD and ODE

As shown in **Chart 1**, federal food regulations that went into effect in FY 2011-12 had minimal effect as the District actually showed a small increase in relative participation while the peer average was largely unchanged. Gradual decreases in participation did occur over the next two years with a large decrease in FY 2014-15 despite the District's focus on improving participation. This drop in participation at BTLSD was not consistent with peers, and thus did not reflect a wide regulation change as the cause.

Since BTLSD has incurred decreases to its student population, actual meal receipts were also reviewed to determine whether lunch cash receipts decreased at the same rate as participation. **Chart 2** shows a comparison of cash receipts for lunches served for BTLSD and peers for FY 2010-11 through FY 2014-15. This demonstrates the financial effect of changes in actual activity in the District and peers.

Chart 2: Student Lunch Cash Receipts



Source: BTLSD and ODE

As shown in **Chart 2**, cash receipts at BTLSD have decreased more rapidly and consistently than the peers due to fewer students in the base population each year. Decreasing receipts is problematic, mainly due to the effects of fixed costs. Since food inventory are variable costs, the District should be able to adjust purchasing to reflect fewer meals served and periodically adjust staffing accordingly as well. This was not the case at BTLSD, as food service expenditures increased from FY 2012-13 to FY 2014-15 (see **Table 9**) signifying the need to examine the actual cost per meal served.

Table 10 shows a comparison of BTLSD's revenues and expenditures per meal to the primary peer average for FY 2014-15.

Table 10: Revenue and Expenditures per Meal Comparison

	BTLSD	Peer Average	Difference	% Difference
Total Revenue per Meal	\$3.28	\$2.59	\$0.69	21.0%
Total Expenditures per Meal	\$3.83	\$2.55	\$1.28	33.4%
Expenditures Over/(Under) Revenue	\$0.55	(\$0.04)	\$0.59	107.6%

Source: BTLSD and ODE

As shown in **Table 10**, BTLSD significantly exceeded the peer average in revenue per meal, with \$3.83 per meal, compared to \$2.59 per meal on average for the peers. However, BTLSD expended \$3.83 per meal in comparison to \$2.55 per meal on average for the peers. Because of the severity of this variance, a breakdown of expenditure cost categories per meal was analyzed for FY 2012-13 through FY 2014-15. **Table 11** shows this analysis.

Table 11: Historical Food Service Expenditures per Meal

	FY 2012-13 ¹	FY 2013-14	FY 2014-15	3 Year Variance
Salaries & Wages	\$1.23	\$1.40	\$1.54	25.0%
Benefits	\$0.58	\$0.77	\$0.94	60.9%
Purchased Services	\$0.08	\$0.10	\$0.13	62.0%
Supplies and Materials	\$1.13	\$1.20	\$1.19	5.5%
Capital Outlay	\$0.02	\$0.05	\$0.03	53.8%
Total Expenditures per Meal	\$3.05	\$3.52	\$3.83	25.8%
Total Meal Equivalents Served	209,844	186,589	174,135	(17.0%)

Source: BTLSD and ODE

¹ Column does not total due to rounding.

As shown in **Table 11**, every cost category incurred an increase in the three-year period, with overall costs increasing by 25.8 percent. The primary component of the per meal costs for BTLSD was salaries and wages, an indicator of staffing levels. A common indicator of staffing efficiency for food service is meals per labor hour (MPLH). **Table 12** shows a comparison of the District's FY 2014-15 MPLH for each building to benchmarks outlined in *School Foodservice Management for the 21st Century* (Pannell-Martin, 1999).

Table 12: Meals per Labor Hour Analysis

Building	Meal Equivalents Served per Day	Daily Labor Hours	MPLH	Benchmark	Over (Under) Benchmark	Total Labor Hours Needed	Equivalent Labor Hours Over (Under)
BT High School	263.1	27.0	9.7	16.0	(6.3)	16.4	10.6
BT Middle	249.0	15.5	16.1	15.0	1.1	16.6	(1.1)
Bick Primary	259.1	11.0	23.6	16.0	7.6	16.2	(5.2)
Hill Intermediate	265.4	11.8	22.6	16.0	6.6	16.6	(4.8)
Total	1,036.5¹	65.3	71.9¹	63.0	8.9¹	65.8	(0.6)¹

Source: BTLSD, ODE, and Pannell-Martin

¹ Column/row does not total due to rounding.

As shown in **Table 12**, BTLSD's food service operations vary by building because the District used a centralized kitchen, located in the high school, to distribute prepared meals. As such, total

MPLH is the most important measure of efficiency. Based on the comparison to the industry standard, total food service staffing is appropriate.

The other significant cost area per meal identified in **Table 11** is the area of supplies and materials. Despite a decrease of 17.0 percent in meals served in the District between FY 2012-13 and FY 2014-15, this cost category increased 5.5 percent. Relative to the primary peer average, BTLSD had cost per meal for supplies and materials of \$1.19 compared to average peer costs of \$1.04 in FY 2014-15. A potential cause of excess supplies and materials expenditures was inventory control issues identified during the course of the audit. In interviews with food service management, the District's food inventory system was described as being completely decentralized, with respective personnel at the storage sites tracking and reporting inventory to the Food Service Director. No surprise visits or periodic reconciliations were conducted to verify inventoried products. During the course of a walkthrough of the BTLSD facilities, a large summertime inventory of food products was observed in the two main District storage areas, the high school and middle school. These included substantial rooms full of both dry goods and frozen and refrigerated products.⁸ The sheer volume of excessive inventory signifies possible inefficiencies in purchasing practices as purchasing levels remained relatively unchanged during a period of decreased enrollment and meals served (FY 2012-13 to FY 2014-15). Since purchasing was not aligned with actual food use, the District may have been able to see significant savings in this area during FY 2014-15 if purchasing and inventory control had been properly conducted.

According to *Financial Management: A Course for School Nutrition Directors* (Institute of Child Nutrition (ICN), 2015), a food service program director should use and develop financial management tools to support operational goals, comply with regulations, and control costs. Tools include reviewing various types of expenditure information to determine:

- Total costs to produce a meal;
- Meal costs per expenditure category;
- Percentages of operational costs to total revenue (operating ratios); and
- Costs to produce a meal compared with the average revenue generated per meal.

Past BTLSD food service management practices focused on programs and opportunities to increase participation rather than conduct meal cost management. Meal planning was conducted for student satisfaction and not motivated by purchasing and cost considerations. These were likely the drivers that created increasingly larger operating deficits in the food service operations that reduced over one third of the cash reserve in the food service fund over the course of the past three fiscal years.

Since the Food Service Fund was able to absorb recent operating deficits, the District has not used any transfers from the General Fund to support operations. However, in the event these deficits continue and exhaust the reserve, the General Fund would be required to support any annual deficit. The District should focus on improving the self-sufficiency of the operations to prevent any potential future effect on the General Fund. Improved salary management and inventory control will contribute to better cost management and reduced expenses across the

⁸ During the audit, one of the large food freezers malfunctioned, and a significant list of food products had to be discarded. This broken freezer exemplified the financial risks associated with maintaining such a large inventory.

food service operation. By controlling costs, the Food Service Fund will be able to provide students with healthy meals while also maintaining a self-sufficient operation.

R.9 Negotiate a two-year freeze on certificated base pay and step increases

As part of the initial scope and objectives, a review of salary schedules for employees in comparison to the salary peers was conducted to determine opportunities for adjustment. The following analysis considers these factors as well as the financial condition of the District.

BTLSD bargaining unit employees are paid according to schedules included in the CBAs. Certificated employees are paid based on years of experience within three education levels (bachelor's degree, bachelor's degree with 150+ credit hours, and master's degree). **Table 13** shows a comparison of the average annual certificated salary and total compensation for a 30-year career for BTLSD and the salary peers. Using career compensation assigns a total cost to a step schedule and provides a gauge for comparison.

Table 13: Certificated Average Salary Comparison

Average Annual Salary				
	BTLSD	Salary Peer Average	Difference	% Difference
Bachelor's	\$50,933	\$49,283	\$1,651	3.2%
Bachelor's w/ 150+ Credit Hours	\$54,394	\$52,719	\$1,676	3.1%
Master's	\$58,630	\$57,596	\$1,034	1.8%
Salary + Longevity for 30 Years				
	BTLSD	Salary Peer Average	Difference	% Difference
Bachelor's	\$1,528,001	\$1,478,486	\$49,515	3.2%
Bachelor's w/ 150+ Credit Hours	\$1,631,832	\$1,546,821	\$85,011	5.2%
Master's	\$1,758,903	\$1,727,884	\$31,019	1.8%

Source: BTLSD and salary peers

As shown in **Table 13**, average annual salary and career compensation is slightly higher for all positions analyzed. Although the District has higher compensation for teachers with bachelor's degree with 150+ credit hours, only 16 percent of teachers qualify for this schedule. The majority of teachers, over 70 percent, qualify for master's degree compensation, a classification with only a 1.8 percent difference.

Table 14 shows a similar comparison for classified employees using average hourly wages across the schedule. Classified schedules were compared based on hourly rates due to differences in the number of hours and the number of days worked across districts. By reviewing these hourly rates for each category of worker, disparities in the relative schedules can be identified.

Table 14: Classified Average Salary Comparison

Average Hourly Wage, Starting Wages				
	BTLSD	Salary Peer Average	Difference	Percent Difference
Aide	\$14.07	\$13.50	\$0.57	4.1%
Bus Driver	\$16.23	\$18.20	(\$1.96)	(12.1%)
Custodian	\$14.32	\$15.27	(\$0.96)	(6.7%)
Food Service Staff	\$12.93	\$13.41	(\$0.48)	(3.7%)
Mechanic	\$18.55	\$21.21	(\$2.66)	(14.3%)
Secretary	\$14.60	\$15.73	(\$1.13)	(7.7%)
Average Hourly Wage, 30-Year Schedule				
	BTLSD	Salary Peer Average	Difference	Percent Difference
Aide	\$15.11	\$14.54	\$0.57	3.8%
Bus Driver	\$17.30	\$19.62	(\$2.32)	(13.4%)
Custodian	\$15.47	\$16.66	(\$1.18)	(7.7%)
Food Service Staff	\$13.86	\$14.69	(\$0.84)	(6.1%)
Mechanic	\$19.73	\$23.27	(\$3.54)	(17.9%)
Secretary	\$15.75	\$18.29	(\$2.54)	(16.1%)

Source: BTLSD and salary peers

As shown in **Table 14**, all classified employees except aides have starting wage levels below the compensation peer average. In addition, average hourly wages across a career for all employees except aides were significantly lower than the salary peer averages.

Given the comparative results shown in **Table 13** and the District's projected financial condition, BTLSD should negotiate a freeze on base pay and step increases for certificated salaries.⁹ **Table 15** shows the financial impact of these freezes for certificated staff based on the FY 2015-16 staff list and step schedules.

Table 15: Financial Impact of Certificated Step Freeze Scenarios

	FY 2016-17	FY 2017-18
Annual Savings	\$95,057	\$175,152

Source: BTLSD

As shown in **Table 15**, a freeze of base pay and step increases scheduled for certificated employees in FY 2016-17 is projected to generate annual savings of approximately \$95,000. If an additional freeze is negotiated for FY 2017-18, then the District would save an additional \$175,100 for a cumulative total of \$270,100. Actual savings will be affected by negotiated schedules, employee turnover, retirements, promotions, and other related factors. Based on the projected size of the ending fund balance deficit, a freeze of two years in certificated base and

⁹ Freeze estimates use FY 2015-16 certificated step schedule and assume base pay increases of 0.0 percent in FY 2016-17 and 1.5 percent in FY 2017-18 based on projections used in October 2015 five-year forecast. For example, an employee paid at the step 15 amount for FY 2015-16 would continue to be paid at the step 15 amount for FY 2016-17 rather than progressing to be paid at the step 16 amount. This freeze of step increases is for compensation purposes only and would not impact the employees' years-of-service.

step increases, in conjunction with the staffing cuts identified in **R.10**, would be sufficient to alleviate deficits for the forecast period.

Financial Implication: A two-year base and step increase freeze could save the District **\$95,000** in the first year and **\$270,100** thereafter based on FY 2015-16 staffing and salary schedules.

R.10 Eliminate 10.0 FTE teaching positions

As part of the initial scope and objectives, staffing comparisons across the District were made to the primary peers to determine opportunities for efficiency improvements in staffing levels. In determining opportunities for addressing the financial deficit, the District should consider that in FY 2015-16, personnel expenditures represented over 49 percent of total forecasted expenditures. Any staffing cuts considered for financial solvency should consider a District-wide approach to reductions, reviewing all staffing areas.

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires a district-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP). **Table 16** shows options for staffing reductions in which the District would continue to operate within State requirements for general education teacher staffing levels.

Table 16: General Education Teacher Comparison

General Education FTEs	70.0				
Regular Student Population	1,405.1				
Staffing Ratio (Students: Teachers)	20.1:1				
	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for Each Option	Difference Above (Below)	Proposed Reduction for this Option	Annual Savings¹
Peer Average	20.2:1	69.5	0.5	0.0	\$0
Deficit Reduction	23.4:1	60.0	10.0	10.0	\$501,300
State Minimum	25.0:1	56.2	13.8	13.0	\$660,400

Source: BTLSD, ODE, and OAC.

¹ Annual savings based on current lowest-paid general education teachers plus 37.7 percent benefits cost.

As shown in **Table 16**, the District has general education teacher staffing levels consistent with the primary peer average (approximately 20 percent above the State minimum level). Despite this, eliminating 10.0 FTE general education teacher positions may be necessary to address deficits projected in the October five-year forecast.

In examining teacher staffing levels, the District should also consider appropriate levels for educational service personnel (ESP). ESP positions include K-8 art, music, and physical education teachers, counselors, librarians, nurses, social workers, and visiting teachers. At the start of FY 2014-15, OAC 3301-35-05 required school districts to employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. Effective April 24, 2015, OAC 3301-35-05 was revised to state, "The local board of education shall be responsible for the

scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision eliminated State minimum staffing levels for ESP staffing.

Table 14 shows a staffing comparison of the District's educational service personnel (ESP) per 1,000 students for FY 2015-16 to the peer average. Staffing is compared in relation to student population as the number of students served functions as a workload measure for each position listed.

Table 14: Educational Service Personnel Comparison

	BTLSD		Peer Average	Difference	
Students Educated ¹	1,565		1,604	(39)	
Students Educated (thousands)	1.565		1.604	(0.039)	
Staffing Categories	BTLSD		Peer Average	Difference per 1,000 Students Educated	Total FTEs Above (Below) ²
	FTEs	FTEs per 1,000 Students Educated	FTEs per 1,000 Students Educated		
ESP Teachers	6.00	3.83	3.55	0.28	0.44
Counselors	2.00	1.28	1.62	(0.34)	(0.53)
Librarians/Media Specialists	0.00	0.00	0.29	(0.29)	(0.45)
School Nurses	1.00	0.64	0.45	0.19	0.30
Social Workers	0.00	0.00	0.15	(0.15)	(0.23)
Total Educational Service Personnel	9.00	5.75	6.06	(0.31)	(0.47)

Source: BTLSD and ODE

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

² Represents the number of FTEs that would bring BTLSD's administrators per 1,000 students in line with the peer average. Calculated by multiplying "Difference per 1,000 Students Educated" by "Students Educated (thousands)."

As shown in **Table 14**, the District has ESP staffing levels slightly lower than the peer average. However, since State minimum requirements do not apply to ESP staffing, eliminating ESP positions may also be a viable option to address projected deficits. As with other areas of staffing, decisions to eliminate ESP staffing are programmatic in nature for the District and should be based on a careful review of long-term educational and operational plans. ESP positions, for instance, may be eliminated in lieu of general education staffing. However, the relative cost savings for the positions must also be considered.

Based on the District's financial condition, the financial impact of reducing 10.0 FTE general education or ESP teaching positions, in conjunction with base and step freezes identified in **R.9**, would alleviate projected fund deficits for the forecast period. In lieu of a base and step freeze, however, the District may have to reduce general education staffing to a level that approaches State minimum levels to eliminate deficits for the entirety of the forecast period.

Staffing decisions must be balanced with a District's fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Prior to making any cuts, the District should review all areas of the District including administrative levels, office/clerical, educational support personnel, non-certificated classroom support, operations, and other staff to determine appropriate service levels based on programmatic needs and responsibilities in the District. This analysis should be part of the strategic planning and decision-making conducted by the District administration and Board. The option to reduce general education staffing to State minimums is not a common practice in Ohio, but may be necessary to maintain financial solvency based on the deficit projections in the October 2015 five-year forecast.

Financial Implication: Eliminating 10.0 FTE general education teaching positions could save approximately **\$501,300** in salaries and benefits annually. These savings were calculated using the eight lowest-paid general education teacher salaries and include an average benefit ratio of 37.7 percent.¹⁰ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salaried staff.

¹⁰ The average benefit percentage is calculated by taking the District's total employees' retirement and insurance benefits divided by the District's total personnel service expenditures in FY 2014-15.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** shows the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Seventeen of the 29 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
What is the financial history and current financial status?	N/A
Are budgeting and forecasting practices comparable to leading practices?	R.1
Is the strategic plan consistent with leading practices?	R.1
Is financial communication consistent with leading practices?	N/A
What impact will the performance audit recommendations have on the forecasted revenues and/or expenditures?	N/A
Are purchasing practices comparable to best practices?	N/A
Is capital planning consistent with leading practices?	R.1
Human Resources	
What is the current status of staffing and negotiations?	N/A
Is the EMIS data process sufficiently reliable and consistent with leading practices?	R.2
Are staffing levels comparable to peers and State minimum requirements?	N/A
Are salaries comparable to peers?	N/A
Are collective bargaining agreement (CBA) provisions comparable to the peers and State minimums?	R.3
Are insurance benefits comparable to industry standards?	N/A
Is the sick leave policy comparable to leading practices?	R.4
Facilities	
What is the current state of facilities?	N/A
Is custodial and maintenance staffing efficient compared to benchmarks?	N/A
Are facilities expenditures comparable to peers?	N/A
Is the preventative maintenance plan comparable to industry benchmarks?	R.5
How does building utilization compare to industry benchmarks?	N/A
Transportation	
What is the current state of transportation operations?	N/A
Are the T-Report procedures accurate and consistent with leading practices?	R.2

Objective	Recommendation
Is bus routing efficient?	N/A
Is the fleet size efficient compared to leading practices?	R.6
Is the fuel purchasing practice resulting in efficient pricing?	N/A
Are bus replacement practices consistent with leading practices?	R.7
Food Service	
What is the current state of food service operations?	N/A
Is the Food Service Fund self-sufficient and consistent with leading practices?	R.8
Are food service staffing levels efficient compared to peers and/or leading practices?	N/A
Financial Solvency	
Can the District eliminate ending fund deficits in the next five-years?	R.9 and R.10

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

Appendix B: Additional Comparisons

Staffing

Table B-1 shows the full-time equivalent (FTE) staffing levels per 1,000 students at BTLSD compared to the primary peer average. The latest available peer data was from FY 2013-14 as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to BTLSD's EMIS data to reflect accurate staffing levels for FY 2015-16.

Table B-1: BTLSD Staffing Comparison

	BTLSD		Peer Average	Difference	
Students Educated ¹	1,565.2		1,604.0	(39)	
Students Educated (thousands)	1.5652		1.6040	(0.039)	
Staffing Categories	BTLSD FTEs	BTLSD FTEs per 1,000 Students Educated	Peer Average FTEs per 1,000 Students Educated	Difference per 1,000 Students Educated	Total FTEs Above (Below) ²
Administrative	9.00	5.75	5.85	0.10	(0.16)
Office/Clerical	9.00	5.75	6.55	(0.80)	(1.25)
General Education Teachers	70.00	44.72	44.15	0.57	0.89
All Other Teachers	11.00	7.03	10.51	(3.48)	(5.45)
Educational Service Personnel (ESP)	9.00	5.75	6.07	(0.32)	(0.50)
Educational Support	2.00	1.28	3.48	(2.20)	(3.44)
Other Certificated	1.00	0.64	0.54	0.10	0.16
Non-Certificated Classroom Support	16.50	10.54	3.98	6.56	10.27
Operations	34.76	22.21	24.92	(2.71)	(4.24)
All Other Staff	2.00	1.28	2.63	(1.35)	(2.11)

Source: BTLSD and ODE

Note: BTLSD's operational staffing, including custodians and maintenance workers, is not included in the peer comparison. These areas were assessed based on industry and operational standards (see **Table B-3**).

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

² Represents the number of FTEs that, when added or subtracted, would bring BTLSD's number of employees per 1,000 students in line with the peer average. Calculated by multiplying "Difference per 1,000 Students Educated" by "Students Educated (thousands)."

As shown in **Table B-1**, BTLSD employs more general education teachers, other certificated, and non-certificated staff compared to the primary peer average. General education teachers and other certificated categories are less than a full FTE above the peer average, so no change was recommended. While the District's category for non-certificated staff appears significantly above the peer average, no direct reductions were recommended because this category is largely

composed of aides assigned due to special education requirements, which are not discretionary.¹¹ Many of these positions are also offset by federal funding support.

Health Insurance

BTLSD purchases health insurance through the Clermont County Insurance Consortium (CCIC). **Table B-2** shows the District's FY 2014-15 total premiums compared to the average total premiums for districts in the region as reported to the Ohio State employment Relations Board (SERB) for FY 2014-15. A comparison of total premiums provides a gauge as to the cost of insurance, prior to factoring in employee contributions.

Table B-2: Monthly Medical Insurance Premium Comparison

Plan Type	BTLSD	Regional Average	Difference	Percentage Difference
Medical -Single Plan	\$461	\$534	(\$73)	(13.7%)
Medical - Family Plan	\$1,264	\$1,446	(\$182)	(12.6%)

Source: BTLSD and SERB

Note: A regional comparison was used since most districts in the county were part of the county consortium.

As shown in **Table B-2**, BTLSD paid lower health insurance premiums in FY 2014-15 in comparison to the regional average. **Table B-3** shows the employer's share of the premium in comparison to the peers for FY 2014-15. This comparison is important because it provides an indication as to the actual cost to the District for insurance compared to the peers.

Table B-3: Monthly Board Medical Insurance Cost Comparison

Plan Type	BTLSD	Regional Average	Difference	Percentage Difference
Single	\$382	\$461	(\$79)	(17.1%)
Family	\$1,049	\$1,249	(\$200)	(16.0%)

Source: BTLSD and SERB

As shown in **Table B-3**, the cost to the District for monthly cost for medical insurance was significantly lower than the regional average. This is due to the lower initial premium and 17.0 percent employee contribution to the premiums, as compared to a regional average of 13.6 percent.

¹¹ In addition, not all peers report these staff, so the peer average is skewed. When comparing BTLSD to the average of only those peers who use these codes, the District is only 0.73 FTE above the peer average.

Facilities

Table B-4 shows BTLSD's buildings and grounds staffing compared against national benchmarks from American Schools and Universities (AS&U) and the National Center for Education Statistics (NCES) for FY 2014-15. This analysis serves to provide an indication of the District's staffing in relation to accepted industry benchmarks.

Table B-4: Facilities Department Staffing Needs

Grounds Staffing	
Acreage Maintained	105.7
AS&U Benchmark - Acres per FTE Grounds	40.2
Benchmarked Grounds Staffing Need	2.6
Cleaning Staffing	
Square Footage Cleaned	298,954
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Cleaning Staffing Need	10.1
Maintenance Staffing	
Square Footage Maintained	298,954
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Maintenance Staffing Need	3.2
Total Facilities Department Staffing	
Total FTEs Employed	13.0
Total Benchmarked Staffing Need	15.9
Total FTEs Above/(Below) Benchmark	(2.9)

Source: BTLSD, NCES, and AS&U

As shown in **Table B-4**, the District's total buildings and grounds staffing level is 2.9 FTEs below the benchmark. Although outsourcing large scale maintenance and conducting light maintenance in-house has been cost-effective, the District should balance this with the risks in not establishing a formal preventative maintenance program for buildings and equipment. Temporary short-term cost savings in this area can lead to higher long-term costs if maintenance is not conducted and managed consistently (see **R.5**).

Building Capacity and Utilization

BTLSD's building capacity and utilization was analyzed according to the methodology described in *Defining Capacity* (DeJong, 1999). The elementary capacity was analyzed separately from middle and high school because of the nature of how classrooms are used.

Building capacity for elementary schools is calculated based on the number of available regular education classrooms. An average class size of 25 students is used to determine the capacity. Large unused rooms that could be converted for use as classrooms are included as part of the building's capacity. Non-regular rooms, special education, and other programs that require a dedicated space, such as art and music, are excluded from the elementary capacity analysis.

Building utilization for middle and high school is determined using the concept of functional capacity compared to enrollment. The functional capacity of a building is calculated by

multiplying the number of teaching stations by an average class size of 25 students. A teaching station is defined as any regularly sized space where students are educated. Gymnasiums, science, art, music, and computer rooms are all considered teaching stations. Auditoriums, libraries, and cafeterias are not considered teaching stations.

Table B-5 shows BTLSD's student enrollment, building capacity, and building utilization rates for each school building based on FY 2014-15 headcounts as reported to ODE and the classroom use information provided by the District.

Table B-5: Building Utilization Analysis

	Enrollment	Capacity	Utilization
Bick Primary Elementary	402	450	89.3%
Hill Intermediate	392	500	78.4%
Bethel-Tate Middle School	406	550	73.8%
Bethel-Tate High School	412	675	61.0%
Total	1,612	2,175	74.1%

Source: BTLSD, DeJong, and ODE

As shown in **Table B-5**, BTLSD's total building utilization was 74.1 percent in FY 2014-15. Due to the low use of some of the District's buildings, further analysis was conducted to determine if any of the buildings could be closed. **Table B-6** shows the potential utilization rates based on respective closures of each building.

Table B-6: Potential Building Closure Effects

	Remaining Capacity	Utilization FY 2014-15	Utilization FY 2019-20
Close Primary School	1,725	93.4%	81.8%
Close Intermediate School	1,675	96.2%	84.3%
Close Middle School	1,625	99.2%	86.9%
Close High School	1,050	153.5%	134.4%

Source: BTLSD, DeJong, and ODE

As shown in **Table B-6**, the effect of any closure scenario, using the FY 2014-15 student headcount information, is that District-wide utilization would increase to 93.4 percent or higher. *Defining Capacity* considers 85 percent utilization to be consistent with a full capacity for many educational settings.¹² Therefore, none of the scenarios for closure would result in an acceptable configuration since these would result in utilization rates greater than the 85 percent threshold. Although building closures are not feasible based on current enrollment, the trend of decreasing enrollment projected for BTLSD suggests that the District may see potential opportunities in the future for closures. **Table B-6** shows that unless enrollment stabilizes within the next few years, two options for building closures may be available during FY 2019-20.

¹² Settings where rotating classes are scheduled throughout the day, such as junior high schools and high schools, are considered difficult to schedule above an 85 percent utilization factor. Settings that employ a more fixed classroom usage, such as elementary schools and middle schools, are able to accommodate higher overall utilization levels, but typically only within context of fully utilized grade-level classrooms.

Appendix C: Five-Year Forecasts

Charts C-1 and C-2 display the respective BTLSD forecasts for May 2015 and October 2015.

Chart C-1: BTLSD May 2015 Five-Year Forecast

Bethel-Tate Five Year Forecast for Fiscal Year 2015								
District Type: Local IRN: 046318 County: Clermont Date Submitted: 5/26/2015 Date Processed: 5/26/2015								
Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	2,862,565	2,850,321	2,875,943	2,883,795	2,885,567	2,886,026	2,890,634	2,915,389
1.020 Tangible Personal Property Tax	125,309	148,394	175,105	172,273	172,900	175,929	180,442	184,831
1.035 Unrestricted Grants-in-Aid	9,158,282	9,067,031	9,107,664	9,186,859	9,390,557	9,561,633	9,475,295	9,479,692
1.040 Restricted Grants-in-Aid	82,827	76,473	188,358	451,833	315,766	288,731	290,767	288,753
1.045 Restricted Federal Grants-in-Aid - SFSP	484,995	81,234						
1.050 Property Tax Allocation	480,791	487,126	490,581	492,172	499,461	500,753	504,135	509,395
1.060 All Other Operating Revenue	1,338,012	1,166,538	1,383,664	1,419,558	1,563,310	1,667,692	1,697,238	1,761,467
1.070 Total Revenue	14,532,781	13,877,117	14,221,315	14,606,490	14,827,561	15,080,764	15,038,511	15,139,527
2.040 Operating Transfers-In		819,876		60,000				
2.060 All Other Financial Sources	33,059	15,949	265,425	193,646	221,052	217,932	217,957	201,341
2.070 Total Other Financing Sources	33,059	835,825	265,425	253,646	221,052	217,932	217,957	201,341
2.080 Total Revenues and Other Financing Sources	14,565,840	14,712,942	14,486,740	14,860,136	15,048,613	15,298,696	15,256,468	15,340,868
3.010 Personnel Services	7,348,854	7,542,460	7,494,982	7,622,211	7,507,415	7,566,867	7,748,402	7,984,697
3.020 Employees' Retirement/Insurance Benefits	2,617,233	2,588,969	2,703,787	2,849,189	2,775,597	2,870,374	2,984,924	3,136,455
3.030 Purchased Services	2,582,454	2,882,435	3,361,060	3,689,254	3,694,551	3,805,038	3,941,988	4,080,308
3.040 Supplies and Materials	484,553	409,566	387,552	325,315	346,280	349,743	353,240	356,772
3.050 Capital Outlay	258,930	287,331	270,581	251,901	146,099	141,099	146,099	151,099
4.010 Debt Service: All Principal (Historical)	55,000	58,000	60,000					
4.050 Debt Service: Principal - HB 264 Loans					43,000	45,000	46,000	48,000
4.055 Debt Service: Principal - Other				93,000	101,000	105,000	108,000	116,000
4.060 Debt Service: Interest and Fiscal Charges	121,083	118,051	125,868	166,493	154,798	148,421	141,801	134,821
4.300 Other Objects	148,244	141,590	154,967	118,031	139,913	115,913	119,413	116,413
4.500 Total Expenditures	13,616,351	14,028,402	14,558,797	15,115,394	14,908,653	15,147,455	15,589,867	16,124,565
5.010 Operational Transfers - Out	421,763	428,549	195,000	182,500	122,928	127,928	130,428	132,928
5.030 All Other Financing Uses		5		3,264	3,000			
5.040 Total Other Financing Uses	421,768	428,549	195,000	185,764	125,928	127,928	130,428	132,928
5.050 Total Expenditure and Other Financing Uses	14,038,119	14,456,951	14,753,797	15,301,158	15,034,581	15,275,383	15,720,295	16,257,493
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	527,721	255,991	(267,057)	(441,022)	14,032	23,313	(463,827)	(916,625)
7.010 Beginning Cash Balance	1,361,760	1,889,481	2,145,472	1,878,415	1,437,393	1,451,425	1,474,738	1,010,911
7.020 Ending Cash Balance	1,889,481	2,145,472	1,878,415	1,437,393	1,451,425	1,474,738	1,010,911	94,286
8.010 Outstanding Encumbrances	107,334	124,970	100,733	100,000	100,000	100,000	100,000	100,000
9.020 Capital Improvements	29,308	31,304	25,231	75,111	100,000	120,000	125,000	150,000
9.040 DPIA			24,528	50,000				
9.060 Property Tax Advance	3,447	9,074	260					
9.070 Bus Services	1,187	602						
9.080 Total Reservations	33,942	40,980	50,019	125,111	100,000	120,000	125,000	150,000
10.010 Fund Balance June 30 for Certification of Appropriations	1,748,205	1,979,522	1,727,663	1,212,282	1,251,425	1,254,738	785,911	(155,714)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	1,748,205	1,979,522	1,727,663	1,212,282	1,251,425	1,254,738	785,911	(155,714)
15.010 Unreserved Fund Balance June 30	1,748,205	1,979,522	1,727,663	1,212,282	1,251,425	1,254,738	785,911	(155,714)

Source: BTLSD and ODE

Chart C-2: BTLSD October 2015 Five-Year Forecast

Bethel-Tate Five Year Forecast for Fiscal Year 2016

District Type: Local

IRN: 046318

County: Clermont

Date Submitted: 10/29/2015 Date Processed: 10/29/2015

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	2,850,321	2,875,943	2,883,795	2,874,353	2,875,962	2,898,149	2,928,171	2,953,309
1.020 Tangible Personal Property Tax	148,394	175,105	172,273	169,409	180,154	184,775	189,270	194,124
1.035 Unrestricted Grants-in-Aid	9,067,031	9,107,664	9,208,253	9,153,629	9,347,605	9,508,294	9,551,994	9,459,257
1.040 Restricted Grants-in-Aid	76,473	188,358	447,451	319,790	288,244	287,200	284,365	278,543
1.045 Restricted Federal Grants-in-Aid - SFSF	81,234							
1.050 Property Tax Allocation	487,126	490,581	487,318	481,862	483,158	486,428	491,563	496,736
1.060 All Other Operating Revenue	1,166,538	1,383,664	1,443,665	1,647,654	1,647,654	1,647,654	1,647,654	1,647,654
1.070 Total Revenue	13,877,117	14,221,315	14,642,756	14,646,697	14,822,777	15,012,501	15,093,017	15,029,624
2.040 Operating Transfers-In	819,876		38,595					
2.050 Advances-In			672					
2.060 All Other Financial Sources	15,949	265,425	276,799	221,052	217,932	217,957	201,341	198,300
2.070 Total Other Financing Sources	835,825	265,425	316,066	221,052	217,932	217,957	201,341	198,300
2.080 Total Revenues and Other Financing Sources	14,712,942	14,486,740	14,958,822	14,867,749	15,040,709	15,230,458	15,294,358	15,227,924
3.010 Personnel Services	7,542,460	7,494,982	7,569,307	7,530,636	7,599,154	7,785,724	8,024,731	8,323,099
3.020 Employees' Retirement/Insurance Benefits	2,588,969	2,703,787	2,856,974	2,848,310	2,885,979	2,998,059	3,154,109	3,329,135
3.030 Purchased Services	2,882,435	3,361,060	3,729,353	3,924,757	3,904,280	3,903,955	3,903,628	3,903,628
3.040 Supplies and Materials	409,566	387,552	321,236	358,744	358,740	358,736	358,732	358,732
3.050 Capital Outlay	287,331	270,581	249,252	150,073	184,474	184,474	184,474	184,474
4.010 Debt Service: All Principal (Historical)	58,000	60,000	161,716					
4.050 Debt Service: Principal - HB 264 Loans				43,000	45,000	46,000	48,000	49,000
4.055 Debt Service: Principal - Other				101,000	105,000	108,000	116,000	120,000
4.060 Debt Service: Interest and Fiscal Charges	118,051	125,868	97,776	156,017	149,701	143,168	136,273	129,021
4.300 Other Objects	141,590	154,967	122,456	142,751	142,751	142,751	142,751	142,751
4.500 Total Expenditures	14,028,402	14,558,797	15,108,070	15,255,288	15,375,079	15,670,867	16,068,698	16,539,841
5.010 Operational Transfers - Out	428,549	195,000	161,095	142,500	143,000	143,500	144,000	145,000
5.030 All Other Financing Uses			3,264	3,000	3,000	3,000	3,000	3,000
5.040 Total Other Financing Uses	428,549	195,000	164,359	145,500	146,000	146,500	147,000	148,000
5.050 Total Expenditure and Other Financing Uses	14,456,951	14,753,797	15,272,429	15,400,788	15,521,079	15,817,367	16,215,698	16,687,841
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	255,991	(267,057)	(313,607)	(533,039)	(480,370)	(586,909)	(921,340)	(1,459,917)
7.010 Beginning Cash Balance	1,889,481	2,145,472	1,878,415	1,564,808	1,031,769	551,399	(35,510)	(956,850)
7.020 Ending Cash Balance	2,145,472	1,878,415	1,564,808	1,031,769	551,399	(35,510)	(956,850)	(2,416,767)
8.010 Outstanding Encumbrances	124,970	100,733	100,000	100,000	100,000	100,000	100,000	100,000
9.020 Capital Improvements	31,304	25,231	75,111	100,000	120,000	125,000	150,000	150,000
9.040 DPIA		24,528	50,000					
9.060 Property Tax Advance	9,074	260						
9.070 Bus Services	602							
9.080 Total Reservations	40,980	50,019	125,111	100,000	120,000	125,000	150,000	150,000
10.010 Fund Balance June 30 for Certification of Appropriations	1,979,522	1,727,663	1,339,697	831,769	331,399	(260,510)	(1,206,850)	(2,666,767)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	1,979,522	1,727,663	1,339,697	831,769	331,399	(260,510)	(1,206,850)	(2,666,767)
15.010 Unreserved Fund Balance June 30	1,979,522	1,727,663	1,339,697	831,769	331,399	(260,510)	(1,206,850)	(2,666,767)

Source: BTLSD and ODE

Client Response

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

Bethel-Tate Local School District

675 West Plane Street

Bethel, Ohio 45106

(513) 734-2271 Fax (513) 734-4792

Web Site: www.betheltate.org

Melissa Kircher
Superintendent

Karen R. Royer
Treasurer/CFO/CHRS

April, 5, 2016

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

Dear Auditor Yost,

On behalf of the Bethel-Tate Local School District Board of Education and Administration, we would like to thank you and the Performance Audit Team for the time and effort in preparing the audit report for our district.

We are already analyzing the recommendations and will strive to implement as many as possible. We are and have been working on our health care cost and it is our hope that we will be able to implement that recommendation effective January 1, 2017. Our staffing is currently being addressed through attrition and through our negotiation process.

As a result of the audit, the leadership team will continue to monitor the information and recommendations as we prepare for the upcoming budget year.

The Board of Education has approved the first step to be on the ballot in November for an Emergency five year levy.

The district would also like to thank you for the acknowledgement of the accomplishments noted in the audit.

Once again we would like to thank you and your team for the time and effort spent on our district to aid us as we focus on making a difference in children's education.

Sincerely,



Melissa Kircher

Superintendent

Karen R. Royer

Treasurer

Bethel-Tate LSD

This page intentionally left blank.



Dave Yost • Auditor of State

BETHEL-TATE LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2016**