



**Auditor of State
Betty Montgomery**

HURON CITY SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 12, 2004



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Huron City School District:

On January 31, 2004 the Ohio Department of Education placed Huron City School District (Huron CSD) in fiscal caution on because of a certified operating deficit. However, based on an analysis performed by the Local Government Services Section of the AOS and because the District had not submitted to ODE a five-year forecast with a financial recovery plan, AOS declared Huron CSD to be in a state of fiscal emergency on May 13, 2004. As a component of the fiscal caution and emergency declarations, AOS initiated a performance audit of the district to identify potential cost savings and assist the district in determining means to resolve their operating deficit. The performance audit examines four key operational areas: financial systems, human resources, facilities, and transportation.

The performance audit contains recommendations that provide opportunities for enhancing District operations and generating cost savings. Independent of the audit, Huron CSD has made many reductions which have helped reduce its projected operating deficit. While the recommendations contained within the performance audit are resources intended to assist Huron CSD in reducing operating cost and resolving its operating deficit, District officials are encouraged to engage in ongoing evaluations of overall operations and to develop other recommendations independent of the performance audit.

An executive summary has been prepared which includes the project history, a district overview, the scope, objectives and methodology of the performance audit, and a summary of recommendations, and financial implications. This report has been provided to Huron CSD and its contents discussed with the appropriate officials and District management.

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

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 12, 2004

Executive Summary

Project History

Pursuant to Ohio Revised Code (ORC) §3316.031 (A), the state superintendent of public instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC §3316.031 (B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC §3316.042, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency. It may review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced programs can be achieved. ODE placed Huron City School District (Huron CSD) in fiscal caution on January 31, 2004 because of a certified operating deficit. However, based on an analysis performed by the Local Government Services Section of the AOS and because the District had not submitted to ODE a five-year forecast with a financial recovery plan, AOS declared Huron CSD to be in a state of fiscal emergency on May 13, 2004.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit on Huron CSD. Based on a review of Huron CSD information and discussions with District officials, the following four functional areas were included in the performance audit:

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

District Overview

Huron CSD is a largely urban school district in Erie County encompassing approximately 22 square miles. In FY 2002-03, it had an ADM of 1,586 students and 155.46 full-time equivalent (FTE) employees, including 71.95 regular teacher FTEs. Huron CSD has three school buildings: Woodlands Elementary School (grades K-4); McCormick Middle School (grades 5-8); and Huron High School (grades 9-12). The District also owns the Shawnee Building, a portion of which houses its offices. The remainder is rented to the Huron County Educational Service Center and a Montessori school.

In FY 2002-03, Huron CSD met 17 of the Ohio Department of Education's (ODE) 22 academic performance standards, resulting in a designation of Effective as defined by ODE. Huron CSD's operating cost per pupil was \$8,696.

During the course of this performance audit, Huron CSD made many reductions in costs to help address its financial difficulties. These efforts included reducing costs and shifting some grant funding to relieve the burden on the General Fund. In its June 29, 2004 Financial Recovery Plan, the Financial Planning and Supervision Commission (Commission) moved to place a levy on the August ballot. The levy was not passed and the Huron CSD Board of Education (Board), with the approval of the Commission, will place a levy on the November ballot. Likewise, the Commission eliminated 21 vacant positions from FY 2002-03 and 2003-04, resulting in a cost avoidance of \$1,100,000. Furthermore, the Board, with Commission approval, made reductions of 10.5 FTEs in its administrative and certificated positions for an estimated savings of \$502,200 and 27 supplemental positions for an estimated savings of \$60,200. Even with these reductions, the Commission concluded that the District would be unable to rectify its financial situation without additional cuts, concessions from its bargaining units, and additional community support. The District should consider implementing the recommendations in this performance audit to help reduce its projected deficits and resolve its financial difficulties. See **R2.9** and **Table 2-11** in the financial systems section of this report for the proposed financial recovery plan and impact of the performance audit recommendations on the General Fund ending balances.

Objectives, Scope & Methodology

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between April and August 2004. The goal of the performance audit process was to assist Huron CSD's management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution and emergency. This performance audit assessed the key operations of Huron CSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's May 2004 five-year financial forecasts, its underlying financial data, along with the accompanying notes and assumptions were assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, and average costs per bus and per student were reviewed to identify potential efficiency improvements and costs savings for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with Huron CSD personnel, and assessed requested information from the selected comparison (peer) districts. Throughout this report, comparisons are made to three similarly sized school districts. These districts include Avon Local School District (Avon LSD) in Lorain County, Genoa Area Local School District (Genoa Area LSD) in Ottawa County, and Perkins Local School District (Perkins LSD) in Erie County. These districts were selected as peers based on their ranking as comparable districts as defined by ODE, reviews of various demographic information, and input from Huron CSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership (ADM), socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employee Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with the District, including preliminary drafts of findings and recommendations as they were developed. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the District was solicited and considered in framing the recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

The Auditor of State and staff express appreciation to the Huron CSD and the peer school districts for their cooperation and assistance throughout this audit.

Key Recommendations

The performance audit report and executive summary contain a number of recommendations pertaining to Huron CSD. The following are key recommendations:

- Although Huron CSD has a long-range strategic plan, the plan has not been updated recently and is not integrated with other long-term plans in the District. The District has a continuous improvement plan (CIP) to address academic goals, it does use the strategic plan to link academic goals to its financial condition and other external events that may affect those goals. The District should update and expand its strategic plan using an established framework, such as the United States Department of Commerce Baldrige National Quality Program. The comprehensive strategic plan should consider the District's current financial issues in the context of its operational goals.
- Huron CSD should develop internal controls for recording time, attendance, and payroll to ensure appropriate and accurate reporting, and to substantiate the payments of salaries and

related benefits. An automated time and attendance system would allow analysis of the District's largest expense, and assist management in making informed decisions.

- Huron CSD should analyze and use the proposed financial forecast outlined in **Table 2-13** to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition.
- Huron CSD should review staffing levels in the educational service personnel (ESP) classification for a potential reduction of up to 3 FTEs. Huron CSD could generate an estimated annual cost savings of approximately \$200,000 by reducing 3.0 FTEs from the ESP classification, assuming an estimated annual salary and benefits (approximately 38 percent of salaries) of \$66,500 per ESP staff member. The District implemented this recommendation during the course of the audit.
- Huron CSD should consider reducing staffing by 2.0 FTEs within its clerical classification. By reducing staffing in this area, Huron CSD can improve its financial condition and realize cost savings. A reduction of 2.0 FTEs would bring Huron CSD in line with the peer average and would generate estimated annual cost savings of approximately \$78,700, assuming an average annual salary and benefits of approximately \$38,350.
- During future contract negotiations, Huron CSD should seek to negotiate changes to key provisions within its health insurance coverage and premium payments. Assuming that Huron CSD required a full-time employee contribution equal to the SERB average of 12 percent for single coverage and 13 percent for family coverage, the District would save approximately \$143,300 annually.
- Huron CSD should seek to renegotiate key provisions of its health insurance benefits to levels more comparable to the peer districts. Renegotiation of key benefit provisions could result in substantial cost savings for the district.
- In future labor negotiations, Huron CSD should seek to decrease the maximum number of personal leave days granted to its certificated and classified employees from four days to three days. If the District reduced the number of personal days to three it could potentially realize an annual cost saving of \$23,400, based on the FY 2003-2004 average salary for certificated staff assuming full utilization of four personal days.
- During future negotiations, the District should seek to reduce the number of paid holidays provided to 12 month and 9 month classified employees to 10 days and 8 days, respectively. Huron CSD could realize an annual cost avoidance of approximately \$2,900 by reducing the number of paid holidays for 8 and 9 month classified staff and \$13,800 for 11 and 12 month staff for a total cost avoidance of \$16, 700.

- During the next certificated contract negotiations, Huron CSD should seek to control and limit step increases, particularly considering the relatively high combined effect of cost of living and step increases in previous collective bargaining agreements. By negotiating reduced step amounts, the District could realize a cumulative cost avoidance of \$691,000 over the forecast period¹⁻¹.
- During the next certificated contract negotiations, Huron CSD should seek to limit the cost of living allowance (COLA) for certificated and classified staff to no more than 2.0 percent for each year of the agreement. Huron CSD could avoid costs of about \$515,200 over the five-year period by reducing COLAs to no more than 2 percent.
- Although, Huron CSD has made improvements to its facilities to reduce energy use, the District should focus on an energy management plan that would decrease overall energy expenditures to meet the AS&U average cost per square feet of \$1.43. However, since the District completed some energy management practices, the cost savings may only be approximately \$29,000 per year.
- Huron CSD should implement a facility use charge for outside groups that fully covers the costs of space, employees, and utilities. If the District updates its building policy rental fees and custodial costs, to include all organizations that use its facilities (based on hours rented in FY 2002-03), it could recoup approximately \$50,000 to \$100,000 per year, based on an increase in rental fee of \$25 to \$50 per hour.
- Huron CSD should develop a formal bus replacement plan. The Board should review and formally approve the plan and the treasurer should include the planned expenditures in the forecast.

Additional Recommendations

The remainder of this executive summary highlights additional recommendations from the audit report. Additional recommendations include the following:

Financial Systems

- Huron CSD should revise the historical portion of the “other financing sources” section within the five-year forecast to better disclose the amount and types of debt outstanding. The notes of the financial forecast should include a more detailed explanation of why and when the District issues debt and which fund or funds it should use to repay the debt.

¹⁻¹ Step increases are fixed annual increases defined in the contract and reflect pay increases associated with longevity or increased educational attainment by employees. Cost of living adjustments (COLAs) offset the effects of inflation and are in addition to contractually guaranteed step increases.

-
- Huron CSD’s five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments to ensure that the Board of Education (the Board) and the public will better understand the financial condition of the District. The District should continue to monitor projections and expenditures to effectively control and limit spending, and ensure projections are accurate and reliable.
 - Huron CSD should closely examine spending patterns and the cost reductions recommended in the human resource, facilities, and transportation sections of this report. The District should consider reallocating the monies it is currently receiving toward those programs and priorities that have the greatest impact on improving the students’ education and proficiency test results. Furthermore, the District should analyze the spending patterns and recommendations to aid in efforts to regain financial stability.
 - The District should increase the lag time between the payroll period end-date and the actual pay date to two weeks to allow the payroll administrator time to ensure the accuracy of the payroll. Modifying the payroll lag time may be dependent upon union contracts and labor negotiations.
 - Huron CSD should develop a formal policy for maintaining adequate levels of unreserved General Fund balance. As Huron CSD regains financial stability, this would help the District to support operations over the long term.
 - Huron CSD should use the State Employment Relations Board (SERB) report, *Cost of Health Insurance in Ohio’s Public Sector*, to project increases in health care premiums for its five-year forecast. Likewise, the District should consider reporting its historical and forecasted benefits expenditures by line item, as opposed to aggregate amounts, to better reflect the impact of health insurance benefit cost increases.

Human Resources

- Huron CSD should eliminate additional compensation paid to teachers for exceeding class size limits from future contract negotiations. Similarly, the inclusion of aides in classes that exceed contractually stated limits should be eliminated.
- Huron CSD should seek to decrease the maximum number of sick leave days paid out to new certificated staff at retirement. By reducing sick leave accruals to the level defined in the ORC, the District will reduce future General Fund obligations and be able to redirect those funds to other educational programming.
- Huron CSD should seek to adjust the vacation schedule for classified employees and consider decreasing the number of vacation days provided at years 3 to 6 from 15 days to 10

days. The district could realize cost savings \$78,000 per employee based on the average daily rate of \$85.30 per day, assuming full use of all vacation days accrued.

Facilities

- Huron CSD should centralize maintenance and custodial supervision under the superintendent of transportation. Principals should retain some responsibility for on-site management of the custodians and provide assistance with the individual performance evaluation process. Centralizing the oversight of custodians would enhance the District's ability to coordinate custodial and maintenance functions.
- Huron CSD should establish a preventive maintenance (PM) program that addresses all building maintenance functions including routine, cycled and planned maintenance activities. The implementation of a PM program will help the District anticipate needed facility and equipment repairs and replacements.

Transportation

- Huron CSD should adopt a formal, written transportation policy. The Board should approve the District transportation policy. A Board-adopted, written transportation policy prompts District officials to review and periodically revise the policy to suit the District's needs.
- Huron CSD should consider ways to reduce transportation maintenance costs, such as allocating maintenance costs to benefiting funds and cost centers or making bulk purchases of parts and supplies. By following the approaches discussed in this section, the District could potentially decrease its costs to peer levels and save approximately \$5,000 per year.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Huron CSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (see **R3.2** to **R3.8** and **R3.13** to **R3.18**). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref No.	Recommendations from all Sections	Estimated Annual Cost Savings	Estimated Annual Revenue Enhancement	Estimated Annual Costs
	<i>Financial Systems</i>			
R2.9	Negotiate reduced step increases to 2 percent starting in FY 2005-06	\$108,400		
	<i>Human Resources</i>			
R3.1	Reduce ESP staffing by 3.0 FTEs	\$200,000		
R3.2	Reduce clerical staffing by 2.0 FTEs	\$76,700		
R3.3	Require employee contribution towards medical monthly premium	\$143,300		
R3.7	Decrease the number of personal days	\$23,400		
R3.8	Reduce vacation days accrued by 15 days over three years	\$78,000		
R3.9	Reduce the number of paid holidays for classified employees	\$16,700		
R3.10	Limit COLAs to 2 percent	\$125,000		
	<i>Facilities</i>			
R4.2	Energy conservation plan	\$29,000		
R4.3	Update building rental fees for activities		\$50,000	
	<i>Transportation</i>			
R5.3	Bus replacement			\$20,000
R5.4	Maintenance cost reductions	\$5,000		
	Total Financial Implications	\$805,500	\$50,000	\$20,000
	<i>District Initiated Cost Reductions and Revenue Enhancements ¹</i>			
	District Update of Five-Year Forecast revenue	(\$154,900)		
	New 6.9 mill Levy, November, 2004	\$1,813,600		
	District Initiated Reduction of 10.5 FTEs and 25 supplemental contracts	\$537,900		
	Total District Reductions and Revenue Enhancements	\$2,196,600		

Source: Performance audit: financial systems, human resources, facilities, and transportation sections.

¹ Averaged over the five year period.

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some of the recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Issues for Further Study

Food Service: If the District shifts the cost burden for the food service director's salary to the Food Service Fund, the fund will begin to operate at a slight annual deficit. Because the Fund currently has a slight surplus and the additional expenditures related to the salary and benefits for the director only slightly exceed the fund's annual revenues, the negative impact to the Food Service Fund will not immediately result in a deficit in the fund. However, without the implementation of operational efficiencies or enhanced revenue, the Food Service Fund will eventually require the support of the General Fund to maintain a positive ending fund balance. The District should take steps to balance the revenues and expenditures within the Food Service fund before advances are required to maintain the solvency of the fund.

This page intentionally left blank.

Financial Systems

Background

This section focuses on the financial systems within the Huron City School District (Huron CSD). The objective is to analyze the current financial condition of Huron CSD and develop recommendations for improvements and efficiencies. Comparisons are made throughout the report to the following peer school districts: Avon Local School District (Avon LSD), Genoa Area Local School District (Genoa Area LSD), and Perkins Local School District (Perkins LSD).

The Auditor of State (AOS) recommended the establishment of fiscal caution, fiscal watch and fiscal emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and technical assistance to help school administrators restore fiscal stability. Senate Bill 310, effective September 19, 1996, established fiscal watch and emergency laws for Ohio school districts. Senate Bill 345, effective April 10, 2001, amended the conditions for declaring fiscal watch and emergency and created a new category of fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices that could lead to financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consults with the school district board of education. The school board is then required to provide a written proposal to ODE to correct the fiscal deficiencies, and ODE may go on-site to provide technical assistance. Further examination by ODE and AOS that identifies potential problems can initiate fiscal caution status. Huron CSD was placed in fiscal caution on January 31, 2004 by ODE because the district's five-year forecast predicts a deficit of \$231,000 by the end of this school year and a \$1,685,000 deficit by the end of June 2005. On April 22, 2004, AOS placed Huron CSD in a state of fiscal watch because the district had not submitted an acceptable written proposal to correct the pending budget deficits to ODE. Under fiscal watch, the district must develop and submit to ODE, a financial recovery plan to eliminate the projected deficit. On April 30, 2004, the Huron CSD Board of Education, by board resolution, acknowledged its inability to develop a financial recovery plan. AOS placed the District in fiscal emergency on May 13, 2004.

Financial Operations

Table 2-1 shows selected discretionary expenditures at Huron CSD and the peers, as a percentage of total General Fund expenditures for FY 2002-03.

Table 2-1: Discretionary Expenditures FY 2002-03

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Prof. and Technical Service	1.4%	2.1%	2.4%	2.2%	2.2%
Property Services	2.4%	2.2%	3.4%	1.4%	2.3%
Mileage/Meeting Expense	0.4%	0.5%	0.5%	0.4%	0.5%
Communications	0.6%	0.6%	0.3%	0.4%	0.4%
Contract, Craft or Trade Service	0.0%	0.0%	0.4%	0.1%	0.2%
Pupil Transportations	0.0%	0.0%	0.2%	0.0%	0.1%
Other Purchased Service	0.0%	0.0%	0.1%	1.4%	0.5%
General Supplies	1.7%	2.0%	1.4%	1.6%	1.7%
Textbooks/Reference Materials	1.2%	1.4%	0.2%	0.2%	0.6%
Supplies & Materials for Resale	0.0%	0.0%	0.0%	0.0%	0.0%
Food & Related Supplies/Mat	0.0%	0.0%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.5%	0.4%	0.7%	1.2%	0.8%
Fleet Maintenance and Repair	0.7%	0.7%	0.7%	0.7%	0.7%
Other Supplies & Materials	0.0%	0.0%	0.0%	0.0%	0.0%
Land, Building & Improvements	0.4%	4.5%	0.0%	0.0%	1.5%
Equipment	0.3%	3.9%	0.4%	0.5%	1.6%
Buses/Vehicles	0.5%	0.4%	0.0%	0.6%	0.3%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	4.6%	1.8%	2.0%	1.5%	1.7%
Insurance	0.0%	0.0%	0.7%	0.1%	0.3%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.0%	0.0%
Total	14.7%	20.5%	13.4%	12.3%	15.4%

Source: FY 2002-03 4502 Report, Statement P

As shown in **Table 2-1**, Huron CSD's percentage of total discretionary spending of 14.7 percent is below the peer average of 15.4 percent. In FY 2002-03, expenditures for dues and fees exceeded the peer average by 117 percent. Huron's dues and fees include OASBO membership dues, General Disadvantaged Youth County Board of Education fees, property tax collection fees, audit fees, Huron Joint Recreation District fees, and Department of Taxation Administration fees. Fees to the General Disadvantaged Youth County Board of Education are for shared special education services. Fees to the Huron Joint Recreation District are for the use of certain shared (athletic) facilities owned by the City of Huron. In return, the City pays fees to the District for use of its facilities. Textbooks and reference materials exceeded the peer average due to the District purchasing textbooks in two curriculum areas rather than the normal practice

of purchasing for only one area. The District made this decision at the beginning of FY 2002-03 before the deficit was discovered. All other expenditures were either similar to or below the peer averages. Avon LSD's discretionary expenditures for two categories – land, buildings and improvements, and equipment – appear to be significantly higher than Huron CSD or other peer expenditures.²⁻¹

Table 2-2 presents the District's five-year forecast. AOS reviewed assumptions developed by the treasurer that have a significant impact on the forecast, such as tax revenue, unrestricted grants-in-aid, and salaries and benefits. Where appropriate, the treasurer made changes to assumptions to present more reliable projections of future revenues and expenditures. Three years of comparative historical information, general assumptions and explanatory comments accompany the projections, which encompass the General Fund and that portion of the Debt Service Fund relating to General Fund obligations.

²⁻¹ Avon LSD is one of the top three growth districts in the State. The District has about 15 percent growth per year. In FY 2002-03 the District added a new elementary school, 4 classrooms and upgrades to the middle school, and did some extensive improvements to the middle school. In addition, they purchase 3 new buses per year. Property insurance expenses for Huron CSD are located in operation of plant and pupil transportation.

Table 2-2: Huron City School District Forecast (in '000s)¹

	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Real Estate Property Tax	\$5,562	\$5,807	\$5,761	\$5,872	\$5,897	\$5,360	\$5,139	\$5,397
Tangible Personal Property Tax	\$1,501	\$1,749	\$1,506	\$1,321	\$1,519	\$1,439	\$1,269	\$1,244
Unrestricted Grants-in-Aid	\$2,147	\$2,429	\$2,708	\$2,791	\$2,776	\$2,785	\$2,811	\$2,812
Restricted Grants-in-Aid	\$24	\$33	\$28	\$14	\$14	\$14	\$14	\$14
Property Tax Allocation	\$688	\$716	\$736	\$758	\$759	\$688	\$629	\$652
Other Revenues	\$325	\$257	\$274	\$274	\$274	\$274	\$274	\$274
Total Operating Revenues	\$10,248	\$10,990	\$11,012	\$11,030	\$11,239	\$10,561	\$10,137	\$10,393
Salaries & Wages	\$6,056	\$6,471	\$6,853	\$6,453	\$6,767	\$7,026	\$7,295	\$7,574
Fringe Benefits	\$2,212	\$2,311	\$2,546	\$2,858	\$3,123	\$3,259	\$3,489	\$3,768
Purchased Services	\$978	\$1,178	\$1,196	\$1,244	\$1,294	\$1,346	\$1,400	\$1,456
Supplies, Materials & Textbooks	\$471	\$555	\$482	\$601	\$492	\$497	\$502	\$507
Capital Outlay	\$219	\$215	\$132	\$70	\$70	\$70	\$70	\$70
Intergovernmental	\$86	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service – Principal	\$0	\$70	\$70	\$70	\$275	\$205	\$200	\$0
Debt Service – Interest & Fiscal Charges	\$0	\$12	\$9	\$19	\$15	\$8	\$3	\$0
Other Expenditures	\$418	\$473	\$546	\$656	\$676	\$696	\$717	\$739
Total Operating Expenditures	\$10,441	\$11,286	\$11,834	\$11,972	\$12,713	\$13,108	\$13,676	\$14,114
Proceeds from TAN Notes	\$0	\$0	\$0	\$610	\$0	\$0	\$0	\$0
Net Transfers/Advances In/(Out)	\$22	\$22	\$145	\$20	\$20	\$20	\$20	\$20
Other Financing Sources (Uses)	\$0	(\$11)	\$1	\$0	\$0	\$0	\$0	\$0
Net Financing	\$22	\$11	\$146	\$630	\$20	\$20	\$20	\$20
Result of Operations (Net)	(\$172)	(\$285)	(\$676)	(\$312)	(\$1,454)	(\$2,527)	(\$3,519)	(\$3,701)
Beginning Cash Balance	\$1,313	\$1,141	\$856	\$180	(\$132)	(\$1,586)	(\$4,113)	(\$7,632)
Ending Cash Balance	\$1,141	\$856	\$180	(\$132)	(\$1,586)	(\$4,113)	(\$7,632)	(\$11,333)
Outstanding Encumbrances	\$119	\$199	\$64	\$100	\$100	\$100	\$100	\$100
Budget Reserve	\$206	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$816	\$658	\$116	(\$232)	(\$1,686)	(\$4,213)	(\$7,732)	(\$11,433)
Cumulative Property Tax Renewal/Replacement Levies	\$0	\$0	\$0	\$0	\$183	\$1,160	\$2,852	\$4,562
Unreserved Fund Balance	\$816	\$658	\$116	(\$232)	(\$1,503)	(\$3,053)	(\$4,880)	(\$6,872)

Source: Huron CSD's treasurer as of March 18, 2004

¹ Calculation differences are due to rounding.

The financial projection in **Table 2-2** presents the expected revenues, expenditures and fund balances of the General Fund for each of the fiscal years including June 30, 2004 through June 30, 2008, with historical information presented for the fiscal years ended June 30, 2001, 2002,

and 2003. Huron CSD completed FY 2002-03 with a fund balance of approximately \$116,000. By FY 2007-08, Huron CSD forecasts a negative fund balance of approximately \$6.9 million.

The District's assumptions were evaluated by AOS. Often, differences between projected and actual results will occur because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared.

Major assumptions used to develop the five-year forecast are shown in the bullet points below. Supplemental information provided by AOS is reflected in the indented paragraphs. Much of the additional information was provided by the treasurer.

Revenues

- **Real Estate Property Tax:** The District based property tax revenues for FY 2003-04 on estimates, assuming 100 percent collection of all taxes as provided by the County Auditor and Tax Commission at the annual budget hearing in March 2003. Estimates for FY 2004-05 through FY 2007-08 are based on historical patterns, including scheduled updates, reappraisals, and new construction. FY 2002-03 had a decrease in revenues due to an economic downturn resulting in slower payment of taxes. The forecast includes the emergency and operating levy renewal in FY 2003-04 and FY 2004-05 respectively.
 - New construction increases District revenue by approximately \$100,000 to \$120,000 (or about 2 percent) each year.
 - The emergency levy renewal increases real property tax revenue by 3.5 percent in FY 2004-05 and by an additional 4.2 percent in FY 2005-06.
 - The operating levy renewal increases revenue by 7.8 percent in FY 2006-07 for and by an additional 4 percent in FY 2007-08.
- **Tangible Personal Property Tax:** Tangible personal property tax for FY 2003-04 was originally based on the actual amount received in October 2003 from the County Auditor. Due to a coding error by an industry in Erie County, an overpayment of approximately \$283,000 was included in the HCSD October payment. Because this money belongs to another district, the original forecast amount was overstated.

Conservative, slightly declining, estimates are forecasted for FY 2004-05 through FY 2007-08, due to the volatility of tangible personal property. Another factor contributing to the estimated decline is the uncertainty of this tax in the future due to a scheduled decrease in the percentage of taxation on inventory.

- A corrected forecast was prepared for approval by the Board of Education at the April 20, 2004 meeting and the updated forecast was sent to ODE. In FY 2002-

03 Huron CSD experienced a decline in revenues due to an economic downturn. Another factor contributing to the estimated decline is the uncertainty of this tax in the future due to a scheduled decrease in public utilities tax revenue.

- **Unrestricted Grants-in-Aid:** The state foundation portion of the unrestricted grants-in-aid total for FY 2003-04 is based on the calculation in the October 10, 2003 SF-3. Another contributing factor is the inverse relationship between state funding and the expected increase in property values because of the triennial update in FY 2002-03 and the revaluation in FY 2005-06.
 - Since opening an addition to the elementary school in FY 2002-03, Huron CSD's ADM has increased by 50 students. ODE projections of ADM for the SF-3 funding simulation for FY 2004-05 through FY 2007-08 are based on a three-year average rather than actual ADM. Currently, Huron CSD is working with ODE to correct the student population count to reflect the full impact of the additional 50 students. The new student population will be used in an updated forecast.

In general, reappraisals and updates increase the value of taxable real property, which increases the amount attributable to the local charge-off rate of 23 mills. The 23 mill charge-off is the amount the legislature has determined to be the district's fair share of the basic program cost, and the fair share amount is subtracted from the basic program cost to determine the state formula aid. The assessed value of real property in the state aid formula is adjusted for the effects of reappraisals and updates. This is done by subtracting from the total assessed valuation two-thirds of the increase in real property values in the year following reappraisal or update and subtracting one-third of the increase in the second year. In the third year following the reappraisal or update, the full-assessed value is used. The adjustment buffers the effects of large increases in real property values due to reappraisals or updates by phasing the increases over three years.

In FY 2003-04, the District will receive approximately \$70,000 in electric deregulation reimbursement. In FY 2004-05 through FY 2007-08, the District projects the community school deduction will continue to decrease due to the return of some community school students and the additional new classrooms.

- **Restricted Grants-in-Aid:** The district had no assumptions listed for this area.
 - In prior years, ODE funded bus purchases at \$30,000 per year. For FY 2003-04 and the forecasted period, ODE is funding Huron CSD at \$14,000 per year. There are no other grants in this category.

- **Property Tax Allocation:** Property tax allocation for FY 2003-04 is based on information received from the County Auditor and Tax Commission at the annual budget hearing in March 2003. FY 2003-04 through FY 2007-08, collections are expected to decline, based on the emergency levy and operating levy renewals because a portion of the increased collections is applied to the property tax allocation.
 - Property tax allocation is revenue received as a result of the homestead exemption, property tax rollback, and personal property tax exemption. In addition, the first \$10,000 of tangible personal property is exempt from taxation. In prior years, the State fully reimbursed the exemption. In FY 2002-03, the reimbursement (but not the exemption) was phased-out over a 10-year period. Consequently, the amount of reimbursement will decline over the next 10 years.

- **Other Revenues:** This accounts for the District's General Fund interest income, tuition receipts, student fees, and rental income. In FY 2000-01 and FY 2001-02, there were declines²⁻² due to the decrease in interest rates and reduction of investment funds.
 - There is no anticipated change in the remaining other revenue accounts; student fees and rental income.

- **Other Financing Sources:** The District did not list assumptions under this forecasted line item.
 - HCSD receives a direct payment from a local business as part of a tax abatement agreement with local governments. This is accounted for in an abatement fund classified as other financing sources. This payment should remain the same throughout the forecasted period.

Expenditures

- **Salaries and Wages:** A 2 percent step increase for classified staff and 4 percent step increase for certificated staff (see **R2.8**) is included for FY 2003-04 through FY 2007-08. A two-year Early Retirement Incentive Plan (ERIP) was implemented in FY 2003-04 with a projected cost savings of \$125,000 over a two-year period. FY 2004-05 is a negotiating year for certificated and classified staff. Therefore, the forecast for FY 2005-06 through FY 2007-08 shows a 2 percent COLA for classified and certificated staff.
 - Administrator and classified staff have agreed to forgo a COLA increase in both FY 2003-04 and 2004-05 while certificated staff will receive a 4 percent COLA increase each year during the same time period.

²⁻² Decreases were 27 percent and 21 percent respectively,

- **Employees' Retirement and Insurance Benefits:** An annual increase in health care benefits of 20 percent for FY 2003-04, 5 percent for FY 2004-05, and 10 percent thereafter through FY 2007-08 are anticipated(see **R2.10**). FY 2003-04 and FY 2004-05 include the anticipated savings for the two-year Early Retirement Incentive Program (ERIP) of \$125,000.
- **Purchased Services:** The District calculated most components of purchased services for the forecasted period using a 4 percent inflationary factor.
 - About 30 percent of the annual forecasted purchased services relate to contracts with Erie-Huron-Ottawa Educational Services Center for shared costs. This includes such services as special education, the Alternative Learning Education Center, the talented/gifted program, speech services, guidance services, curriculum services, psychological services, and attendance/probation services.
- **Supplies and Materials:** FY 2003-04 includes the purchase of textbooks in two curriculum areas rather than one curriculum area normally identified. The District decided at the beginning of FY 2002-03 to make these purchases, before the deficit was discovered. A 1 percent annual increase in supplies and materials is projected for FY 2004-05 through FY 2007-08, to meet the textbook and instructional supplies set-aside requirement.
- **Capital Outlay:** The District forecasted General Fund capital outlay to remain at the same level of spending as for FY 2003-04.
 - Huron CSD spent \$458,701 in FY 2002-03 and \$500,200 in FY 2001-02 from the Capital Improvement Fund for operation and maintenance of facilities. In addition, Huron CSD has a lease purchase agreement for expansion and improvements to Woodlands Elementary.
 - **Reduction of Expenses:** In January, 2003, the Superintendent started taking steps to reduce expenses for the District including the following decreases:
 - Reductions in staff costs of \$691,865;
 - Reduction and elimination of supplemental contracts for \$44,000;
 - Elimination of service contracts for \$79,500;
 - Pay freezes for administrative and classified staff for \$80,000;
 - Elimination of Family and Children First contract for \$3,000; and,
 - Elimination of North Central Evaluation contract for \$4,500

These expense reductions amounted to a total annual savings of \$906,635.

In addition to the analyses presented in this report, AOS staff conducted assessments on several areas within the financial systems section, which did not warrant changes or yield recommendations. These areas include the following:

Textbooks and Capital Set-asides: Textbooks and capital set-aside requirements were reviewed to ensure compliance with Ohio Administrative Code (OAC) § 3301-92-02. Based on historical capital expenditures, the District is in compliance with OAC § 3301-92 without having to set aside additional funds during the forecasted period.

Discretionary Expenditures: Assumptions for discretionary expenditures were reviewed and compared to peers in **Table 2-1**. No adjustments or recommendations were identified.

District Purchases and Purchased Services: Assumptions for District purchases and purchased services were reviewed and no adjustments or recommendations were identified.

Salaries and Wages: Assumptions for salaries and wages were reviewed and no adjustments or recommendations were identified. However, the **human resources** section of this report discusses further salary and wage issues.

General Recommendations

Financial Forecast & Planning

R2.1 Huron CSD should revise the historical portion of the “other financing sources” section within the five-year forecast to better disclose the amount and types of debt outstanding. In addition, the forecast should show how much principal and interest Huron CSD is paying for each type of debt in each fiscal year. Furthermore, the notes of the financial forecast should include a more detailed explanation of why and when the District issues debt and which fund or funds it should use to repay the debt.

Based on the assumptions and notes to the forecast, Huron CSD currently has one tax anticipation note, one H.B.264 note, a lease purchase agreement, and a capitalized lease as outstanding debt. However, as shown in **Table 2-2**, it is difficult to determine the issue date and amount for each type of debt. Therefore, Huron CSD should consider revising the other financing sources section of the forecast by separating the proceeds received from each type of debt into its own line item (see **Table 2-2**). In addition, Huron CSD’s forecast should separate the amount paid for principal and interest for each type of debt paid out of the General Fund as shown in **Table 2-3**. The table shows the annual debt service requirement in each issue for the forecasted period. The forecast assumes Huron CSD will pay debt obligations as they come due. Outstanding debt balances are as of June 30, 2003.

Table 2-3: Debt Service – General Fund

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capitalized Leases-Copier Equipment		\$1,241	\$42,410	\$42,410	\$42,410	\$42,410	\$38,137
Tax Anticipation Note				\$205,000	\$205,000	\$200,000	\$0
Energy Conservation Note 5.1% 05/01/98-12/01/04	\$70,000	\$70,000	\$70,000	\$70,000	\$0	\$0	\$0
Total Principal	\$70,000	\$71,241	\$112,410	\$317,410	\$247,410	\$242,410	\$38,137
Tax Anticipation Note			\$13,968	\$12,931	\$8,063	\$2,750	\$0
Energy Conservation Note 5.1% 05/01/98-12/01/04	\$12,495	\$8,925	\$5,370	\$1,790	\$0	\$0	\$0
Total Interest	\$12,495	\$8,925	\$19,338	\$14,721	\$8,063	\$2,750	\$0
Total Debt Service	\$82,495	\$80,166	\$131,748	\$332,131	\$255,473	\$245,160	\$38,137

Source: Audited Financial Statements and 4502’s

School districts can borrow monies in anticipation of taxes generated by the passage of a tax levy. Huron CSD issued \$610,000 in tax anticipation notes in FY 2003-04, and it is required to repay a portion of that amount each year until FY 2006-07.

The H.B. 264 energy conservation notes are authorized by legislation to be issued for the sole purpose of making capital improvements that result in energy efficiencies. Under this program, Huron CSD borrowed approximately \$420,000 in FY 1997-98. The total outstanding balance on the H.B. 264 debt is approximately \$72,000.

Table 2-4 presents Huron CSD's debt service obligations paid from its permanent improvement levy, which generates approximately \$600,000 annually.

Table 2-4: Debt Service – Permanent Improvement Fund

	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Principle Lease Purchase-Elementary School Addition	\$114,123	\$240,058	\$240,058	\$240,058	\$240,058	\$240,058
Interest Lease Purchase-Elementary School Addition	\$125,935	\$69,746	\$69,746	\$69,746	\$69,746	\$69,746
Total Debt Service	\$240,058	\$309,804	\$309,804	\$309,804	\$309,804	\$309,804

Source: Audited Financial Statements and 4502's

As shown in **Table 2-4**, Huron CSD entered into a lease purchase agreement in FY 2002-03 and paid the associated principal and interest from its permanent improvement fund. The lease purchase will mature in FY 2015-16.

Table 2-5 shows Huron CSD's total debt service obligations from both its General Fund and Permanent Improvement Fund.

Table 2-5: Total Debt Service

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Capitalized Leases-Copier Equipment		\$1,241	\$42,410	\$42,410	\$42,410	\$42,410	\$38,137
Lease Purchase-Elementary School Addition		\$114,123	\$240,058	\$240,058	\$240,058	\$240,058	\$240,058
Tax Anticipation Note				\$205,000	\$205,000	\$200,000	\$0
Energy Conservation Note 5.1% 05/01/98-12/01/04	\$70,000	\$70,000	\$70,000	\$70,000	\$0	\$0	\$0
Total Principal	\$70,000	\$185,364	\$352,468	\$557,468	\$487,468	\$482,468	\$278,195
Lease Purchase-Elementary School Addition		\$125,935	\$69,746	\$69,746	\$69,746	\$69,746	\$69,746
Tax Anticipation Note			\$13,968	\$12,931	\$8,063	\$2,750	\$0
Energy Conservation Note 5.1% 05/01/98-12/01/04	\$12,495	\$8,925	\$5,370	\$1,790	\$0	\$0	\$0
Total Interest	\$12,495	\$134,860	\$89,084	\$84,467	\$77,809	\$72,496	\$69,746
Total Debt Service	\$82,495	\$320,224	\$441,552	\$641,935	\$565,277	\$554,964	\$347,941

Source: Audited Financial Statements and 4502's

As shown in **Table 2-5**, Huron CSD's total debt service obligations for the General Fund and the Permanent Improvement Fund vary from year to year, with future years' debt service obligations increasing in FY 2004-05 and decreasing for the remainder of the forecast period. However, since Huron CSD has various types of debt outstanding, the

treasurer should consider preparing a supporting debt service table as shown in **Table 2-3** through **Table 2-5** to better inform the users of the financial forecast of its debt service requirements. These tables should accompany the five-year forecast to provide Huron CSD's management with sound and detailed information on which to base their decisions about the District's current outstanding debt. Furthermore, the notes of the financial forecast should include a more detailed explanation of why and when the District issues debt and which fund or funds it should use to repay the debt.

R2.2 Huron CSD's five-year forecast and the accompanying assumptions or notes should be expanded to consistently present more detailed historic and projected information and explanatory comments. By providing more detail in the forecast and its supporting notes, the Board of Education (the Board) and the public will better understand the financial condition of the District. Furthermore, the District should continue to monitor projections and expenditures to effectively control and limit spending, and ensure projections are accurate and reliable.

A forecast is a management tool developed by the treasurer with the assistance of other management personnel within the school district. Assumptions are informed estimates developed by district management and communicated to the Board. Since assumptions can change based upon economic conditions, the forecast should be considered a working document that can be altered as conditions change. Although Huron CSD includes some assumptions and notes to its five-year financial forecast, it does not provide adequate disclosure to allow a reader to understand what is included in the numbers and the reasons for various fluctuations. The following factors that have an impact on the forecast should be included:

- Inflation rates - historic and projected;
- Internal financial objectives and comparable external averages;
- Enrollment and Average Daily Membership (ADM) - historic and projected, including open enrollment in and out of the District;
- Information regarding facility utilization;
- Staffing by position - historic and projected;
- Expenditures for main components of purchased services, materials, supplies and textbooks, other expenditures, and specific amounts required to fulfill minimum state requirements;
- Projected capital outlay expenditures with details identifying amounts related to routine maintenance, specific projects, and fulfillment of minimum state requirements;
- Debt service obligations with detailed descriptions; and
- Outstanding encumbrances at year-end with a discussion of their impact.

By continuing to monitor projections and expenditures, the District would be better able to ensure that spending is limited and controlled, and projections are accurate and reliable.

R2.3 Although Huron CSD has a long-range strategic plan, the plan has not been updated recently and is not integrated with other long-term plans in the District. The District has a continuous improvement plan (CIP) to address academic goals, it does use the strategic plan to link academic goals to its financial condition and other external events that may affect those goals. The District should update and expand its strategic plan using an established framework, such as the United States Department of Commerce Baldrige National Quality Program. The comprehensive strategic plan should consider the District's current financial issues in the context of its operational goals.

The CIP is an indicator of the District's commitment to improving the quality of the education it provides; however, the plan is limited to educational objectives. The plan also does not specify a timeline for reaching each objective or the source of funding needed to meet these goals. Furthermore, the CIP fails to identify the action steps needed to improve the District's current financial standing, or provide an overview of community events and actions that may affect the District in the future.

The United States Department of Commerce established the Baldrige National Quality Program to provide a framework for educational institutions to assess performance on a wide range of key indicators. While many of the goals outlined in the Baldrige program may be too ambitious considering the District's limited financial resources, the criteria for strategic planning identified by the Baldrige program can provide a framework for the District to begin to develop a comprehensive strategic plan. The Baldrige program identifies the following key factors on which a strategic plan should collect and identify relevant data and information:

- Student, stakeholder, and market needs, expectations, and opportunities, including student achievement;
- Competitive environment and capabilities relative to competitors and comparable organizations;
- Educational reform, technological innovations, or other key changes that might affect programs, offerings, services, and operations;
- Strengths and weaknesses, including faculty, staff and other resources;
- Opportunities to redirect resources to higher priority programs, offerings, services, or areas;
- Capability to assess student learning and development;
- Budgetary, societal, ethical, regulatory, and other potential risks;
- Changes in the local, regional, or national economic environment; and

- Factors unique to the organization, including partner and supplier needs, strengths, and weaknesses.

By developing a strategic plan consistent with the framework established by the Baldrige program, the District can formalize its approach to preparing for the future. The current academic and financial position of the District requires that resources be used as efficiently and effectively as possible. A strategic plan will help ensure that the District's priorities and goals are examined in relationship to its finances and that the appropriate cost trade-offs are considered. The strategic plan will also serve to ensure that the school board, superintendent, and residents have a uniform understanding of the District's priorities and goals, as well as the resources needed and currently available to meet these goals.

Internal Controls

R2.4 Huron CSD should develop internal controls for recording time, attendance, and payroll to ensure appropriate and accurate reporting, and to substantiate the payments of salaries and related benefits. The District should implement a manual system immediately. In the future, when the District can afford the cost, it should invest in an automated time and attendance payroll system.

The public sector is challenged by many of the same types of fraud as private-sector enterprises. One of the more common types of payroll fraud involves unnecessary overtime, falsified overtime and unreported leave. Huron CSD does not have a time and attendance system that ensures appropriate internal controls. Salaries and related benefits constitute 80 percent of the district's expenses, yet the district uses an exception basis²⁻³ for reporting time and attendance for certificated staff. In addition, certificated staff does not send approved absence forms to payroll until payroll requests them.

In March of 2004, Huron CSD started using a temporary help agency to supply substitute teachers and classified staff. While Renhill Staffing Services prepares a substitute list, which is sent to the payroll office, the District does not develop a daily attendance report for each of the three buildings. Without the daily attendance reports, payroll is unable to ensure a proper accounting of all salary and wage expenses.

According to the General Accounting Office (GAO) report, *Maintaining Effective Controls Over Time and Attendance Reporting* (GAO-03-352G), time and attendance information should support amounts appearing in the financial reports, and an audit trail

²⁻³ An employer assumes an employee works a normal work schedule and only reports time absent or other time off in an exception basis system.

should exist between time and attendance information and the accounting records underlying the financial reports to allow verification of reported amounts. Controls over time and attendance information used to support reporting should ensure the capture of information in sufficient detail to meet reporting objectives and be auditable.

Internal controls surrounding a time and attendance system give reliance that the payroll process complies with legal requirements, reports reliable financial information, and operates effectively and efficiently.

In an automated time and attendance environment, each employee would clock in and out reporting to and leaving work. This might be accomplished by means of a key code or a swipe card. The time and attendance system automatically calculates leave time, worked time, overtime, premium pays, and other appropriate attendance factors, and transfers this into the payroll system. Automated time and attendance would eliminate key punch time and reduce inaccuracies. The payroll office would only edit the payroll data. Time and attendance programs can perform edits (e.g., format, omissions, and reasonableness of data) and other automated tests to assist a supervisor in verifying that time and attendance information is recorded properly and provides a reasonable basis for making payroll payments. Although the current payroll system (State software) at Huron CSD has the capability to report year-to-date salaries, overtime, and leave time calculations, this information is entered manually and not automatically captured as part of the time and attendance system. An automated time and attendance system would allow analysis of the District's largest expense and assist management in making informed decisions.

In the absence of an automated time and attendance system, Huron CSD should develop a manual daily attendance report for each building to be completed and forwarded to payroll. The District should compare the attendance report to the substitute list provided by Renhill Staffing Services, as well as the time sheets and the approved leave usage sheets. Huron CSD should reconcile the three reports each pay period to ensure that all absences are properly recorded and that all employees are paid properly and in a timely fashion. This would also assure management that supervisors and other authorized personnel are accountable for the approval of an employee's work time and absences.

R2.5 The District should increase the lag time between the payroll period end date and the actual pay date to allow the payroll administrator time to ensure the accuracy of the payroll. The District should increase the lag time to two weeks. Modifying the payroll lag time may be dependent upon union contracts and labor negotiations.

Huron CSD's payroll ends bi-weekly on Friday. By the end of the day on Tuesday of the following week, the Treasurer's Office must submit payroll to the bank for direct deposit processing. The District distributes checks on Friday. Although the payroll administrator works with employees to ensure the payroll information submitted is accurate, there is

still a risk of inaccuracies in the District's payroll data due to the short, one-week lag in payroll processing. Often, off-site managers do not ensure appropriate documentation is forwarded to the payroll administrator to keep payroll records accurate. Many times, the signed review is late or not done. Certificated staff is particularly slow to submit or fails to submit approved absence forms until requested by the payroll administrator.

According to Price Waterhouse in, *Effective Internal Accounting Control for Nonprofit Organizations: A Guide for Directors and Management*, the objective of internal controls for payroll are to ensure that payroll disbursements are made only on proper authorization to bona fide employees, that payroll disbursements are properly recorded and that the legal requirements are complied with. Payroll checks should be written in keeping with the procedures for all other cash disbursements. Payroll should not write and distribute checks without appropriate supporting documentation including approved time sheets and absences.

The turn-around time at Huron CSD is too short to allow the payroll administrator to ensure accuracy of the payroll before processing. In addition, two days to process payroll does not allow the District to accommodate unforeseen events such as illness of the payroll administrator, emergencies, computer problems, etc.

The implementation of an additional week of lag time could be phased in by increasing lag time one day each pay period during the summer until a full week has been added. A phased implementation will minimize any effects increasing the lag time could have on employees.

Revenue and Expenditure Analysis

R2.6 Huron CSD should closely examine the spending patterns indicated in Table 2-7 and Table 2-8 and the cost reductions recommended in the human resource, facilities, and transportation sections of this report. The District should consider reallocating the monies it is currently receiving toward those programs and priorities that have the greatest impact on improving the students' educational outcomes and proficiency test results. Furthermore, the District should analyze the spending patterns and recommendations to aid in efforts to regain financial stability.

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, the District must evaluate and prioritize functions. Analyzing the spending patterns between the various functions should indicate where the school board and management should place their priorities. In addition, analyzing the number of ODE's 22 performance standards a school district meets should also correlate to the school district's spending patterns.

Ohio law calls for each school district to receive a performance accountability rating based on 22 performance standards. These 22 standards are minimum performance goals for public education in Ohio. **Table 2-6** presents the number of performance standards Huron CSD and the peers met in FY 1998-99, FY 1999-00, FY 2000-01, FY 2001-02, and FY 2002-03.

Table 2-6 Comparison of ODE Performance Standards Met

Year	Standards	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
2003	22	15	21	17	17	18
2002	22	17	22	17	22	20
2001	27	22	26	19	23	23
2000	27	21	22	17	23	21
1999	27	21	22	17	22	20

Source: ODE Report Cards

As shown in **Table 2-6**, Huron CSD met fewer standards in the last three years than the peer average. Additionally, Huron CSD standards have declined in the past two years, meeting only fifteen standards in FY 2002-03 and resulting in an effective classification. While an effective rating is a good achievement, the number of standards met is declining.

Table 2-7 shows the amount and percent of expenditures posted to the various Uniform School Accounting System (USAS) function codes for Huron CSD and the peer districts. Function codes report expenditures by their nature or purpose. **Table 2-8** shows operational expenditures per pupil and percentage of operational expenditures by function for all funds that are classified as governmental fund types. Governmental funds are used to account for the district’s governmental-type activities.

Table 2-7: All Governmental Funds Operational Expenditures by Function ¹

USAS Function Classification	Huron		Avon		Genoa		Perkins		Peer Average	
	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total	\$ Per Pupil	% of Total
Instruction Expenditures	\$4,772	52.8%	\$4,018	56.7%	\$4,722	59.0%	\$5,074	55.8%	\$4,596	56.9%
Regular Instruction	\$3,736	41.4%	\$3,287	46.3%	\$4,095	51.1%	\$3,774	41.5%	\$3,681	45.6%
Special Instruction	\$966	10.7%	\$584	8.2%	\$522	6.5%	\$1,059	11.6%	\$743	9.2%
Vocational Education	\$0	0.0%	\$66	0.9%	\$106	1.3%	\$205	2.3%	\$128	1.6%
Other Instruction	\$69	0.8%	\$82	1.2%	\$0	0.0%	\$36	0.4%	\$43	0.5%
Support Services Expenditures	\$3,868	42.8%	\$2,711	38.2%	\$3,007	37.5%	\$3,641	40.0%	\$3,134	38.8%
Pupil Support Services	\$432	4.8%	\$385	5.4%	\$337	4.2%	\$700	7.7%	\$489	6.1%
Instructional Support Services	\$402	4.5%	\$210	3.0%	\$317	4.0%	\$601	6.6%	\$383	4.7%
Board of Education	\$8	0.1%	\$59	0.8%	\$6	0.1%	\$21	0.2%	\$31	0.4%
Administration	\$710	7.9%	\$622	8.8%	\$669	8.4%	\$648	7.1%	\$644	8.0%
Fiscal Services	\$231	2.6%	\$206	2.9%	\$239	3.0%	\$257	2.8%	\$233	2.9%
Business Services	\$39	0.4%	\$0	0.0%	\$10	0.1%	\$33	0.4%	\$15	0.2%
Plant Operation & Maintenance	\$1,635	18.1%	\$773	10.9%	\$822	10.3%	\$982	10.8%	\$864	10.7%
Pupil Transportation	\$411	4.6%	\$425	6.0%	\$355	4.4%	\$388	4.3%	\$393	4.9%
Central Support Services	\$0	0.0%	\$31	0.4%	\$252	3.1%	\$10	0.1%	\$82	1.0%
Non- Instructional Services Expenditures	\$91	1.0%	\$137	1.9%	\$21	0.3%	\$8	0.1%	\$58	0.7%
Extracurricular Activities Expenditures	\$302	3.3%	\$225	3.2%	\$258	3.2%	\$378	4.2%	\$291	3.6%
Total Operating Expenditures	\$9,032	100.0%	\$7,091	100.0%	\$8,009	100.0%	\$9,101	100.0%	\$8,078	100.0%

Source: Huron CSD, Avon LSD, Genoa Area LSD, and Perkins LSD FY 2002-03 4502's, Exhibit 2

¹ Calculation differences due to rounding

As shown in **Table 2-7**, Huron CSD's total per-pupil operating expenditures (\$9,032) were higher than two of the peer districts and higher than the peer average (\$8,078) by 10.6 percent. While the instructional dollars per student are higher than the peer average, Huron CSD spends the lowest percentage of operating expenses of all the peers for instructional services. In addition, in student support services, Huron CSD spends the most per student and the highest percent of total operating expenditures. This analysis excludes the additional expenditures for purchased services related to special and vocational instruction. The additional expenditures for vocational and special education

are captured in instruction (see **human resources section**), plant operation and maintenance (see **facilities section**), pupil transportation (see **transportation section**), administration, and business services.

Table 2-8 shows revenues by source and expenditures by object for Huron CSD and the peers.

Table 2-8: Revenue by Source / Expenditures by Object ¹

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Property & Income Tax	65.3%	65.3%	36.3%	66.6%	56.1%
Intergovernmental Revenues	31.1%	33.3%	61.6%	28.7%	41.2%
Other Revenues	3.6%	2.4%	2.0%	4.8%	3.1%
Total Revenue	\$11,158,497	\$14,301,291	\$10,408,727	\$18,133,209	\$14,281,076
Wages	57.9%	59.3%	62.5%	59.6%	60.5%
Fringe Benefits	21.5%	14.4%	16.9%	19.3%	16.9%
Purchased Service	10.1%	10.2%	10.8%	10.4%	10.5%
Supplies & Textbooks	4.1%	4.6%	3.0%	3.8%	3.8%
Capital Outlays	1.1%	8.7%	0.4%	1.1%	3.4%
Debt Service	0.7%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	4.6%	1.8%	2.7%	1.6%	2.0%
Other Financing Uses	0.0%	0.9%	3.6%	4.1%	2.9%
Total Expenditures	\$11,834,466	\$14,580,272	\$11,050,702	\$18,819,993	\$14,816,989

Source: 4502 Exhibit 2, Statement P FY 2002-03

¹ Calculation differences due to rounding

As indicated in **Table 2-8**, Huron CSD’s percentage of total income from property and income tax is 65.3 percent as compared to the peer average of 56.1 percent. Intergovernmental revenues, which typically include state foundation payments received from ODE, are 24.5 percent lower than the peer average. However, the peer average is skewed by the Genoa Area LSD revenue source percentages. The Huron CSD revenue percentages are in line with Avon LSD and Perkins LSD.

Table 2-8 indicates that expenditures related to fringe benefits and miscellaneous expenditures are higher for Huron CSD than for the peers. A discussion of fringe benefits is included in the **human resources** section of this report. Miscellaneous expenses reflect dues and fees, as well as some insurance payments, and are covered in the discretionary expenditures comments.

Table 2-9 shows total expenditures for the governmental funds, including facilities acquisition, construction, and debt service expenditures.

Table 2-9: Total Governmental Fund Expenditures by Function

USAS Function Classification	Huron CSD		Avon LSD		Genoa Area LSD		Perkins LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Government Funds Operational Expenditures	\$9,032	95.6%	\$7,091	78.4%	\$8,009	92.5%	\$9,101	98.2%	\$8,067	89.8%
Facilities Acquisition & Construction Expenditures	\$0	0.0%	\$915	10.1%	\$461	5.3%	\$84	0.9%	\$487	5.4%
Debt Service Expenditures	\$417	4.4%	\$1,035	11.4%	\$187	2.2%	\$79	0.9%	\$434	4.8%
Total Government Funds Operational Expenditures	\$9,450	100.0%	\$9,041	100.0%	\$8,657	100.0%	\$9,264	100.0%	\$8,987	100.0%

Source: 4502 Exhibit 2 2003 All Governmental Funds

Table 2-9 shows the per-pupil operational, facilities acquisition and construction, and debt service expenditures for all governmental funds as a percentage of total governmental fund expenditures for Huron and the peers. Huron’s CSD operational expenditure percentage to total expenditures is 95.6 percent and is approximately 10.7 percent higher than the peer average of 89.8 percent. Huron CSD did not have any capital outlay expenditures for FY 2002-03 and the District’s debt service expenditure per pupil (\$417) is lower than the peer average (\$434).

Overall, the allocation of expenditures indicates that Huron CSD spends more on support services and less on instructional services than the peer districts. As the District’s achievement levels are below the peer averages, reallocation of resources to instructional functions would better support the District’s mission of educating students. Likewise, the implementation of benefits cost sharing, discussed in the **human resources** section, would improve the District’s ability to redirect expenditures .

R2.7 Huron CSD should develop a formal policy for maintaining an adequate unreserved General Fund balance. As Huron CSD regains financial stability, this would help the District to support operations over the long term.

Huron CSD does not have a policy for maintaining an adequate level of unreserved funds in its General Fund. Likewise, the District has not set aside funds for a rainy day fund or any other type of fund to use in times of revenue shortfalls. Although Huron CSD would likely still experience future deficits even if it had a policy in place or had a rainy day fund, reserves could have been used to delay the fiscal emergency declaration.

In order to sustain operations, GFOA recommends the establishment of a formal policy on the desired level of unreserved General Fund balance. The District should assess the

adequacy of the unreserved fund balance based upon its specific circumstances. GFOA recommends an unreserved fund balance of no less than 5 to 15 percent of the General Fund operating revenues, or no less than 1 or 2 months of regular operating expenditures.

In establishing a policy to govern the level of unreserved fund balance, the District should consider a variety of factors, including:

- The predictability of revenues and volatility of expenditures;
- The availability of resources in other funds as well as the potential drain upon the General Fund resources from other funds;
- The liquidity of resources versus liabilities; and
- Tentative designations of any portion of the unreserved fund balance for specific purposes.

Any policy addressing the desirable level of unreserved fund balance should be in conformity with legal and regulatory constraints.

Financial Recovery Plan

R2.8 Huron CSD should continue to periodically update its five-year forecast as assumptions are changed and new information is received. The forecast should reflect any cost savings strategies implemented by the District so that personnel are aware of the effect of expenditure reductions. Although interim forecast updates need not be officially approved by the board, as is the case with the October and May forecasts, regular updates are essential for monitoring the on-going financial status of the District.

The District has implemented a number of strategies prior to the performance audit to reduce expenditures and these savings have been incorporated into regularly updated forecasts. An updated forecast provides ODE, the Board, and citizens valuable information about the financial position of the District. ODE recommends that a district update its five-year forecast if there are any significant changes to financial circumstances or forecast revenue and expenditure assumptions.

Table 2-10 demonstrates the effect of the revised five-year forecast prepared by Huron CSD and approved by the Board of Education on April 20, 2004. The changes to the forecast are reflected in proposed financial plan (**Table 2-13**), as “revenue changes”.

Table 2-10: Changes in Forecasted Revenue

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
General Property	\$449,039	\$144,976	\$149,626	\$174,958	\$195,089
Tangible Personal Property	\$172,661	(\$159,349)	(\$156,532)	(\$154,261)	(\$151,155)
Unrestricted Grants-in-Aid	(\$258,339)	(\$240,042)	(\$527,523)	(\$663,453)	(\$640,912)
Restricted Grants-in-Aid	\$21,000	(\$4,000)	(\$4,000)	(\$4,000)	(\$4,000)
Property Tax Allocation	\$7,544	(\$16,016)	(\$1,612)	(\$2,452)	(\$2,555)
Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
Total Adjusted Revenue	\$391,905	(\$274,431)	(\$540,041)	(\$649,208)	(\$603,533)

Source: HCSD updated Five-Year Forecast

During the performance audit, the treasurer updated the forecast, which was approved by the Board of Education on April 20, 2004. Changes to the forecast include the following:

- General Property Tax reflects a one-time increase in actual collections received in FY 2004 of \$245,200 and an increase due to a posting error of \$100,000 anticipated by the County Auditor.
- Tangible Personal Property Tax reflects a decrease in collection of \$70,000 in FY 2004-05 anticipated by the County Auditor and a projected decrease in the dollar impact of public utility tax income.
- Unrestricted Grants-in-Aid reflects updated ODE SF3 calculations. ODE is projecting decreased enrollment for the District for the first two years of the five-year forecast period. This line item also includes electric deregulation reimbursements in FY 2003-04 and FY 2004-05 of \$64,000 and \$66,000 respectively.
- Restricted Grants-in-Aid reflects a FY 2003-04 catastrophic reimbursement of \$25,000, and a decrease in the ODE bus purchase allowance to \$10,000 per year from FY 2003-04 through FY 2007-08.
- Property Tax Allocation reflects a one time increase in actual amounts received in FY 2003-04 of \$7,500 and a decrease of \$16,300 anticipated by the County Auditor in FY 2004-05
- Other Operating Revenue reflects no change from the previous five-year forecast.

The District should continue to monitor economic information, revenue and expenditure changes, and other factors that may cause forecasting assumptions to change. Up-to-date forecasts will help Huron CSD make informed decisions about its financial position and plan for future expenditures.

R2.9 Huron CSD should seek to control and limit step increases²⁻³ in future contract negotiations, particularly since the potential cost savings resulting from performance audit recommendations may not fully offset future projected deficits and considering the relatively high combined effect of cost of living and step increases in previous collective bargaining agreements (see also R3.10).

The District certificated collective bargaining agreement expires in FY 2004-05, while the classified collective bargaining agreement expires in FY 2003-04²⁻⁴. According to these agreements, certificated and classified employees received a 4 and 5 percent respectively, annual cost of living adjustment (COLA), slightly higher than the peers' cost of living increases of 3 percent annually (see R3.10). Classified steps are currently 2 percent; however, certificated steps are currently 4 percent.

Based on the District's current and projected financial condition, it should consider limiting future step increases. **Table 2-11** shows the effect of reducing certificated steps from 4 percent to 2 percent in FY 2005-06 through FY 2007-08.

Table 2-11: Potential Savings in Certificated Salaries and Benefits using Reduced Step Amounts

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Salaries Calculation					
Total - 4% Step	\$4,887,391	\$5,272,874	\$5,445,212	\$5,742,279	\$6,055,690
Total - 2% Step	\$4,887,391	\$5,272,874	\$5,351,352	\$5,545,953	\$5,747,696
Difference	\$0	\$0	\$93,861	\$196,325	\$307,993
Benefits Calculation ¹					
Total - 4% Step	\$757,546	\$817,295	\$844,008	\$890,053	\$938,632
Total - 2% Step	\$757,546	\$817,295	\$829,460	\$859,623	\$890,893
Difference	\$0	\$0	\$14,548	\$30,430	\$47,739
Total Cumulative Savings	\$0	\$0	\$108,409	\$226,756	\$355,732

Source: Forecast and AOS

¹ The benefits calculation only includes STRS (14.0 percent) and Medicare (1.5 percent) of salaries.

As illustrated in **Table 2-11**, the District would avoid costs of approximately \$691,000 through the last three years of the forecasted period by negotiating reduced certificated step increases. See the **human resources** section (**R3.10**) for additional information on recommended reductions in COLAs.

Financial Implication: By negotiating reduced step amounts, the District could realize a cumulative cost avoidance of \$691,000.

²⁻³ Step increases are fixed annual increases defined in the contract and reflect pay increases associated with longevity or increased educational attainment by employees. Cost of living adjustments (COLAs) offset the effects of inflation and are in addition to contractually guaranteed step increases.

²⁻⁴The District has negotiated extensions to the expired agreement.

R2.10 Huron CSD should use the State Employment Relations Board (SERB) report, *Cost of Health Insurance in Ohio’s Public Sector*, to compare projected increases in health care premiums as estimated by its health insurance consortium for its five-year forecast. Using SERB data to compare and project health insurance benefit increases, when combined with the consortium data, will improve the overall accuracy of this line item within the forecast. Likewise, the District should consider reporting its historical and forecasted benefits expenditures by line item, as opposed to an aggregate amount, to better reflect the impact of health insurance benefit cost increases.

Based on the assumptions and notes to the forecast, Huron CSD should forecast its fringe benefits by line item then roll up the data into its fringe benefit category. The District projects health care costs to increase at a rate of 20 percent per year and this is the largest line item in the benefits calculation. However, the State Employment Relations Board reports that school districts in the Cleveland area with 1,000 to 2,499 employees project a 12.8 percent weighted increase in single and family coverage. Although Huron CSD obtained the 20 percent figure through its consortium, comparisons to, and inclusions of, SERB averages will help anticipate future rate increases and provide valuable comparative data. **Table 2-12** shows revised benefits projections by line item, as well as the variances between the revised projections and district-forecasted costs for fringe benefits.

Table 2-12: Revised Benefit Projections

Benefit	Assumption	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
STRS/STRS	14% of salaries	\$904,755	\$948,397	\$980,932	\$1,031,265	\$1,084,237
SERS Surcharge		\$16,828	\$18,062	\$19,055	\$20,103	\$21,209
Medicare	1.5% of salaries	\$96,938	\$101,614	\$105,100	\$110,493	\$116,168
Medical	5% FY 2005 and 12.8% FY 2006-08 increase/year	\$1,094,855	\$1,149,598	\$1,296,746	\$1,462,730	\$1,649,959
Drug	5% FY 2005 and 12.8% FY 2006-08 increase/year	\$467,744	\$491,131	\$553,996	\$624,907	\$704,896
Dental	4% increase/year	\$109,272	\$113,643	\$118,189	\$122,916	\$127,833
Vision	Family \$69.96 Single \$58.28	\$22,311	\$24,714	\$24,714	\$24,714	\$24,714
Life	\$927/employee	\$11,124	\$10,197	\$10,197	\$10,197	\$10,197
Total Benefits	\$2,723,827	\$2,857,355	\$3,108,929	\$3,407,326	\$3,739,212	\$2,723,827
Total Benefits per Forecast	\$2,857,704	\$3,123,003	\$3,258,955	\$3,488,984	\$3,768,047	\$2,857,704
Difference	(\$133,877)	(\$265,648)	(\$150,026)	(\$81,658)	(\$28,835)	(\$133,877)
Percent Difference	(4.9%)	(9.3%)	(4.8%)	(2.4%)	(0.8%)	(4.9%)

Source: Forecast and AOS

For FY 2004-05, the District has negotiated a 5 percent increase in health care and drug coverage, which is reflected in the analysis above. However, for FY 2005-06 through FY 2007-08, Huron CSD's forecast is higher than the revised projections. Huron CSD should adjust its benefits expenditures downward to show a more accurate picture for the period of the forecast. These adjustments are reflected in the financial recovery plan shown in **Table 2-13**.

R2.11 Huron should shift its cost for the director of food service's salary and benefits from the General Fund to the Food Service Fund. As an enterprise fund should support the full cost of proprietary services, moving the director's salary into the Food Service Fund would ensure that the food service function pays for all costs related to the provision of services.

Enterprise funds account for operations that are financed and operated like a private business. In the case of Huron CSD the Food Service Fund is intended to capture the cost of operations through user fees. Huron CSD captures all costs related to food services, excluding the director's salary and benefits, in the Food Service Fund. The fund operates without support from the General Fund and, at present, the fees collected for meals served to District students and employees are adequate to support the costs of operations. However, the Food Service Fund does not support the salary and benefits of the director. Without inclusion of the director's salary as a component of Food Service Fund expenses, the District is not capturing a true picture of the costs of food service operations. Furthermore, attributing the director's salary to the General Fund puts additional pressure on it—shifting the director's salary and benefits would alleviate some of the financial pressure on the General Fund.

The AICPA notes that all assets and liabilities, including fixed assets and debt, are included in the enterprise fund.. Both the GFOA and AICPA recommend that the full costs of fee based service provision be captured in an enterprise or proprietary fund. In each case, the fund should be self-supporting and user fees or operational practices should be adjusted to accommodate fluctuations in revenues and expenditures. Finally, the Uniforms School Accounting System manual requires that all revenues and expenditures associated with the provision of food service operations be captured in the food service enterprise fund.

By moving the costs for the director's salary to the Food Service Fund, the District will ensure that the fund fully supports all costs associated with its activities. However, moving these costs to the Food Service Fund will necessitate future changes to food service operations or an increase in the cost of meals as the increased expenditures will cause a slight operating deficit. Although this will not immediately result in a deficit in the fund, future changes will be required to ensure the Food Service Fund remains self-

supporting. Moving the director's salary and benefits to the Food Service Fund would reduce expenditures in these General Fund line items by about \$50,000 annually.

R2.12 Huron CSD should analyze and use the proposed financial forecast outlined in Table 2-13 to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on its financial condition. Huron CSD should also consider implementing the recommendations in this performance audit to improve its current and future financial situation.

Table 2-13 demonstrates the effect of the revised assumptions and recommendations in this report. The revised forecast contains the same financial projections presented in **Table 2-2**, with additional lines to incorporate the financial savings and implementation costs associated with the performance audit recommendations. Accompanying tables (**Tables 2-13A, 2-13B, 2-13C, and 2-13D**) summarize the financial implications associated with the recommendations contained within this report. The District could implement some recommendations immediately, while others will require further management action to realize the proposed savings.

Table 2-13 presents a summary of changes initiated by Huron CSD prior to the completion of the performance audit. Revenue changes are discussed in **R2.8**. The adjusted benefit calculation is discussed in **R2.10**. Huron CSD's Financial Planning and Supervision Commission (Commission) is submitting a 6.9 mill emergency levy for voter approval on August 3, 2004. This levy would generate an additional \$2.1 million for 5 years. In addition, the Commission and the Board has recommended through Resolution on June 29, 2004 the reduction of 9.5 FTE positions and 25 supplemental contracts for a total of \$506,700.

For Huron CSD to achieve and maintain financial stability, it will be necessary to make difficult management decisions. The District should consider the ideas and recommendations included in this report for implementation. However, since the audit is not all-inclusive, the District should explore other cost savings and revenue enhancements to incorporate into the financial recovery plan.

Table 2-13: Proposed Financial Recovery Plan (in '000)s¹

	Actual 2000-01	Actual 2001-02	Actual 2002-03	Forecast 2003-04	Forecast 2004-05	Forecast 2005-06	Forecast 2006-07	Forecast 2007-08
Real Estate Property Tax	\$5,562	\$5,807	\$5,761	\$5,872	\$5,897	\$5,360	\$5,139	\$5,397
Tangible Personal Property Tax	\$1,501	\$1,749	\$1,506	\$1,321	\$1,519	\$1,439	\$1,269	\$1,244
Unrestricted Grants-in-Aid	\$2,147	\$2,429	\$2,708	\$2,791	\$2,776	\$2,785	\$2,811	\$2,812
Restricted Grants-in-Aid	\$24	\$33	\$28	\$14	\$14	\$14	\$14	\$14
Property Tax Allocation	\$688	\$716	\$736	\$758	\$759	\$688	\$629	\$652
Other Revenues	\$325	\$257	\$274	\$274	\$274	\$274	\$274	\$274
Adjusted Total Operating Revenues²⁻⁴	\$10,248	\$10,990	\$11,012	\$11,422	\$10,964	\$10,921	\$9,487	\$9,789
Salaries & Wages	\$6,056	\$6,471	\$6,853	\$6,453	\$6,767	\$7,026	\$7,295	\$7,574
Adjusted Fringe Benefits	\$2,212	\$2,311	\$2,546	\$2,724	\$2,857	\$3,109	\$3,408	\$3,880
Purchased Services	\$978	\$1,178	\$1,196	\$1,244	\$1,294	\$1,346	\$1,400	\$1,456
Supplies, Materials & Textbooks	\$471	\$555	\$482	\$601	\$492	\$497	\$502	\$507
Capital Outlay	\$219	\$215	\$132	\$70	\$70	\$70	\$70	\$70
Intergovernmental	\$86	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service - Principal	\$0	\$70	\$70	\$70	\$275	\$205	\$200	\$0
Debt Service - Interest	\$0	\$12	\$9	\$19	\$15	\$8	\$3	\$0
Other Expenditures	\$418	\$473	\$546	\$656	\$676	\$696	\$717	\$739
<i>District Reductions</i>					(\$507)	(\$527)	(\$548)	(\$570)
Performance Audit Recommendations				(\$50)	(\$620)	(\$821)	(\$957)	(\$1,105)
Total Operating Expenditures	\$10,441	\$11,286	\$11,834	\$11,788	\$11,320	\$11,610	\$12,089	\$12,551
Proceeds From TAN Notes	\$0	\$0	\$0	\$610	\$0	\$0	\$0	\$0
Other Financing Sources/(Uses)	\$22	\$22	\$145	\$20	\$20	\$20	\$20	\$20
Net Transfers/Advances In/(Outs)	\$0	(\$11)	\$1	\$0	\$0	\$0	\$0	\$0
Net Financing	\$22	\$11	\$146	\$630	\$20	\$20	\$20	\$20
Result of Operations (Net)	(\$172)	(\$285)	(\$676)	\$264	(\$336)	(\$669)	(\$2,582)	(\$2,741)
Beginning Cash Balance	\$1,313	\$1,141	\$856	\$180	\$444	\$108	(\$561)	(\$3,142)
Ending Cash Balance	\$1,141	\$856	\$180	\$444	\$108	(\$561)	(\$3,142)	(\$5,884)
Outstanding Encumbrances	\$119	\$199	\$64	\$100	\$100	\$100	\$100	\$100
Bus Purchase	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
"345" Textbook / Instructional	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
"345" Capital Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
"412" Budget Reserve	\$206	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$816	\$658	\$116	\$344	\$8	(\$661)	(\$3,242)	(\$5,984)
<i>Cumulative New Levy 6.9 mill November, 2004</i>					\$954	\$3,054	\$5,154	\$7,254
Unreserved Fund Balance 6.9 mill Levy Only					\$963	\$2,394	\$1,912	\$1,271
Cumulative Property Tax Renewal/Replacement	\$0	\$0	\$0	\$0	\$182	\$1,170	\$2,878	\$4,605
Unreserved Fund Balance New and Renewal Levies	\$816	\$658	\$116	\$344	\$1,144	\$3,563	\$4,790	\$5,876

Source: Huron CSD's financial forecast and recommendations identified throughout this performance audit

¹ Calculation differences are due to rounding.

²⁻⁴ Huron CSD revised its revenue projections in its May 2004 forecast to reflect an increase of \$392,000 in FY 2003-04, a decrease of \$274,000 in FY 2004-05, an increase of \$361,000 in FY 2005-06, and decreases of \$649,000 and \$604,000 in FYs 2006-07 and 2007-08 respectively.

Tables 2-13A, 2-13B, 2-13C, and 2-13D present the financial implications from the recommendations contained in this report.

**Table 2-13A: Summary of Performance Audit Recommendations
Not Subject to Negotiation**

Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R3.1 Reduce ESP staffing by 3.0 FTEs	\$200,000	\$207,000	\$214,900	\$222,800
R3.2 Reduce clerical staffing by 2.0 FTEs	\$76,700	\$79,800	\$83,000	\$86,300
R4.2 Fully implement recommended energy management practices	\$29,000	\$29,000	\$29,000	\$29,000
R5.4 Maintenance cost reductions	\$5,000	\$5,000	\$5,000	\$5,000
Total Annual Savings Not Subject to Negotiations	\$310,700	\$320,800	\$331,900	\$343,100

Source: Financial implications identified throughout this performance audit

Note: Savings related to staff reductions (salaries and benefits) are appreciated each year based on the COLA and step increases in the Five-Year Forecast.

**Table 2-13B: Summary of Performance Audit Recommendations
Subject to Negotiation**

Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R2.9 Negotiate reduced step increases to 2 percent starting in FY 2005-06.		\$108,409	\$226,756	\$355,732
R3.3 Require employee contribution towards monthly medical premium	\$143,300	\$143,300	\$143,300	\$143,300
R3.7 Decrease the number of personal days	\$23,400	\$24,258	\$25,147	\$26,070
R3.8 Reduce vacation days accrued by 15 days over three years		\$78,000	\$81,100	\$84,400
R3.9 Reduce the number of paid holidays for Classified employees	\$16,700	\$17,312	\$17,947	\$18,605
R3.10 Maintain COLA at no more than 2 percent	\$125,000	\$127,500	\$130,000	\$132,700
Total Annual Saving Subject to Negotiations	\$308,400	\$498,779	\$624,250	\$760,807

Source: Financial implications identified throughout this performance audit

Note: Savings related to salaries and benefits are appreciated each year based on the Five-Year Forecast.

Table 2-13C: Costs Increases

Recommendation	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R5.3 Bus replacement	\$20,000	\$20,000	\$20,000	\$20,000
Total Annual Costs	\$20,000	\$20,000	\$20,000	\$20,000

Source: Financial implications identified throughout this performance audit

Table 2-13D: Revenue Enhancement

Recommendation	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
R4.3 Update building rental fees for activities	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

Source: Financial implications identified throughout this performance audit

Table 2-13E: Huron CSD Revenue Changes

Recommendation	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
District Update of Five-Year Forecast revenue	\$391,905	(\$274,431)	\$360,723	(\$649,208)	(\$603,533)
New 6.9 mill Levy, November, 2004		\$954,368	\$2,100,000	\$2,100,000	\$2,100,000
District Initiated Reduction of 10.5 FTEs and 25 supplemental contracts		\$506,700	\$526,968	\$548,047	\$569,969
Total	\$391,905	\$1,186,637	\$2,987,691	\$1,998,839	\$2,066,436

Source: Financial implications identified throughout this performance audit

This page intentionally left blank.

Human Resources

Background

This section of the report focuses on the human resources operations within Huron City School District (Huron CSD). Peer district information and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) are used for comparisons throughout the **human resources** section of the report.

Organizational Function

Huron CSD does not have a separate department dedicated to performing human resources functions. The superintendent, principals, and support services coordinator complete the primary human resources responsibilities. These responsibilities include the following:

- Coordinating the activities and programs for the recruitment and selection of employees;
- Monitoring compliance with employment standards (criminal background checks and teaching certifications);
- Facilitating employee performance evaluations;
- Administering and monitoring grievance policies and procedures;
- Negotiating and administering bargaining agreement contracts;
- Conducting disciplinary hearings;
- Maintaining personnel files;
- Placing selected substitutes; and
- Participating in new employee orientation.

The Treasurer’s Office, which administers the health insurance plans for all employees of Huron CSD, also assists in negotiating and managing collective bargaining agreements.

Staffing

Table 3-1 illustrates actual staffing levels at Huron CSD and the peer districts during FY 2003-04 as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews and payroll reports with appropriate district personnel. All positions are shown as full-time equivalents (FTEs), based on 7.5 hours per day for certificated staff and 8.0 hours per day for classified staff.

Table 3-1: FTE Staffing Levels for FY 2003-04

Category	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Administrators: Subtotal	9.00	12.00	10.00	13.00	11.67
Central Based Administrators	2.00	2.00	3.00	3.00	2.67
Site Based Administrators	7.00	10.00	7.00	10.00	9.00
Other Administrators					
Professional Education: Subtotal	97.15	155.75	101.40	152.50	136.55
Counseling	2.00	4.00	3.00	6.00	4.33
Librarian / Media	1.00	2.00	1.00	2.00	1.67
Remedial Specialists	0.00	0.00	2.00	2.50	1.50
Regular Education Teachers	71.95	112.25	71.00	104.00	95.75
Special Education Teachers	10.00	16.50	7.00	23.00	15.50
Vocational Education Teachers	0.00	2.00	1.00	4.00	2.33
Audio Visual	0.00	1.00	0.00	0.00	0.33
Tutor / Small Group Instructor	2.20	2.00	5.00	0.00	2.33
Educational Service Personnel ¹	8.00	10.00	8.40	9.00	9.13
Supplemental Teacher	2.00	6.00	0.00	0.00	2.00
Other Professional	0.00	0.0	3.00	2.00	1.67
Professional – Other	1.20	6.00	2.00	2.00	3.33
Technical: Subtotal	2.64	4.81	0.88	5.00	3.56
Computer Operator	0.00	1.50	0.00	0.00	0.50
Practical Nursing	0.00	0.00	0.00	1.00	0.33
Library Technician	2.64	0.00	0.00	0.00	0.00
Printer	0.00	0.00	0.00	0.00	0.00
Library Aide	0.00	3.31	0.88	4.00	2.73
Office / Clerical: Subtotal	15.28	23.84	9.88	26.94	20.22
Bookkeeping	0.00	2.00	0.00	0.00	0.67
Clerical	9.94	11.28	6.88	8.50	8.89
records	0.00	0.00	0.00	1.00	0.33
Messenger	0.00	0.00	0.00	0.00	0.00
Teaching Aide	5.34	10.56	3.00	14.94	9.50
Other Officer Clerical	0.00	0.00	0.00	2.50	0.83
Crafts / Trades	4.00	14.00	2.00	4.00	6.67
General maintenance	3.00	12.00	2.00	2.00	5.33
Mechanic	1.00	2.00	0.00	2.00	1.33
Transportation	8.19	15.19	12.28	10.88	12.22
Dispatching	0.00	0.69	0.00	0.00	0.23
Vehicle Operating other than buses	0.00	0.00	0.00	1.00	0.33
Vehicle Operating-Buses	8.19	14.50	12.28	9.88	12.22
Custodial	9.00	4.28	9.72	14.50	9.50
Food Service	9.00	1.25²	10.81	16.81	9.62
Monitoring	0.00	4.25	6.97	2.13	4.45
Grounds keeping	0.00	2.00	0.00	0.00	0.67
Total FTEs	155.46	243.37	165.94	247.76	219.02

Source: FY 2003-04 EMIS Staff Summary Reports

Note: Huron CSD staffing levels do not reflect the additional reductions made by the Financial Planning and Supervision Commission on June 29, 2004.

¹ The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code (OAC) are coded separately in EMIS.

² Avon LSD contracts out for food services and only maintains staff to oversee operations.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** shows the staffing levels per 1,000 Average Daily Membership (ADM) at Huron CSD and the peer districts for FY 2003-04.

Table 3-2: FTE Staffing Levels for FY 2003-04 per 1,000 ADM ¹

Category	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
ADM	1586.00	2422.00	1716.00	2263.00	2133.67
Administrators: Subtotal	5.67	4.96	5.83	5.75	5.47
Central Based Administrators	1.26	.83	1.75	1.33	1.25
Site Based Administrators	4.41	4.13	4.08	4.42	4.22
Professional Education: Subtotal	61.25	64.31	59.09	67.39	63.99
Counseling	1.26	1.65	1.75	2.65	2.03
Librarian / Media	.63	.83	.58	.88	0.78
Remedial Specialists	0.00	0.00	1.17	1.10	0.70
Regular Education Teachers	45.37	46.35	41.38	45.96	44.87
Special Education Teachers	6.31	6.81	4.08	10.16	7.26
Vocational Education Teachers	0.00	0.83	.58	1.77	1.09
Tutor / Small Group Instructor	1.39	0.83	2.91	0.00	1.09
Audio visual	0.00	0.41	0.00	0.00	0.16
Educational Service Personnel ²	5.04	4.13	4.90	3.98	4.28
Supplemental Teacher	1.26	2.48	0.00	0.00	0.94
Other Professional	0.00	0.00	1.75	0.88	0.78
Professional – Other	0.76	2.48	1.17	0.88	1.56
Technical: Subtotal	1.66	1.99	0.51	2.21	1.67
Computer Operator	0.00	0.62	0.00	0.00	0.23
Practical Nursing	0.00	0.00	0.00	0.44	0.16
Library Technician	1.66	0.00	0.00	0.00	0.00
Printer	0.00	0.00	0.00	0.00	0.00
Library Aide	0.00	1.37	0.51	1.77	1.28
Office / Clerical: Subtotal	9.63	9.84	5.76	11.90	9.48
Bookkeeping	0.00	0.83	0.00	0.00	0.31
Clerical	6.27	4.66	4.01	3.76	4.16
Records	0.00	0.00	0.00	0.44	0.16
Messenger	0.00	0.00	0.00	0.00	0.00
Teaching Aide	3.37	4.36	1.75	6.60	4.45
Other Office Clerical	0.00	0.00	0.00	1.10	0.39
Crafts / Trades	2.52	5.78	1.17	1.77	3.12
General maintenance	1.89	4.95	1.17	0.88	2.50
Mechanic	0.63	0.83	0.00	0.88	0.62
Transportation	5.16	6.27	7.16	4.81	5.99
Dispatching	0.00	0.28	0.00	0.00	0.11
Vehicle Operating other than buses	0.00	0.00	0.00	.44	0.16
Vehicle Operating-Buses	5.16	5.99	7.16	4.37	5.73
Custodial	5.67	1.77	5.66	6.41	4.45
Food Service	5.67	0.52 ³	6.30	7.43	4.51
Monitoring	0.00	1.75	4.06	0.94	2.09
Grounds keeping	0.00	0.83	0.00	0.94	0.31
Total FTEs	98.02	100.48	96.70	110.42	102.64

Source: FY 2003-04 EMIS Staff Summary Report and School Enrollment from Huron CSD and the peer districts

Note: Huron CSD staffing levels do not reflect the additional reductions made by the Financial Planning and Supervision Commission on June 29, 2004.

¹ Calculation differences are due to rounding.

² The educational service personnel classification only includes art, music and physical education teachers. All other positions classified as educational service personnel according to the Ohio Administrative Code (OAC) are coded separately in EMIS.

³ Avon LSD contracts out for food services and only maintains staff to oversee operations.

As illustrated in **Table 3-2**, Huron CSD is below the peer average in total FTEs per 1,000 ADM. However, Huron CSD has higher FTE staffing levels per 1,000 ADM as compared to the peer average in the following classifications:

- Administrators
- Regular Teaching
- Tutor/Small group Instructor
- Educational Service Personnel Teacher (see **R3.1**)
- Supplemental Service teachers
- Clerical (see **R3.2**)
- Custodial (See the **facilities** section)
- Food Service (see the **financial systems** section)

In an effort to reduce expenditures, Huron CSD's Board of Education (the Board) implemented a reduction in force (RIF) at the end of FY 2002-03. The RIF eliminated personnel in the following categories:

One each of:

- Host reading
- Music
- Physical education teacher
- Guidance counselor
- Guidance counselor
- Gifted Education Teacher
- Literary Specialists
- Media Specialists
- Assistant Principal Middle School
- Technology Director
- Curriculum Director

And:

- 3 Bus Drivers
- 3 Part-time custodial
- 4 Playground aides

This District projected that these reductions resulted in a cost savings of \$772,000.

Collective Bargaining Agreements

Negotiated agreements govern Huron CSD’s certificated and classified personnel. Auditor of State (AOS) staff reviewed and compared certain contractual and employment issues to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial impact on Huron CSD. The implementation of any contractual recommendations would require negotiations with the respective unions. **Tables 3-3 and 3-4** illustrate key contractual issues in the certificated and classified negotiated agreements.

Table 3-3: Certificated Contractual Agreement Comparisons

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD
Length of work day	7 hours, 30 minutes	7 Hours, 30 minutes	7 hours	7 hours, 30 minutes
Maximum class size	K 1:50 Elementary 1:25 Middle, High School 1:27	Not specified	K 1:30 ³ Elementary 1:30 Middle, High School 1:30	K 1:26 4-12 1:30
Number of Contract Days	<u>185 days</u> ¹	<u>184 days</u>	<u>184 days</u> ⁴	<u>185 days</u>
Instructional Days	180 days	180 days	178 days	200 minutes of conference rime
In-Service Days	2 days	2 days	1 days	1 day
Work Days	2 days ²	2 days	5 days	1 day
Maximum number of sick days accrued	280 days	290	280 days	200
Maximum number of sick days paid out at retirement	80 days	70 days	85 days	40 days
Number of personal days	4 days	3 days	3 days	Unlimited personal days
Notice required	5 days	5 days	not specified	3 days
Number of leave days for association business	3-5 days	1-3 days	2 days	2 days
Sabbatical leave	None specified	1 year or more	1 year or more	According to ORC 3319.131
Pick-up of employee’s STRS contribution by district	No	No	No	No
Cost of living increases each year of the contract	FY 2002- 4% FY 2003- 4% FY 2004- 4%	FY 2002- 4% FY 2003- 4% FY 2004- 4%	FY 2002- 3% FY 2003- 3% FY- 2004- 3%	FY 02- 4% FY 03- 4% FY 04- 4%

Source: Certificated negotiated agreements currently in effect and interviews with district personnel

¹New employees work 186 days including 180 days of instruction, 1 preparation day, 1 records day and 3 in service days.

²Includes one preparation day and one records day.

³Split grades maximum is 1:24 students.

⁴New employees work 185 days including 180 days of instruction, 1 preparation day, 2 records days and 2 in service days.

Table 3-4: Classified Contractual Agreement Comparisons

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD
Minimum call-in hours paid to employees for emergencies	Not specified	2 hours	Not specified	2 hours
Vacation time to accumulate	1-3 years: 10 days 3-20 years: 15 days 20 and up: 20 days	1-2 years: 0 days 2-5 years: 10 days 6-13 years: 15 days 14-23 years: 20 days 24 years and up 25 days	11 months -7 years: 10 days 7 years-15 years: 15 days 15 years or more: 20 days	1-2 years service: 5 days 2-5 years: 10 days 5-15 years: 15 days 15-20 years: 20 days 20 and up: 25 days
Sick / Personal leave incentive	None	None	All employees with perfect attendance shall be paid \$200 at the end of the year	None
Maximum number of sick days accrued	220 days	290 days	210 days	215 days
Maximum number of sick days paid out at retirement	42 days	70 days	70 days	46 days
Number of personal days	4 days	3 days	3 days	Unlimited days
Notice required	5 days		3 days	3 days
Number of holidays for 12-month employees	16 days ¹	10 days	7 days	12 days
Number of holidays for 9-month employees	9 days ²	9 days	6 days	9 days
Number of leave days for association business	2 days	Not Specified	3 days	None specified
Pick-up of employee's SERS contribution by district	No	No	Yes	No
Cost of living increases each year of the contract	FY 02: 5% FY 03: 5% FY 04: 5%	FY 04: 4%	FY 02: 3% FY 03: 3% FY 04: 3%	FY 04- 4%

Source: Classified negotiated agreements currently in effect from Huron CSD and the peer districts; interview with the personnel of Huron CSD and peer districts

¹ Includes mechanics, maintenance personnel head custodians, 260 day custodians.

² Includes high, middle, and elementary school secretaries, cafeteria workers, bus drivers, 191 day custodians, library techs, building aides, head cooks and assistant cooks.

In addition to the analyses in this report, assessments were conducted on several areas within the human resources section that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Administrator staffing levels:** The positions in this area are consistent with those found in other districts and do not warrant changes.

- **Tutor / small group instructor staffing levels:** These positions are for Title I programs, and are funded by on-going grants. A reduction in this area would not have an impact on the General Fund; therefore, no further analyses were conducted in this area.
- **Regular education staffing levels:** Regular education teacher staffing levels are adequate when compared to the peer districts and state benchmarks, and do not warrant any staffing changes. Furthermore, Huron CSD's teacher to student ratio is higher than minimum standard requirements. However, the class size limits expressed in the negotiated agreement for certificated employees may limit the District's ability to adjust staffing levels (see **R3.4**).
- **Special education staffing levels:** Special education teachers staffing levels are adequate as compared to the peer districts and state benchmarks, and do not warrant any staffing changes.
- **Sick leave usage:** Huron CSD's average sick days used per FTE is relatively low.
- **Vocational Education:** Huron CSD currently contracts with the Erie-Huron-Ottawa Vocational Educational Center to provide vocational education services.
- **Supplemental Contracts:** Huron has significantly reduced its supplemental contracts since FY 2002-03. Furthermore, the District's salaries are not higher than the peers in the majority of its classifications. Therefore, no further analysis of this area was conducted.

Recommendations

Staffing

R3.1 Huron CSD should review its staffing levels in the educational service personnel (ESP) classification for a potential reduction of up to 3 FTEs. Classifications the District should review for possible reductions include art teachers, music teachers, physical education teachers and counselors. However, before the District makes any reductions, it should determine the potential impact on the attainment of its mission and goals. Additional factors which Huron CSD should consider are the impact on student contact time and the financial situation of the District.

During the course of the audit, the District and Financial Planning and Supervision Commission took action to implement this recommendation.

ESP staffing levels at Huron CSD are above OAC standards. **Table 3-5** compares the FY 2003-04 staffing levels of all ESP personnel at Huron CSD with the peer districts. This table shows staffing levels in actual FTEs and FTEs per 1,000 ADM.

Table 3-5: Comparison of ESP Staffing Levels

Classification	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
ESP Teacher ¹	8.0	10.0	8.4	9.0	9.1
Counselor	2.0	4.0	3.0	6.0	4.3
Librarian / Media Specialist	1.0	2.0	1.0	2.0	1.7
Registered Nurse	0.0	0.0	1.0	0.0	0.3
Social Worker	0.0	0.0	0.0	0.0	0.0
Totals	11.0	16.0	13.4	17.0	15.5
FY 2002-03 ADM	1,586.0	2,422.0	1,716.0	2,263.0	2,133.7
ESP Personnel Per 1,000	6.9	6.6	7.8	7.5	7.3

Source: District FY 2003-04 EMIS Staff Summary Reports and Staff Demographics Reports

¹ Includes those individuals who teach art, music or physical education at the elementary level.

As illustrated in **Table 3-5**, Huron CSD has 6.9 FTEs per 1,000 ADM in the ESP classification, which is lower than the peer average of 7.3 FTEs but higher than the minimum standards identified in OAC 3301-35-05 (A) (4) of 5.0 FTEs per 1,000 ADM. Approximately 73 percent of Huron CSD's ESP staff members are art, music and physical education teachers who have direct instructional contact with students throughout the day, while peer districts have an average of 58 percent of their ESP staff members assigned to art, music, and physical education. If Huron CSD were to adjust the ESP staffing ratio to the minimum staffing standards identified in OAC 3301-35-05 (A) (4), it could reduce 3.0 FTEs. The cost savings created by the reductions could be used by the district to improve its financial stability in the future.

Financial Implication: Huron CSD could generate an estimated annual cost savings of approximately \$200,000 by reducing 3.0 FTEs from the ESP classification, assuming an estimated annual salary and benefits (approximately 38 percent of salaries) of \$66,500 per ESP staff member. The District could then re-allocate cost savings to other operational areas within Huron CSD.

R3.2 Huron CSD should consider reducing staffing by 2.0 FTEs within its clerical classification. By reducing staffing in this area, Huron CSD can improve its financial condition and realize cost savings. A reduction of 2.0 FTEs would bring Huron CSD in line with the peer average.

Huron CSD’s clerical staffing levels are higher than peer districts. **Table 3-6** compares the FY 2003-04 staffing levels of all clerical personnel at Huron CSD with the peer districts. This table shows staffing levels in actual FTEs and FTEs per 1,000 ADM.

Table 3-6: Huron CSD FY 2003-04 Clerical Staffing Levels

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Total Clerical Personnel ¹	9.9	13.3	6.9	12.0	10.7
Total Administrative Personnel	9.0	12.0	10.0	12.0	11.3
Total Clerical Personnel to Administrative Personnel	1.1	1.1	0.7	1.0	0.9
Total District Personnel	154.2	243.4	165.9	247.8	219.0
Total District Personnel to Clerical	15.5 to 1	18.3 to 1	24.0 to 1	20.7 to 1	20.5 to 1
Total ADM	1586.0	2422.0	1716.0	2263.0	2133.7
Total Clerical Personnel per 1000 ADM	6.3	5.5	4.0	5.3	5.0

Source: EMIS Staffing Report and Payroll Secretary

¹ Includes individuals classified as bookkeeping, clerical, records and other office / clerical.

Table 3-6 illustrates that Huron CSD’s total clerical staffing is lower than the peer average. However, **Table 3-6** also illustrates that the ratio between total district personnel and clerical personnel is lower than the peer districts and the peer average. A lower ratio of total district personnel to clerical personnel indicates that Huron CSD may be overstaffed in its clerical personnel classification. Huron CSD also has a higher ratio of clerical personnel per 1,000 ADM. Huron CSD currently has 25 percent more clerical personnel per 1,000 ADM than each of the peers and the peer average of 5.02 clerical personnel per 1,000 ADM. If Huron CSD adjusts its clerical staffing ratio to the peer average of 5.0 FTEs per 1,000 ADM, it could reduce 2.0 FTEs and create costs savings for the District.

Financial Implication: Huron CSD could generate estimated annual cost savings of approximately \$76,700 by reducing 2.0 FTEs from the clerical classification, assuming an average annual salary and benefits of approximately \$38,350.

Benefits Administration

R3.3 During future contract negotiations, Huron CSD should seek to negotiate changes to key provisions within its health insurance coverage and premium payments. The District should require all employees to pay a portion of the monthly premium costs to bring District practices in line with the average employee contributions compiled by the State Employee Relations Board (SERB). Furthermore, Huron CSD should make additional adjustments to the percentage paid based on the hours worked, similar to Perkins LSD. Establishing employee contributions with percentages based on the hours worked and SERB standards will help the District offset annual increases in health care costs.

Huron CSD's full time employees make minimal contributions toward their health insurance premiums. In addition, classified employees who work a minimum of 6 hours receive the same benefits as an employee working 8 hours, and employees who work at least 4 hours but not more than 6 hours receive 66 percent of their healthcare paid by the District. This is not the case for peer school districts and most other school districts throughout Ohio. **Table 3-7** compares the FY 2002-03 health insurance monthly premiums for Huron CSD, the peer districts, and the State Employment Relations Board (SERB) averages for like-sized school districts.

Table 3-7: Health Insurance Premium Comparison for FY 2002-03

School District	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Huron CSD	Self-Insured PPO Classified ¹	\$216.28	\$2.00 ¹	\$549.67	\$4.00 ¹
	Certificated	\$268.62	\$5.00 ¹	\$682.67	\$10.00 ¹
Avon LSD	4 Health Co-OP	\$233.64	At 5%-\$11.68 ² At 10%: \$23.36 At 15%: \$35.05 (Average: 23.36)	\$619.14	At 5%-\$30.96 ² At 10%: 61.91 At 15%: \$92.87 (Average: 61.91)
Genoa Area LSD	Plan B- Super Med Classic	\$262.00	\$24.00 ³	\$649.00	\$52.80 ³
	Option 4- Super Med Select	\$276.00	\$24.00 ³	\$682.00	\$52.80 ³
Perkins LSD	Medical Mutual PPO	\$232.70	Varies ⁴	\$591.70	Varies ³
SERB School District Average (1,000-2449 students)	N/A	\$302.01	\$20.75	\$742.24	\$69.59
SERB Cleveland Regional Average	N/A	\$272.00	\$19.69	\$698.57	\$53.79

Source: School districts, negotiated agreements and SERB reports

¹ This amount is set for full time employees who work at least 6 hours per day, employees working at least 4 hrs/day pay the standard contribution plus 1/3 of the premium.

² The percentage is determined based on the number of hours worked by the employee and is outlined in the collective bargaining agreement.

³ This amount is based on full time employee who work 40 hrs/week contribution of 20 percent for hospitalization, but employees working less than 40 hrs/week must pay between 25 percent-all the cost of hospitalization depending on the hours worked per week.

⁴ This amount is based on the status of employees: Full time (8hrs/day) 9, 10, 12 month employees receive fully paid hospitalization and other benefits, less than full time 9, 10, 12 month employees are eligible for benefits based on the hours worked.

As seen in **Table 3-7**, Huron CSD’s employee contributions are significantly lower than the peer and SERB averages. SERB’s *2002 Report on Healthcare Costs* finds that public employees’ average monthly contributions are approximately 12 percent for single coverage and 13 percent for family coverage. Huron CSD’s healthcare contributions are under 1 percent for single and family coverage for both classified and certificated employees. Huron CSD’s healthcare contributions are also lower than the SERB averages for like-sized school districts and for the Cleveland region.

Table 3-7 also illustrates that that peer districts require employees to contribute to their healthcare at different percentage levels depending on the hours worked per day, while Huron CSD has established different contribution levels depending on whether the employee works full-time (6 hrs or more) and part-time (at least 4 hours). However, each of the peer districts has established different percentage contributions which are based on how many hours the employee works per day. Specifically, Perkins LSD pays the following based on hours worked:

- 8 hrs/day-fully paid hospitalization
- 7 hrs/day- 87.5 percent by the board and 12.5 percent by employee
- 6 hrs/day- 75 percent by the board and 25 percent by employee
- 5 hrs/day- 62.5 percent by the board and 37.5 percent by employee
- 4 hrs/day- 50 percent by the board and 50 percent by employee
- 3 hrs/day- 37.5 percent by the board and 62.5 percent by employee
- 2 hrs/day- 25 percent by the board and 75 percent by employee

This type of system makes staff accountable for contributing for their healthcare if they are working fewer hours than an eight-hour employee. This results in making healthcare benefits administration more equitable for all employees. Furthermore, it increases employee sharing and reduces the cost impacts to the District of future increases.

Financial Implication: Assuming that Huron CSD required a full-time employee contribution equal to the SERB average of 12 percent for single coverage and 13 percent for family coverage, the District would save approximately \$143,300 annually. This is based on the number of employees with single coverage (18) and the number of employees with family coverage (130) and the respective monthly premiums of \$ 268.62 and \$216.28 for single coverage and \$682.67 and \$671.15 for family coverage.

R3.4 Huron CSD should seek to renegotiate key provisions of its health insurance benefits to levels more comparable to the peer districts. Renegotiation of key benefit provisions could result in substantial cost savings for the district.

Some of Huron CSD's healthcare benefits are more generous than those of the peers. In examining health insurance benefit provisions, changes to employees' shares and prescription drug plans generally net the largest cost savings for school districts. **Table 3-7** compares key medical insurance benefits for Huron CSD to those of the peer districts.

Table 3-8: Key Medical Plan Benefits

	Huron		Avon LSD	Genoa Area LSD		Perkins LSD	
	Self Insured PPO Certificated	Self Insured PPO Non-Certificated	4-Health Co-op	POS Network Medical Mutual	PPO Network Medical Mutual	Self Insured PPO Certificated	Self Insured PPO Classified
Office Visits	Net work: \$5 then paid at 100% Non-Network: Deductible and Co-pay	Net work: \$5 then paid at 100% Non-Network: Deductible and Co-pay	5% network/ 15% non-network	\$10 Co-Payment/ \$10, plus 50% coverage non network	Not Specified	Not Specified	Net work: \$5 then paid at 100% Non-Network: Deductible and Co-pay
Prescription Plan Cost	Yes \$2.00 Generic/\$10 Brand No Co-payment	Yes \$2.00 Generic/\$10 Brand No Co-payment	Yes 10% of cost	Yes Not specified	Yes Not specified	Yes \$0 Generic/\$10 Brand None	Yes \$0 Generic/\$10 Brand None
Mail Order			None	Not specified	Not specified		
Employee Annual Deductible	\$100 S \$200 F	\$100 S \$200 F	\$500 S \$100 F	\$200 for non-authorized patient admission	\$200 S \$400F	\$1,000S \$2,000 F	\$100 S/F
Employee Out of Pocket Maximum	\$500 S \$600 F ¹	\$500 S \$600 F ¹	\$1,000 network \$1,000 non	Not Specified	Not Specified	\$2,500	\$400 S/F
Maternity	100% after deductible Paid	100% after deductible Paid	100% Network/ Non after Deductible	100% network/ 50% non	90%/80% and co-insurance limit \$500S/ 1,000 F	100%	100% after Deductible
Well Child care	100% limited to maximums	100%	95% Network/ 85% non	\$10 co-pay network/ not covered non	Not Specified	100% up to maximum	100% up to maximum
Inpatient Hospital Care	100% after deductible Paid	100% after deductible Paid	100% network/85% non network	100% network/50% non	90%/80% and co insurance limit \$500S/ 1,000 F	100%	100% up to maximum
Maximum Lifetime Benefit Amount	\$2,000,000	\$1,000,000	\$1,250,000	\$2,500,000	\$2,500,000	\$250,000	\$1,000,000

Source: Schedule of Benefits and Interviews

¹All out of Pocket expenses are picked up by the Board up to \$400.

²All out of Pocket expenses are picked up by the Board.

As indicated in **Table 3-8**, the health benefits offered at Huron CSD, are more generous than those offered by the peers for office visits, prescription plan, employee annual deductible, and employee out of pocket, each of which are discussed below. Perkins LSD is a member of the same health consortium as Huron CSD, and offers similar benefits. The major differences in Huron CSD’s benefits compared to the peers are in the following areas:

- **Office Visits:** Huron CSD staff pay a \$5.00 co-payment for doctor visits with the remainder covered at 100 percent, while Genoa Area LSD requires staff to pay a \$10 co-payment, and Avon LSD requires staff to pay 5 percent of the visit's cost.
- **Prescription Plan:** Huron CSD employees do not pay for mail order prescriptions, while peers do not offer the mail order benefit.
- **Employee Annual Deductible:** Huron CSD's deductible amount is lower than Avon LSD and Genoa Area LSD. Perkins LSD is in the same consortium as Huron CSD and has the same deductible amount.
- **Employee Out of Pocket Expenses:** Huron CSD's out of pocket amounts are lower than both Avon LSD and Genoa Area LSD. Furthermore, as indicated in the collective bargaining agreement, Huron CSD reimburses all out of pocket costs up to \$400, while Genoa Area LSD and Avon LSD do not. This represents a significant cost to the District.
- **Lifetime Maximum:** Huron CSD's lifetime maximum benefit is higher than the peer average.

The District should seek to renegotiate these provisions and implement a three tier prescription drug plan. These changes to the health insurance benefits may result in initial cost savings for the District and would reduce the annual increases to health insurance costs. By offering higher benefits than the peers, the District is absorbing a larger share of costs for health insurance benefits. These costs, if shared by employees, could be redirected to other General Fund expenditures. Furthermore, reducing benefit levels to be comparable to the peers would provide additional cost savings.

Collective Bargaining Agreements

R3.5 Huron CSD should eliminate additional compensation paid to teachers for exceeding class size limits from future contract negotiations. Similarly, the inclusion of aides in classes that exceed contractually stated limits should be eliminated. If elimination of the maximum class size clauses is not possible, the District should seek to raise the class size limit to the peer average and obtain concessions to remove additional compensation for exceeding limits.

Since the collective bargaining agreement was signed, the District's financial condition has changed and Huron CSD will experience additional financial hardship in meeting the class size parameters outlined in the collective bargaining agreement. The negotiated agreement has class limits that are lower than peer districts (see **Table 3-3**). While the District values having smaller class sizes, the provision expressed in the contract has a

discernable financial impact on the District. At the elementary level, if at the fifth week of school class size exceeds the negotiated limit, an aide will be hired to assist the teacher. In addition, between the fifth and seventh week, the affected homeroom teacher will receive a stipend of \$200. At the middle and high school level, if class exceeds 27 students in the physical education classes, for each student exceeding the class size, a stipend of \$250 will be paid per semester. If class sizes exceed limits in classes other than study halls, band, choirs or physical education, a stipend of \$200 per semester shall be paid for the twenty-eighth student placed in the class and a \$300 stipend for the twenty-ninth student, and in no case should there be a thirtieth student.

Each of the peers except Avon LSD has provisions for class size. However, the class size limits are 1:30 for the elementary, middle and high school levels as opposed to 1:25 for elementary school and 1:27 for high school. Perkins LSD teachers are provided a stipend between \$90 and \$180 if class sizes exceed 30 per semester, and Genoa Area LSD teachers are compensated 1/30th the daily rate for the 31st child per semester, which is less than Huron CSD.

By having lower class size limits than the peers, Huron CSD incurs additional staffing costs. If able to eliminate the compensation or increase the class size requirements, the District would be able to reduce the financial impact created by the contractual requirements and have more flexibility in making staffing adjustments in the future.

R3.6 Huron CSD should seek to decrease the maximum number of sick leave days paid out to new certificated staff at retirement. Decreasing the number of days would reduce the long-term financial liability placed on the District. In addition, the District should seek to decrease the accrual limit for sick time from 280 days for certificated and 220 days for classified employees, to 120 days for those employees joining the district after the next collective bargaining agreement is signed.

Huron CSD has a provision in its certificated contract stating that employees may receive a maximum of 80 sick days paid out at retirement. This amount is 23 percent higher than the peer average of 65.0 days for certificated and staff. Furthermore, Huron has a provision that allows certificated staff to accrue 280 days of sick leave and classified employees to accrue 220 days of sick leave.

Ohio Revised Code (ORC) §124.39 states that sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave. However, section (C) permits political divisions to compensate employees for more than 30 days. Decreasing the sick leave amount to 65 days for certificated staff would help Huron CSD improve its future financial situation while providing a severance payment that is twice the maximum identified in Ohio Revised Code §124.39. If Huron CSD decreases the maximum sick days paid out to 65, the District could avoid costs at the retirement of the new employees

by approximately 19 percent compared to the cost for employees hired before the contract change.

Furthermore, ORC §3319.141 states that for teaching and non teaching staff, unused sick leave shall be cumulated up to 120 workdays unless other wise approved by the school board. By reducing sick leave accruals to that the level defined in the ORC the District will reduce future General Fund expenditures and be able to redirect those funds to other educational programming.

R3.7 In future labor negotiations, Huron CSD should seek to decrease the maximum number of personal leave days granted to its certificated and classified employees from four days to three days.

Huron CSD has a provision stating that certificated and classified employees will have four personal days per year, while peer districts each provide three personal days per year. This amount is also higher than the minimum number of personal days established under ORC § 3319.142, which states that “each board of education shall adopt rules entitling regular non-teaching employees, during each school year, to a minimum of three days of personal leave at the employee's regular compensation.” Reducing the number of personal days provided to staff to three days as expressed in the ORC, could potentially reduce substitute employee costs experienced due to these absences.

Financial Implication: If the District reduced the number of personal days to three it could potentially realize an annual cost saving of \$23,400, based on the FY 2003-2004 average salary for certificated staff assuming full utilization of four personal days.

R3.8 Huron CSD should seek to adjust the vacation schedule for classified employees and consider decreasing the number of vacation days provided at years 3 to 6 from 15 days to 10 days.

Under its classified bargaining agreement, Huron CSD provides employees with three to six years of employment 15 days of vacation, while peer districts provide 15 days of vacation to employees on average after 6 years. The amount of vacation accumulation is also higher than the minimums set under ORC§ 3319.084, which states that are entitled to the following numbers of days based on the established years of services:

- 1 year -10 years-two calendar weeks (10 days).
- 10 years - 20 years - three calendar weeks (15 days)
- 20 or more years - four calendar weeks (20 days)

By adjusting vacation accumulation rates so that employees who have attained 3-6 years of continuing service receive only 10 days of vacation, the District could potentially

reduce substitute employee costs. If the District reduced the number of vacation days provided between three to six years to 10 days instead of 15 days, it would save 15 vacation days per employee over a three year period. By doing this the district could realize cost savings \$78,000 per employee based on the average daily rate of \$85.30 per day. However, this assumes full use of all vacation days accrued.

Financial Implication: If the District negotiated a reduced rate of vacation accrual for classified employees with 3-6 years of service, it could potentially avoid costs of \$78,000 assuming full use of vacation leave by all classified employees.

R3.9 During future negotiations, the District should seek to reduce the number of paid holidays provided to 12 month and 9 month classified employees. More specifically, Huron CSD should seek to reduce the number of paid holidays for 12-month classified employees to 10 days and for 9-month employees to 8 days.

Under its classified bargaining agreement, Huron CSD provides non-teaching staff who work 11 or 12 months with 16 paid holidays and non-teaching staff that work 9 months with 9 paid holidays. The number of holidays provided to 11 or 12-month staff is 65 percent higher than the peer average of 9.7 days, and is 13 percent higher than the peer average 8 days for 9-month employees.

ORC §3319.087 states that all regular non-teaching school employees employed on an 11 or 12-month basis are entitled to the following 7 paid holidays: New Year's day, Martin Luther King day, Memorial day, Independence day, Labor day, Thanksgiving day, and Christmas day of each year. All regular non-teaching school employees employed on a nine or ten-month basis are entitled to the following six paid holidays: New Year's day, Martin Luther King day, Memorial day, Labor day, Thanksgiving day, and Christmas day of each year. Huron CSD receives the day before Christmas and New Years Eve, the day after New Year's Eve, Columbus Day, and Veteran's day, which is above the ORC standard and peers districts.

By decreasing paid holidays to the peer average of 10 days for 12-month employees and 8 days for 9-month employees Huron CSD can redirect classified employees time into preventive maintenance and other activities while still offering paid holidays that are higher than the maximums set under the ORC.

Financial Implication: Using the average daily rate for classified employees, based on the number of months worked per year, Huron CSD could realize an annual cost avoidance of approximately \$2,900 by reducing the number of paid holidays for 8 and 9 month classified staff and \$13,800 for 11 and 12 month staff for a total cost savings of \$16,700.

R3.10 During the next certificated contract negotiations, Huron CSD should seek to limit the cost of living allowance (COLA) for certificated and classified staff to no more than 2.0 percent for each year of the agreement. Limiting the COLA to 2 percent would provide certificated staff with annual increases of approximately 6 percent and will provide classified with increases of approximately 3.6 percent when step increases are included in the salary calculations³⁻¹. See also R2.9.

Classified and certificated employees have received generous wage increases. **Table 3-9** presents average salaries for those EMIS classifications in which Huron CSD's average salary is higher than the peer average.

Table 3-9: FY 2003-04 Average Salaries by EMIS Classification

	Huron CSD Average Salary	Avon LSD Average Salary	Genoa Area LSD Average Salary	Perkins LSD Average Salary	Peer Average Average Salary
Prof. Other	\$61,898	\$46,079	\$48,767	\$66,814	\$50,763
Office/Clerical	\$25,143	\$21,459	\$33,350	\$23,505	\$24,304
Crafts/Trades	\$35,787	\$28,369	\$39,491	\$40,508	\$31,909
Custodians	\$34,872	\$16,076	\$30,436	\$34,947	\$30,575
All Classifications	\$40,127	\$39,446	\$41,433	\$43,332	\$41,413

Source: District EMIS Staff Summary Reports and Staff Demographics Reports

¹The peer average is determined by the total number of FTEs and the total salary for each classification.

Table 3-9 indicates that 18 percent of Huron CSD employees' salaries are higher than the peer average. Further, they receive higher COLAS than the peers in addition to step increases.

Certificated staff also receive generous COLAS, while having generous step increases. While Huron CSD's certificated salaries were lower than the peers, the certificated staff received 4.0 percent COLA increases in each of the three fiscal years of the negotiated agreement, which expired June 30, 2004. According to the treasurer, Huron CSD has proposed freezing the COLA in future agreements or reducing it to 2 percent. **Table 3-10** compares Huron CSD's certificated salary schedule to the peers.

³⁻¹ Step increases are fixed annual increases defined in the contract and reflect pay increases associated with longevity or increased educational attainment by employees. Cost of living adjustments (COLAs) offset the effects of inflation and are in addition to contractually guaranteed step increases.

Table 3-10: FY 2003-04 Certificated Salary Schedules

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Bachelors Degree					
Step 0	\$28,844	\$29,606	\$30,342	\$32,533	\$30,827
Step 12	\$44,420	\$46,807	\$45,665	\$50,102	\$47,525
Percent Change	54%	58%	51%	54%	54%
Average Step Increase	3.7%	4.0%	3.5%	3.7%	3.7%
Masters Degree					
Step 0	\$31,152	\$32,566	\$34,529	\$37,414	\$34,836
Step 12	\$50,189	\$50,922	\$54,555	\$55,762	\$53,747
Percent Change	61%	56%	58%	49%	54%
Average Step Increase	4.1%	3.8%	3.9%	3.0%	3.7%

Source: District certificated negotiated agreements

As illustrated in **Table 3-10**, Huron CSD’s certificated employees received 4 percent step increases and 4 percent COLAs, for a total increase of 8 percent in FY 2004. Furthermore, **Table 3-10** illustrates, that Masters salary schedules provide a higher total salary increase from Step 0 to Step 12 than the peer average. Huron CSD’s total salary increase on the Master schedule, 61 percent, is 13.0 percent higher than the peer average.

Custodians, secretaries, mechanics and maintenance staff at Huron CSD, received a 5 percent COLA increase in each of the past three fiscal years, although these employees agreed to a wage freeze in FY 2003-04 to help the District offset its deficit condition. **Table 3-11** illustrates the salary schedules for the custodians, secretaries, and mechanics.

Table 3-11: FY 2003-04 Clerical, Crafts, and Custodian Hourly Rate Schedule

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Clerical					
Step 0	\$11.82	\$11.10	\$12.15	\$12.49	\$11.91
Step 8 (or last step)	\$13.42	\$13.33	\$12.91	\$15.38	\$13.87
Percent Change	13.5%	20.1%	6.3%	23.1%	16.5%
Average Step Increase	1.6%	2.3%	1.5%	2.7%	2.2%
Mechanics/Maintenance					
Step 0	\$14.64	\$14.07	\$14.07	\$15.02	\$14.39
Step 8	\$16.14	\$16.68	\$16.67	\$17.90	\$17.08
Percent Change	14.3%	17.3%	18.5%	19.2%	18.7%
Average Step Increase	1.9%	2.3%	4.3%	2.2%	2.2%
Custodians					
Step 0	\$13.16	\$12.42	\$12.16	\$13.75	\$12.78
Step 8	\$14.76	\$14.48	\$13.97	\$16.64	\$15.03
Percent Change	12.2%	16.6%	14.8%	10.3%	11.0%
Average Step Increase	1.4%	1.9%	3.5%	2.4%	2.1%

Source: Huron CSD and peer Labor agreements

Table 3-11 indicates that on average the custodial, mechanic, and clerical staff receive lower step increases than peer Districts. However, mechanics and custodians have a higher starting salary than peer Districts. Furthermore, **Table 3-11** indicates that Huron CSD staff received an average 1.6 percent step increase in FY 2004 and a 4 percent COLA during the three fiscal years of the negotiated agreement, for a total increase of 6.6 percent. Yet, the District’s custodians, secretaries, mechanics, and maintenance staff received higher average compensation than peer districts as illustrated in **Table 3-9**.

Limiting the certificated staff’s COLA increases to no more than 2 percent in the next contract period would assist Huron CSD in gaining financial stability while providing adequate compensation to its certificated staff, considering the relatively higher step schedule.

Financial Implication: Based on FY 2003-04 total certificated and classified salaries of approximately \$ 5.7 million, Huron CSD could save approximately \$125,000 in FY 2004-05, \$128,000 in FY 2005-06, \$130,000 in FY 2006-07, and \$133,000 in FY 2007-08. This amounts to a cumulative savings of \$515, 200.

Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in the section of the report. Only recommendations with quantifiable financial implications are listed.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.1 Reduce ESP staffing by 3.0 FTEs	\$200,000
R3.2 Reduce clerical staffing by 2.0 FTEs	\$76,700
Totals	\$276,700

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.3 Require employee contribution towards medical monthly premium	\$143,300
R3.7 Decrease the number of personal days	\$23,400
R3.8 Reducing vacation days by 15 days over three years	\$78,000
R3.9 Reducing the Number of paid holidays for Classified employees	\$16,700
R3.10 Limit COLAs to 2 percent	\$125,000 ¹
Totals	\$386,400

¹ This reflects the savings in the first year of implementation. The cumulative savings over the life of the forecast would be \$515,200.

Facilities

Background

This portion of the performance audit will focus on Huron City School District's (Huron CSD) facility maintenance and operations. These operations are evaluated against best practice and operational standards from the Ohio Department of Education (ODE), American Schools & University (AS&U) Maintenance and Operations (M&O) Cost Study, and Avon, Perkins, and Genoa school districts (peer districts).

Organizational Structure and Function

Huron CSD consists of four buildings, three of which are used for educating students. One building houses elementary (grades K-4), a second building houses middle school (grades 5-8) and the third houses high school students (grades 9-12). The District also has a building (Shawnee) that is currently used as the district's central administrative offices, and houses the special needs program for the Erie/Huron/Ottawa County E.S.C. (the County) and the Montessori Child Enrichment Center program (Montessori).

The custodial and maintenance departments are responsible for the operation and upkeep of Huron CSD's facilities and grounds. The custodial staff is responsible for cleaning the buildings and completing minor repairs. The maintenance employees complete more extensive repair work such as plumbing, painting, carpentry, and electrical work. Final administrative authority for maintenance resides with the superintendent of transportation, who spends approximately 30 percent of his time managing and overseeing the operation of the maintenance area. He also prioritizes and ensures completion of maintenance projects and manages the Districts' custodial and maintenance supplies. The final administrative authority for custodians resides with the principal at each school.

The custodial staff is responsible for providing a clean and safe environment for the students, staff, and public who use Huron CSD facilities. The custodial staff consists of 12 employees, which equates to 11.75 full-time equivalents (FTEs). The head custodians open and prepare the buildings for operation each day. Head custodians report directly to building principals, who are responsible for the day-to-day management of the custodial staff. Head custodians provide guidance and oversight to the custodians assigned to the school buildings, and perform minor repairs. Custodians complete the majority of the cleaning tasks after school hours.

During the winter, the custodians salt sidewalks leading directly into the schools and maintenance personnel plow the parking lots. During the summer, the maintenance staff cares

for the grounds surrounding the buildings and the stadium, and stripes the baseball, soccer, and football fields.

There is an average of two custodians assigned to each building, except for the Shawnee building, which has no permanent custodians assigned. The District considers building size, usage, and student population when determining custodial staffing levels. Huron CSD has laid-off three part-time custodians in the last year to reduce overall expenditures.

The maintenance department consists of 3.0 FTEs who report directly to the superintendent of transportation, and are responsible for completing building maintenance and grounds operations. While Huron CSD assigns custodians to specific buildings, maintenance employees travel from building to building as needed. The maintenance employees respond to all emergencies, and are responsible for delivering equipment and supplies to the buildings.

Table 4-1 illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintaining Huron CSD's facilities.

Table 4-1: Number of Positions and FTEs for FY 2004

Classification	Total Number of Positions	Total Number of FTEs
Superintendent	1.00	.30
Total Administration	1.00	.30
Maintenance	1.50	1.50
Grounds	1.50	1.50
Total Maintenance	3.00	3.00
Head Custodian	3.00	3.00
Custodian	9.00	8.75
Total Custodial	12.00	11.75
Total	16.00	15.05

Source: Huron CSD's Superintendent's office

Key Statistics

Key statistics related to facility maintenance and operations are presented in **Table 4-2**. In addition, results from the 32nd annual AS&U Maintenance and Operations Cost Study, which was released in April 2003, are included in **Table 4-2** and throughout this section of the report. The AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures, and salaries for maintenance and custodial workers. This year's report provides the median and mean number for each category on a national level and by district enrollment.

According to the AS&U study, the reason median and mean scores dropped in each category from prior years is because "the economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations funding."

Table 4-2: Key Statistics and Indicators

Number of School Buildings	3
- Elementary Schools	1
- Middle School	1
- High School	1
Total Square Feet Maintained	236,956
- Administrative Building	36,160
- Elementary Schools	71,700
- Middle School	45,843
- High School	68,068
Square Feet Per FTE Custodial Staff Member (8.75FTEs)	22,747
- Administrative Building (existing staff) ¹	0
- Elementary School (3.00 FTEs)	25,392
- Middle School (2.75 FTEs)	18,297
- Senior High School (3.00 FTEs)	24,181
AS&U 32nd Annual Cost Survey 1,000-3,499 Students	24,900
AS&U 32nd Annual Cost Survey National Median	24,167
Peer District Average	26,846
Square Feet Per FTE Maintenance Employee (1.50 FTEs) ²	157,970
AS&U Annual Cost Survey 1,000- 3,500 Students	116,660
AS&U 32nd Annual Cost Survey National Median	95,120
Peer District Average	122,208
FY 2002-03 Maintenance and Operations Expenditures Per Square Foot	\$5.57
- Custodial and Maintenance Salaries and Benefits	\$2.69
- Utilities	\$1.47
- Other ³	\$1.41
AS&U Annual Cost Survey National Mean	\$3.30
Peer District Average	\$5.72

Source: Huron CSD, AS&U cost survey, and peer districts

¹ There is no assigned custodian at the Shawnee building, but instead uses custodians assigned to the other schools, when needed. Therefore, the total square feet maintained by the custodians (13,424 sq ft) is split equally amongst the other three schools to determine sq ft maintained per FTE.

² Three maintenance employees spend 50 percent of their time during the year performing grounds maintenance and 50 percent of their time doing building maintenance functions.

³ Includes purchased services, supplies and materials, and capital outlay.

Financial Data

Table 4-3 illustrates the General Fund expenditures incurred to maintain and operate Huron CSD's facilities for FYs 2001-02, 2002-03, and FY 2003-04 budgeted.

Table 4-3: Maintenance and Operations Expenditures

Accounts	FY 2001-02 Total	FY 2002-2003 Total	FY 2002 to FY 2003 Percentage Change	FY 2003-04 Total	FY 2003 to FY 2004 Percentage Change
Salaries	\$403,324	\$437,011	8.4%	\$440,682	0.8%
Benefits	\$164,472	\$184,971	12.5%	\$195,761	5.8%
Purchased Services	\$265,542	\$231,612	(12.8)%	\$228,300	(1.4)%
Utilities	\$319,660	\$322,915	1.0%	\$348,500	7.9%
Supplies/ Materials	\$94,782	\$61,578	(35.0)%	\$83,500	35.6%
Capital Outlay	\$98,616	\$47,137	(52.2)%	\$23,000	(51.2)%
Total	\$1,346,397	\$1,285,225	(4.5)%	\$1,319,744	2.7%

Source: Huron CSD's Treasurer's Office: Budget Summary for Function 2700 for FY 2001-03, 4502 P&Q statement

Explanations for some of the more significant variances in **Table 4-3** are as follows:

- *An 8.4 percent increase in salaries for FY 2002-03 over FY 2001-02 expenditures, with less than a 1 percent increase budgeted for FY 2003-04:* This was the result of the collective bargaining agreement which increased salaries 5 percent in FY 2001, FY 2002 and FY 2003. Another factor was an increase in custodial overtime, especially at the high school because of a significant number of weekend activities using the facilities. (See **R4.3** for additional information on overtime)
- *A 12.5 percent increase in benefits for FY 2002-03 over FY 2001-02 expenditures:* This was due to an increase in insurance premiums. See the **human resources** section for further information.
- *A 13 percent decrease in purchased services in FY 2002-03 from the previous year:* This was a result of the elimination of the Johnson Control maintenance contract and seeking bids for refuse collection services.
- *A 7.9 percent increase in utilities in FY 2002-03 from the previous year.* Increases in rates for water/sewer, gas, and electricity contributed to the increase in expenditures for the year.
- *A 35 percent decrease in supplies and materials FY 2002-03 from the previous fiscal year, and a 36 percent increase in supplies and materials budgeted for FY 2003-04:*

The decrease in supplies and materials was a result of the new transportation superintendent's goal of streamlining supply purchases, placing greater oversight on supply and material use, and eliminating waste. However, supply and material stocks were reduced so the District increased budgeted expenditures for FY 2003-04 to restock.

- *A 50 percent decrease in capital outlay in FY 2002-03 over the previous fiscal year, and another decrease of 50 percent planned for FY 2003-04:* This is to the result of the District's effort to reduce overall expenditures. The treasurer authorizes only necessary expenditures in this category, postponing other capital purchases until the District is in better financial condition.

Facilities-Related Expenditures

Revenue from the General Fund supports the maintenance and operation of Huron CSD's facilities. **Table 4-3** shows that in FY 2001-02, the General Fund provided \$1.3 million for building operation expenses, including custodial and maintenance employees' salaries and benefits, purchased services, utilities, supplies and materials, and capital outlay. **Table 4-4** illustrates Huron CSD's and the peer districts' FY 2002-03 General Fund custodial and maintenance-related expenditures in terms of cost per square foot.

Table 4-4: General Fund Expenditures per Square Foot, FY 2002-03

Line Items	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average	AS&U Mean
Salaries and Benefits	\$2.69	\$2.10	\$1.97	\$2.97	\$2.35	\$2.33
Purchased Services	\$0.96	\$0.76	\$0.41	\$1.85	\$1.01	\$0.17
Utilities	\$1.47	\$1.41	\$1.10	\$0.74	\$1.08	\$1.43
Supplies & Materials	\$0.35	\$0.18	\$0.28	\$0.71	\$0.39	\$0.46
Capital Outlay	\$0.10	\$0.09	\$0.01	\$0.09	\$0.06	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.09
Total	\$5.57	\$4.55	\$3.78	\$6.76	\$5.03	\$4.48

Source: Huron CSD FY 2002-03 actual expenditures, and the peer district treasurers' office expense budget worksheets for the General Fund, 2700 function.

Based upon the information in **Table 4-4**, Huron CSD's FY 2002-03 total General Fund expenditures per square foot of \$5.57 is \$1.09 higher than the AS&U National Mean (\$4.48), but only \$0.54 higher than the peer average (\$5.03). Therefore, specific recommendations addressing General Fund expenditures are not made. However, salaries and benefits appear to be an important factor in the high per-square foot cost. See the **human resources** section for further discussion of these costs.

In addition to the analyses presented in this section, assessments were conducted on other areas within the facilities section that did not warrant changes and did not yield any recommendations.

- **Staffing:** Huron CSD custodians maintain almost 23,000 square feet per FTE, compared to the AS&U national median standard of 24,000. The custodians could take on more responsibilities, but the per-FTE area that they maintain is close to the standards. Huron CSD's maintenance staff maintains 35 percent more square feet compared to the AS&U standards for a similar size school. This takes into consideration the percentage of time the maintenance staff performs grounds maintenance functions.
- **Incurred operating costs from the Shawnee building (leased):** Huron CSD is recouping its operating expenditures from the Shawnee building through rental income from the Montessori school and the Erie-Huron-Ottawa Educational Service Center (ESC).
- **Building Capacity:** The District's three schools are averaging an 80 percent utilization rate and effective use has been made of surplus space.

Recommendations

Maintenance Operations

R4.1 Huron CSD should centralize maintenance and custodial supervision under the superintendent of transportation. The superintendent of transportation, who is also responsible for maintenance operations, should assume oversight and managerial control of the custodians, instead of the principals at each school. His job description should be updated to reflect the additional responsibilities.

Currently, Huron CSD’s custodial coordination is decentralized. Each principal is responsible for the custodians assigned to his or her building, and cleaning priorities are based on the needs of each school, instead of the needs of the district. According to the superintendent of transportation, there is no methodology used to determine the number of custodians assigned to each building.

Perkins school district custodians report directly to the building and maintenance supervisor, which allows them to better distribute and coordinate custodians between each school, as needed.

According to the Continuing Administrative Licensure Program at the University of Oregon’s College of Education, “it’s not hard to see the relative importance of facilities management, the day-to-day decisions about school buildings and grounds that can either provide the setting for first rate education or can distract the best efforts of teachers and administrators away from educating students. Building management is, at its most essential, management of people and issues. In this sense, it’s not unlike other management issues, and some standard management tools can be used to help focus efforts on results rather than scattering them into crisis management. Building management can also have a large effect on budgets. Although school administrators are quick to point out that most of the budget goes into salaries, it is interesting to note that effective building operation can, ultimately, yield savings.” Decentralized management of custodial efforts does not promote the same level of efficiency as a more centralized and consistent set of management practices.

Centralizing the oversight of custodians would enhance the District’s ability to coordinate custodial and maintenance functions. Furthermore, centralized management would also enhance communication between custodial and maintenance staff, allow for efficient resolution of minor maintenance issues, reduce overtime, and improve consistency in the management of department staff. Principals should retain some responsibility for on-site management of the custodians and provide assistance with the individual performance evaluation process.

R4.2 Although, Huron CSD has made improvements to its facilities to reduce energy usage, the District should focus on an energy management plan that would decrease overall energy expenditures to meet the AS&U average cost per square feet of \$1.43. Energy use reductions should be included in the Districts five year capital improvement plan. More importantly, Huron CSD should review building operating practices and develop an energy conservation plan for each building in the district.

Huron CSD does not have a formal energy conservation program. The superintendent of transportation and maintenance stated that the District tries to monitor building temperatures. However, the District has not developed a written policy for energy management. Typically, energy management programs are encompassed in formal written policies and used district-wide. Energy management programs also focus on education on conservation issues to encourage wise energy use by staff and students.

In September 2001, Ashland University's Telego Center for Educational Improvement released the *Huron City Schools Facility Planning and Utilization Study*, which critically inspected all District buildings and systems using the Council of Educational Facilities Planners International's (CEFPI) Guide. The report included an assessment of the District's mechanical and electrical systems. Most of the buildings' mechanical-electrical systems date to the original construction and have not been upgraded. The American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc. (ASHRAE) has indicated that most mechanical systems, temperature controls and air handling units have a 15 to 20 year life expectancy. The District's mechanical systems are 38 to 48 years old and not operating in an efficient manner. The pneumatic temperature control systems that control the classrooms, air handling units, boilers, exhaust fans, and space temperatures are also in need of replacement as they are ineffective and inefficient.

According to the Ashland University report, the District's existing boilers have been well maintained over the years, but the addition of one new high efficiency boiler would greatly reduce gas consumption. In addition, it recommends the current lighting systems be upgraded to the new T-8 technology with electronic ballast. The new T-8 lighting technology will reduce energy consumption and increase light levels.

Overall, Huron CSD's utility costs are 9 percent lower than the peers. However, when comparing total utility costs per square foot, Huron CSD is higher by 3 percent compared to the AS&U average. However, Huron CSD has taken the following steps to improve energy costs, as recommended in the Ashland University report:

- Replaced the temperature controls at the elementary with an automated logic control system to reduce maintenance time and cost, and improve comfort.

- Added a new high efficiency boiler by replacing the boiler at the middle school to greatly reduce gas consumption. The District also updated the high school boiler, but only automated half of the building. Huron CSD automated the elementary school boiler using a Johnson Control boiler system.
- Upgraded the current lighting systems to the new T-8 technology with electronic ballast: Most lighting fixtures have been corrected in the high school, middle school and Shawnee buildings.
- Upgraded the fire alarm system to a Horn/Strobe ADA compliant system at Shawnee and the middle school. The District will complete the high school system upgrade by the end of April and begin the elementary school system upgrade after the high school upgrade is completed.

Despite the numerous upgrades, the District has not implemented an energy management program to encourage conservation.

According to the U.S. Department of Energy's "*Myths About Energy in Schools*", most districts can recognize a cost savings of up to 25 percent when implementing energy management practices. The *Facilities Management Handbook* and the Association of School Business Officials International's *School District Energy Manual* both discuss how schools can reduce expenditures by institute more efficient energy use procedures. These procedures include the following:

- Set median temperatures for the buildings for summer and winter;
- Develop parameters indicating that, when a classroom is not in use, lights should be turned off;
- Develop instructions that indicate when a room is being cooled, the door should remain closed, and exit from and entry to the room should be kept to a minimum;
- Include policies that state on hot sunny days, the window blinds should be lowered to reduce the room's temperatures; and
- Implement policies indicating that water should not be kept running in the restrooms.

Building staff should be encouraged to participate in energy conservation efforts. Incorporating energy conservation efforts into the everyday operation of the building could also teach students about the importance of using limited natural resources wisely. Although several companies offer services to assist districts in developing plans, Huron CSD could develop its own plan in-house. However, because the Districts' utility costs are only 3 percent higher than the AS&U average, and due to the age of the facilities, Huron CSD may not realize as great a cost savings from implementing a formal energy

conservation plan. Nevertheless, using an energy conservation plan will help District personnel to follow energy management policies consistently.

Financial Implication: Using the U.S. Department of Energy's estimate of a 25 percent savings, the District would have saved approximately \$87,000 of its utility costs in FY 2002-03. However, since the District completed some energy management practices, the cost savings may only be one third of the estimate, or \$29,000 per year.

R4.3 Huron CSD should implement a facility usage charge for outside groups that fully covers the costs of space, employees, and utilities. The District should charge this rate to external groups for every activity that requires the use of the District's facilities. In addition, the District should ensure charges are reviewed regularly and aligned with actual costs. The District should either eliminate weekend activities to reduce overtime costs, or increase its rental fees to include custodial overtime costs. The District should follow policies to ensure consistency and fairness.

Huron CSD is not charging rental fees for after hour activities, in accordance with their own policies. In addition, the District is not charging enough rental fees for activities to include adequate utility and staffing costs associated with keeping a school building open after hours.

Huron CSD offers its facilities for both school and non-school related functions. The District adopted building opening policies and procedures in 1987. The policies state that the District charges a \$20 flat fee for building uses after 5:00 p.m. for activities that involve casual recreation, community non-profit organizations, and other activities that directly or indirectly benefit the District and/or the community. The policy also states that a \$25 per hour rate will be assessed for all building uses that involve programs for profit and a \$27 per hour fee will be assessed for custodial service when a custodian is not on regular duty. If a custodian is not available, the organization is responsible for cleaning the facilities.

Huron CSD has not revised the building opening policy in 17 years. Currently, the average custodian receives approximately \$35 per overtime hour. Because there are custodians on second shift in each school during the weekdays, the custodial overtime fee is only assessed on the weekends. In FY 2002-03 the District opened its buildings a total of 338 hours for Saturday and Sunday activities, at a total custodial overtime cost of \$11,800 (based on the District's current rate). The total number of weekday evening and weekend hours that the Districts' facilities were rented was 1,567 hours, and the District only received \$26,400, or an hourly charge of \$17, which includes the custodial overtime costs.

On average, the only events for which Huron CSD charged an hourly rental fee were bingo games held on the weekends. However, other organizations used the District's facilities in FY 2002-03 and did not pay for their use. These included Bowling Green State University, Huron Alumni Association, City of Huron, Girl and Boy Scouts, Forest Airhart Company, Jazzercise, JLB Foundation, Lear Corporation, Linda Lee Dance, and the Lions Club. The City of Huron rented the Districts' facilities for a total of 261 hours in FY 2002-03. However, no records of rental payments were identified. Most of the weekend functions that occurred at the District's facilities were Band Parent events, for which facilities were provided free of charge.

Overtime increased 7.4 percent in FY 2002, from the previous year, which is due in part to extracurricular activities. In FY 2002-03, custodial overtime costs made up 7.3 percent of overall salaries. The highest overtime occurred within the high school, and was 5.6 percent of overall high school custodial salary expenditures.

A building opening policy outlining rental and custodian fees is important for establishing a consistent process for the rental of District facilities. In addition, the District should periodically update rental fees to reflect cost of living and other increases so that it is adequately recovering its costs. The District should avoid subsidizing non-district related functions with educational dollars.

Financial Implication: If the District updates its building policy rental fees and custodial costs, to include all organizations that use its facilities (based on hours rented in FY 2002-03), it could recoup approximately \$50,000 to \$100,000 per year, based on an increase in rental fee of \$25 to \$50 per hour. To achieve this level of reimbursement for custodial costs, the District would need to apply the policy equally to all non-district functions.

R4.4 Huron CSD should establish a preventive maintenance (PM) program that addresses all building maintenance functions including routine, cycled and planned maintenance activities. With the development of a PM program, Huron CSD should also develop a five-year capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available. Huron CSD should consider placing additional Shawnee building rental revenues into a capital improvement fund to help pay for future capital expenditures.

Huron CSD does not have a PM program. The superintendent of transportation and maintenance stated that due to the maintenance workers responsibilities for grounds maintenance, and the age of the buildings, staff currently spends its time on emergency repairs. *The Planning Guide for Maintaining School Facilities* warns that continual emergency repairs will cost more in the long term than a PM program. Huron CSD has a two-mill permanent improvement levy that expires in 2005. Revenue from this levy is

dedicated to the maintenance needs of the facilities. A PM plan will help prevent sudden and unexpected equipment failures, and inhibit the accumulation of damage and repair tasks.

Huron CSD also has not developed a capital improvement plan (CIP). Although the District has a strategic plan that identifies goals and objectives for improvements to facilities, it does not address funding mechanisms or specific steps toward achieving the facility improvements, as is common with a detailed CIP. Therefore, the District does not have a comprehensive facilities capital plan that addresses its maintenance or capital needs. This limits its ability to identify potential future facilities expenditures.

A CIP should include a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. The CIP should span a five year period and be updated annually. According to the Government Finance Officers Association (GFOA), a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Development of a CIP is an essential first step in this process.

In addition to serving as a planning, financing, and management tool, a well-prepared CIP is viewed as a positive factor by credit rating agencies in evaluating the credit quality of a jurisdiction. A CIP demonstrates a jurisdiction's commitment to systematically replacing or improving its capital infrastructure. It also provides evidence that a school district has evaluated its long-term financial resources, and has developed a plan to meet both operating and capital needs.

The Chicago Public Schools (CPS) was selected by the Government Finance Officers Association (GFOA) as a model school district for developing an effective CIP. According to GFOA, a model CIP includes the following:

- An inventory and audit of existing facilities;
- Prioritized capital needs that include stabilizing existing structures that were not planned to be replaced; and
- Results of investigations into alternative funding sources.

The development of the Chicago Public School's CIP included an open and straightforward public decision-making process. Public communication of CIP plans included stakeholders in decisions about the availability of funds, project timelines, and costs. This process helped ensure that critical priorities were funded while building the public-private coalitions necessary to ensure the commitment of State and Federal capital funding. CPS holds annual public hearings on the CIP.

In order to ensure that the CIP is as fair and efficient as possible, CPS publicizes and discusses the following:

- Building assessments for each school facility;
- Demographic predictions for enrollment growth;
- Planned improvements and their costs;
- Estimated costs for each type of project;
- Projects that were eliminated or delayed; and
- District funding to support planned capital expenditures.

The implementation of a PM program and the development of a five-year capital improvement plan will help the District anticipate needed facility and equipment repairs and replacements. By planning, project-financing sources can be identified and secured before they are needed, helping to eliminate the significant affect of unforeseen capital costs on the District's finances

Financial Implications Summary

The following table summarizes the estimated annual cost reimbursements identified in recommendations presented in this section of the report.

Recommendation	Annual Cost Savings	Annual Revenue Enhancement
R4.2 Energy conservation plan	\$29,000	
R4.3 Update building rental fees for activities		\$50,000 ¹
Total Financial Implications for Facilities	\$29,000	\$50,000

¹ Revenue Enhancement is based on a minimum rental fee of \$25 per hour.

Transportation

Background

Huron City School District (Huron CSD) provided transportation to 1,428 students in FY 2002-03 using District-owned yellow buses. For safety reasons, the District transports all students who request transportation⁵⁻¹. The District provided transportation to public, non-public and special needs students, but neither Huron CSD nor the peers provided transportation to community school students.

Table 5-1 compares Huron CSD's total riders in FY 2002-03 with those of the peers: Avon Local School District (Avon LSD), Genoa Area Local School District (Genoa Area LSD), and Perkins Local School District (Perkins LSD).

Table 5-1: 2002-03 Total Regular and Special Needs Riders

	Huron CSD	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
October Enrollment	1,666	2,291	1,713	2,246	2,083
Regular Needs Riders					
• Public	1,267	1,929	1,665	2,108	1,901
• Non-Public	140	491	12	202	235
• Total	1,407	2,420	1,677	2,310	2,136
Special Needs Riders	21	25	12	34	24
Total Riders	1,428	2,445	1,689	2,344	2,159
Total Riders as a Percent of Enrollment	85.7%	106.7%	98.6%	104.4%	103.6%

Source: Huron CSD and the peers, ODE Fall enrollment FY 2002-03

In FY 2002-03, Huron CSD transported 1,428 (or about 34 percent) fewer students than the peers, on average. This can be attributed to the peers transporting a significantly higher proportion of riders overall. Huron CSD transports approximately the same number of special needs students as the peer average.

Organizational Structure and Function

The District employed 15 transportation personnel or 10.5 full-time equivalent employees (FTEs) who performed transportation-related duties in FY 2002-03. Huron CSD's transportation supervisor

⁵⁻¹ State Route 13 and US Route 6 bisect the District and support moderate to heavy traffic patterns. In addition, residential areas of the District do not have sidewalks.

oversees the transportation department and has supervisory responsibility over regular, special needs and substitute bus drivers, bus aides and the fleet mechanic. In FY 2002-03, the District’s transportation supervisor spent 70 percent of his time performing supervisory duties, while dividing the remaining 30 percent between custodial and maintenance related functions. As of FY 2003-04, the Board of Education (the Board) approved staffing reductions in several areas, including the reduction of 3 positions in transportation, as a cost saving measure (see **human resources**). Once staff reductions took effect in FY 2003-04, transportation department employees decreased from 15 to 12 employees, or 8.6 FTEs. According to the transportation supervisor, these reductions have resulted in a more appropriate allocation of students per bus.

Table 5-2 compares Huron CSD’s staffing level in FY 2003-04 and peer transportation staffing levels for FY 2002-03.

Table 5-2: FY 2002-03 Student Transportation Staffing Levels

Positions	Huron CSD ¹		Avon LSD		Genoa Area LSD		Perkins LSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	0.7	1.0	0.8	0.0	0.3	1.0	1.0	0.7	0.7
Bus Driver	9.0	6.1	26.0	18.2	19.0	11.3	18.0	9.1	21.0	12.9
Mechanic/Assistant	1.0	1.0	2.0	2.0	1.0	1.0	2.0	1.8	1.7	1.6
Administrative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Aide	1.0	0.8	3.0	1.9	0.0	0.4	2.0	1.1	1.7	1.0
Total Staffing	12.0	8.6	32.0	22.9	20.0	13.0	23.0	13.0	25.0	16.2
Number of Students Transported	1,603		2,445		1,689		2,344		2,159	
Students Transported per Bus Driver FTE	263		134		149		259		168	
Students Transported per Total FTE	186		107		130		181		133	
District Square Miles	29		26		48		39		38	
District Square Miles per Total FTE	4.8		1.4		4.2		4.3		2.9	
Routine Miles	125,118		310,500		310,680		195,840		272,340	
Routine Miles per Bus Driver FTE	20,545		17,060		27,493		21,616		22,056	

Source: Huron and peer district transportation departments

Note: Due to differences in reporting methods, FTE calculations may not mirror EMIS reports.

¹ For Huron CSD only, data represents FY 2003-04 after staffing reductions. Staffing numbers and FTEs for FY 2002-03 were 15.0 and 10.5 respectively. FY 2002-03 ratios were: students transported per bus driver FTE – 179, students transported per total FTE – 136, district square miles per total FTE – 4.8, and routine miles per bus driver FTE – 22,680.

Huron CSD employs fewer transportation FTEs than the peers, but transports more students per bus and per FTE than the peer average.

Operating Statistics

Huron CSD maintained a fleet of 12 active and 4 spare buses to transport regular and special needs students, both public and non-public in FY 2002-03. Specifically, the District used 11 buses to transport regular needs students and the remaining active bus to transport special needs students. However, due to the reduction in force, Huron CSD currently maintains nine active buses, eight of which transport regular needs and one that transports special needs, increasing the number of spare buses from four to seven. **Table 5-3** summarizes basic operating statistics and ratios for Huron CSD and the peers for FY 2002-03.

Table 5-3: FY 2002-03 Basic Operating Statistics

	Huron CSD FY 2002-03	Huron CSD FY 2003-04	Avon LSD	Genoa LSD	Perkins LSD	Peer Average
Students Transported						
Regular Needs	1,407	1,585	2,420	1,677	2,310	2,136
Special Needs	21	18	25	12	34	24
Total	1,428	1,603	2,445	1,689	2,344	2,159
Miles Traveled						
District Square Miles	29	29	26	48	39	38
Routine	181,440	125,118	310,500	310,680	195,840	272,340
Non-Routine	36,132	0	NA ²	11,236	54,540	32,888 ³
Sites and Bus Types						
Public Sites	5	5	4	4	4	4
Non-Public Sites	4	4	10	1	4	5
Active Buses (Regular Needs)	11	8	24	17	18	20
Active Buses (Special Needs)	1	1	2	1	2	1.66
Spare Buses	4	7	5	5	6	5
Cost¹						
Regular Needs	\$517,524	474,525	\$776,371	\$543,257	\$598,426	\$639,351
Special Needs	\$81,546	81,500	\$62,279	\$70,341	\$84,303	\$72,307
Total	\$599,070	556,025	\$838,650	\$613,598	\$682,729	\$711,659
State Reimbursements						
Regular Needs	\$282,499	333,141	\$421,003	\$410,122	\$414,590	\$415,238
Special Needs	\$24,356	29,431	\$20,137	\$24,774	\$26,672	\$23,861
Total	\$306,855	362,572	\$441,140	\$434,896	\$441,262	\$439,099
Percentage of Total Cost	51%	65%	53%	72%	65%	63%
Ratios						
<i>Regular Needs</i>						
Students per Bus	128	198	101	99	128	109
Cost per Student	\$368	\$299	\$319	\$319	\$259	\$297
Cost per Mile ³	\$2.85	\$3.79	\$2.48	\$1.72	\$3.06	\$2.33
Cost per Bus ⁴	\$47,048	\$59,316	\$32,142	\$31,453	\$33,246	\$32,280
<i>Special Needs</i>						
Cost per Student	\$3,883	\$4,528	\$2,491	\$5,862	\$2,480	\$3,611

Source: Huron CSD, the peers, and ODE

¹ Total costs do not include payment-in-lieu contract costs.

² Avon LSD could not provide this information.

³ Excludes non-routine miles traveled.

⁴ Excludes spare buses.

While Huron CSD's overall transportation costs are lower than the peers in both fiscal years, the District's costs per regular needs student are higher than the peers and the peer average in FY 2002-03, but comparable to the peer average in FY 2003-04. This can be attributed to Huron CSD's ability to transport nearly 17 percent more students per active bus to approximately the same number of sites

and over a smaller area. In FY 2002-03, the District's costs on a per student, per mile, and per bus basis each exceed the peer average by 24, 22, and 46 percent respectively, while the District's State transportation reimbursement percentage is 30 percent lower. In FY 2003-04, Huron CSD's cost per-mile and per-bus is more than the peer average by 63 and 84 percent, respectively. This can be attributed to higher operational costs for fleet maintenance and repairs, as well as for employee salaries and benefits (see **human resources**). **Table 5-4** presents a more detailed analysis of regular needs transportation costs for FY 2002-03.

Table 5-4: Regular Needs Transportation Expenditure Comparison

FY 2002-03	Huron CSD FY 2002-03	Huron CSD FY 2003-04	Avon LSD	Genoa Area LSD	Perkins LSD	Peer Average
Salaries and Benefits ¹	\$413,811	\$354,016	\$620,390	\$412,801	\$443,394	\$492,195
<i>Per Bus</i>	\$27,587	\$23,601	\$21,393	\$18,764	\$18,475	\$19,688
<i>Per Mile</i>	\$2.28	\$2.83	\$2.00	\$1.33	\$2.26	\$1.81
<i>Per Student</i>	\$294	\$223	\$256	\$246	\$192	\$230
<i>Per FTE</i>	\$39,373	\$41,165	\$27,151	\$31,827	\$33,616	\$30,364
Fuel Procurement	\$30,347	\$29,855	\$57,953	\$61,497	\$44,623	\$54,691
<i>Per Bus</i>	\$2,023	\$1,990	\$1,998	\$2,795	\$1,859	\$2,188
<i>Per Mile</i>	\$0.17	\$0.24	\$0.19	\$0.20	\$0.23	\$0.20
<i>Per Student</i>	\$22	\$19	\$24	\$37	\$19	\$26
Bus Insurance	\$16,038	\$12,795	\$27,393	\$21,145	\$23,272	\$23,937
<i>Per Bus</i>	\$1,069	\$853	\$945	\$961	\$970	\$957
<i>Per Mile</i>	\$0.09	\$0.10	\$0.09	\$0.07	\$0.12	\$0.09
<i>Per Student</i>	\$11	\$8	\$11	\$13	\$10	\$11
Maintenance and Repairs ²	\$37,464	\$59,710	\$19,548	\$17,158	\$60,438	\$32,381
<i>Per Bus</i>	\$2,498	\$3,981	\$674	\$780	\$2,518	\$1,295
<i>Per Mile</i>	\$0.21	\$0.48	\$0.06	\$0.06	\$0.31	\$0.12
<i>Per Student</i>	\$27	\$38	\$8	\$10	\$26	\$15
Utilities and Supplies ³	\$18,894	\$17,913	\$46,126	\$19,751	\$25,318	\$30,398
<i>Per Bus</i>	\$1,260	\$1,194	\$1,591	\$898	\$1,054	\$1,216
<i>Per Mile</i>	\$0.10	\$0.14	\$0.15	\$0.06	\$0.13	\$0.11
<i>Per Student</i>	\$13	\$11	\$19	\$12	\$11	\$14
Miscellaneous ⁴	\$970	\$236	\$4,961	\$10,906	\$1,381	\$5,749
Total	\$517,524	\$474,525	\$776,371	\$543,258	\$598,426	\$639,352
<i>Per Bus</i>	\$34,502	\$31,635	\$26,771	\$24,694	\$24,934	\$25,574
<i>Per Mile</i>	\$2.85	\$3.79	\$2.50	\$1.75	\$3.06	\$2.35
<i>Per Student</i>	\$368	\$299	\$321	\$317	\$259	\$299

Source: Huron CSD and the peers

Note: Per bus ratios only include active regular needs and spare buses, and per mile ratios only include routine miles.

¹ Includes salaries, retirement, workers' compensation, and insurance.

² Includes maintenance, and repairs.

³ Includes utilities, supplies, tires and tubes

⁴ Includes payment in lieu, training expenses, and miscellaneous expenses

Huron CSD's fuel procurement, bus insurance, utilities and supplies, and miscellaneous categories all compare favorably to the peer average for both years. While overall transportation expenditures appear below the peer average, the per-bus, per-mile, and per-student amounts for the District are significantly higher than the peer averages in the salaries and benefits category and the maintenance and repairs category for both years. However, total salaries and benefits are lower than the peer average. Huron CSD's maintenance and repair expenditures are also higher than the peer average; the district expenditures for maintenance and repairs are 48 percent higher per bus; 43 percent higher per mile; and 44 percent more per student than the peer average.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, the following assessments were conducted but did not warrant any changes or yield any recommendations:

- **Use of Route Optimizing Software:** According to the transportation supervisor, high implementation costs and the size of the district currently prevent Huron CSD from purchasing route-optimizing software. Now that the District is only operating nine active buses, it does not appear that they would benefit from routing software. Instead, the transportation supervisor uses a manual, in-house methodology that helps the District optimize its routes.
- **Fuel Procurement and Storage:** Huron CSD operates a central fuel tank with a maximum capacity of approximately 1,500 gallons for diesel and 500 for gasoline. According to the transportation supervisor, the tank is accessible by transportation and grounds personnel, who use it to fill District vehicles and lawnmowers. In addition, the transportation supervisor reviews fuel slips submitted by staff members to record the amount of fuel used and to prevent improper use. Furthermore, in FY 2002-03, Huron CSD paid approximately \$170 less per bus for fuel when compared to the peer average (see **Table 5-4**).
- **Staffing:** Huron CSD's transportation department recently enacted cuts in staffing levels. According to the transportation supervisor, the cuts allowed the district to consolidate routes and increase the number of students riding each bus. (See also **Table 5-2**.)
- **Bell Schedules:** The District operates on a two-tiered bell schedule consisting of two different starting times. The high school and junior high start at 7:20 a.m. and the elementary school starts at 8:50 a.m. The peers all operate on a two-tier system with comparable start times.

- **Payment-in-lieu:** The District does not use payment-in-lieu contracts. While peer districts use payment-in-lieu contracts to a limited extent, it is unlikely the small number of students that could opt for payment-in-lieu would benefit Huron CSD's current transportation operations. According to District administrators, there has not been a need to implement this transportation option.

Recommendations

R5.1 Huron CSD should adopt a formal, written transportation policy. The Board should approve the District transportation policy. Additionally, the Board should review the policy annually and amend as necessary.

Huron CSD does not have a Board adopted, written transportation policy. Rather, the District uses a driver and aide handbook that is supplemented by the *Ohio Pupil Transportation Operation and Safety Rules* book, disseminated to districts by the Ohio Department of Education. In Ohio Revised Code (ORC) § 3327.01, the State requires districts to transport resident students in grades kindergarten through eight who live two miles or more from their assigned school. Currently, the District transports all students that request transportation due to road hazards and the absence of sidewalks in residential areas.

According to the National School Boards Association (NSBA), effective policies provide the framework for education in a district. NSBA defines policy as “a crucial school board role in our system of education governance. Like Congress, state legislatures, and city or county councils, school boards establish the direction and structure of their school districts by adopting policies through the authority granted by state legislatures. School board policies have the force of law equal to statutes or ordinances. Policies establish directions for the district; they set the goals, assign authority, and establish controls that make school governance and management possible. Policies are the means by which educators are accountable to the public.”

A Board adopted, written transportation policy prompts District officials to review and periodically revise the policy to suit the District’s needs. By ensuring consistency between District practices and policies, future modifications of policy and changes in ridership levels will be easier to implement. In addition, a formal written policy can be used to defend Board actions in the event of litigation.

R5.2 Huron CSD should create formal written procedures for the recovery of costs associated with transportation for extra-curricular activities. These procedures should include the criteria for billing at different rates and for total hours of service. Further, these procedures should be structured in a manner that would allow the District to recover the entire transportation cost associated with each field trip. For example, Huron CSD should charge back all field trip costs to the appropriate departments.

Huron CSD uses its regular buses to provide transportation for after-school athletic trips. The District has reduced its trips by 50 percent in FY 2003-04 to help reduce costs. However, the treasurer stated that athletic trips are only reimbursed at a rate of 50 percent;

which means the transportation department absorbs the remainder of the charges. By not recovering the entire cost of all field trips, the District can not account for regular transportation department expenditures separately from field trip expenditures, and the General Fund may be subsidizing non-academic activities.

The Ohio Administrative Code (OAC) § 3301-83-16(B) stipulates that, with the exception of field trips that are extensions of instructional programs, a school board of education shall recover actual operational costs associated with providing non-routine transportation, including bus driver salary and benefits, fuel, maintenance, service, supervision, insurance, and permits. Although the peers do not strictly adhere to the OAC requirements, one of the peers recovers a larger percentage of costs.

Recouping full costs for non-routine, non-academic transportation will help to ensure extracurricular transportation expenditures are properly classified by department, fund, and/or building. In addition, by billing for field trips that occur during the school day, the transportation department may encourage consolidation of groups on field trips, thereby saving costs. Lastly, recouping all costs will help Huron CSD better adhere to OAC requirements for non-routine transportation.

R5.3 Huron CSD should develop a formal bus replacement plan to support its forecasted expenditures for replacement buses. The transportation supervisor should work with the treasurer to develop a formal bus replacement plan to maximize fleet effectiveness, reduce maintenance and repairs costs, and ensure Huron CSD is properly budgeting for funds necessary to purchase new buses. The Board should review and formally approve the plan. Finally, the District should update the plan annually.

Huron CSD does not have a formal bus replacement plan. The administration stated that the District replaces buses as needed, when funding is available. Huron CSD follows competitive bidding procedures as required under Ohio law. All but three of the District's buses are diesel and the current bus fleet includes seven buses manufactured on or before 1995. Three of those buses were manufactured in 1988, one in 1991, two in 1992 and one in 1995. Current replacement practices are based upon key factors such as mileage and age. Currently, Huron CSD monitors mileage using vehicle condition reports, and fuel consumption. Nevertheless, Huron CSD has not purchased replacement buses for two years. According to the transportation supervisor, the District receives annual public bus subsidies of about \$15,000 specifically for bus replacement, amounting to \$60,000 for the purchase of a bus every 4 years

There are no state guidelines in Ohio for bus replacement beyond the requirement that the bus pass an annual inspection. As long as a bus can pass the annual inspection, a district may continue to use it for transportation, regardless of age or mileage. However, the consensus among ODE representatives, private bus contractors, and school transportation departments

is that a bus should be replaced at 12 years of age or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, regardless of age and engine type (e.g., diesel or gasoline), school districts should continue to use buses that pass State inspections.

Table 5-5 presents a seven-year mileage forecast for select Huron CSD buses. Specifically, this analysis includes all District buses that are active during FY 2003-04.

Table 5-5: Huron CSD 7-Year Bus Mileage Forecast

Bus ¹	Engine Type	March 2004	End of FY 2003-04	End of FY 2004-05	End of FY 2005-06	End of FY 2006-07	End of FY 2007-08	End of FY 2008-09	End of FY 2009-10
2	Diesel	23,321	36,321	49,321	62,321	75,321	88,321	101,321	114,321
3	Diesel	32,518	45,518	58,518	71,518	84,518	97,518	110,518	123,518
5	Diesel	82,289	95,289	108,289	121,289	134,289	147,289	160,289	173,289
8	Diesel	165,093	178,093	191,093	204,093	217,093	230,093	243,093	256,093
12	Gasoline	175,119	188,119	201,119	214,119	227,119	240,119	253,119	266,119
15	Diesel	91,940	104,940	117,940	130,940	143,940	156,940	169,940	182,940
17	Diesel	139,994	152,994	165,994	178,994	191,994	204,994	217,994	230,994
18	Diesel	50,098	63,098	76,098	89,098	102,098	115,098	128,098	141,098
16	Diesel	144,750	157,750	170,750	183,750	196,750	209,750	222,750	235,750

Source: Huron CSD

Note: Assumes each bus travels approximately 13,000 miles annually.

¹ Official bus number as designated by Huron CSD.

Based on the mileage forecast and pursuant to ODE recommendations, Huron CSD should purchase one new bus in FY 2004-05, one in FY 2005-06, and two in FY 2007-08. The District can use funds accrued from ODE since FY 2001-02 to make the FY 2004-05 purchase; however, without a formal bus replacement plan and set-aside revenue for the purchases, Huron CSD cannot ensure the availability of funds for future bus purchases. For example, the transportation supervisor has indicated that public bus subsidies have decreased by about 50 percent in FY 2003-04, reducing the District’s share to \$10,600 per year. At this rate, Huron CSD will accumulate only \$63,600 (35 percent) of the \$180,000 required to replace all 3 remaining buses by the end of the forecast period.

A bus replacement plan should include the number of buses to be replaced annually, the average age of the buses at the time of replacement, the estimated cost of replacement, and a financial plan for how replacements will be purchased, including an estimate for public bus subsidies. Finally, the District should review the plan for such issues as capacity and other efficiencies, including the use of smaller buses for special needs riders or the assessment of fees for non-routine trips (see **R5.1**). A formal replacement plan would help the District to better plan for its future transportation needs and potentially reduce fleet maintenance and repair costs, which significantly exceed the peer average on a per bus basis (see **Table 5-4**).

Likewise, by developing a plan to replace older buses, the District can ensure the availability of required funds and alleviate potential increases in maintenance and repairs costs.

Financial Implication: Huron CSD would need to set aside approximately \$20,000 per year to meet the bus replacements identified in **Table 5-5**. The District could offset some of the cost of bus replacements by selling up to four of the spare buses.

R5.4 Huron CSD should consider ways to reduce transportation maintenance costs, such as allocating maintenance costs to benefiting funds and cost centers or bulk purchases of parts and supplies.

Huron CSD's regular needs transportation expenditures are approximately 35 percent higher than the peer average on a per bus basis. As shown in **Table 5-4**, the District's maintenance and repair classification expenditures are about 93 percent greater than the peer average per bus. The District should consider the following approaches to reduce maintenance expenditures:

- The District should allocate maintenance parts and supply costs associated with other District vehicles and equipment to the appropriate cost center or fund.
- The District should estimate future parts needs and plan for bulk purchases of standard parts and supplies, such as oil filters, oil, bulbs, and tires.
- Huron CSD should allocate the mechanic's time spent on projects outside bus maintenance to the appropriate cost center or fund. For example, the mechanic may drive a bus or perform maintenance on facility equipment.

The Texas Building and Procurement Commission has developed guidance for state governmental fleet managers that helps control maintenance costs. Huron CSD should also consider the following strategies to minimize maintenance costs:

- Rotate tires at manufacturer-recommended intervals and require drivers to inspect tire air pressure weekly. Assist drivers by providing a tire gauge in each vehicle. Properly inflated tires last longer and contribute to fuel efficiency.
- Replace brake pads and shoes before they wear disks or drums. Pads and shoes are cheaper than disks and drums. Replace as needed and save money in the long run.
- Establish local agreements for service and repairs with city, county or other state entities. Municipal and state shops usually offer less expensive rates than commercial operations

and are often faster than large commercial operations. If you operate a shop, make arrangements to provide services to other entities when possible.

- Recycle parts from wrecked vehicles. Body components such as sheet metal and air bags can be reused. Savings are compounded when such parts are used to refurbish a unit being prepared for disposal. Be sure to remove usable parts from wrecked vehicles as soon as possible and store for future use. Do not keep vehicle carcasses on the premises indefinitely, as they can pose safety and environmental hazards.
- Create a specific vehicle maintenance policy or schedule for each class of vehicles operated. Enforce the policies and schedules to ensure routine service is completed as scheduled.
- Consider the benefits of establishing relationships with vehicle manufacturers. If your fleet contains several of the same make or model from the same manufacturer, you should get to know the manufacturer's representatives in the areas of sales, service and engineering. If the manufacturer requests your cooperation in testing new fixes for persistent problems or new equipment, try to accommodate them.
- Track vehicle and parts warranties to achieve maximum savings on maintenance and repairs. A good warranty tracking system can prevent you from paying for repairs or parts that are still covered under manufacturer warranties.

Financial Implication: While a specific financial implication cannot be determined, if the District could reduce expenditures to the general level of the peer average in the maintenance and repair category, it could realize cost savings of approximately \$5,000 per year.

Financial Implications Summary

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

Summary of Financial Implications for Transportation

Recommendation	Estimated Annual Cost Savings	Estimated Annual Cost
R5.3 Bus replacement		\$20,000
R5.4 Maintenance cost reductions	\$5,000	
Total	\$5,000	\$20,000

This page intentionally left blank.



Board of Education
Committed to Academic Excellence

Superintendent 419-433-3911
Treasurer 419-433-3916
Psychologist 419-433-3931
Curriculum Director 419-433-3931

September 30, 2004

Auditor of State
Betty Montgomery Office
Betsy Bayshore, Auditor

Dear Betsy,

After reviewing the performance audit and attending the post audit discussion, I feel the performance audit will be a valuable tool to help guide the district to be a more effective and efficient organization.

I appreciate the auditors noticing the many reductions that have been implemented over the past two years. The Board has been aggressively dealing with our financial situation and that has been reflected in the performance audit. Staffing levels in the Huron City Schools are below most all levels in the comparison districts. Our reduction in discretionary spending within our district has been substantial and that is also reflected in the audit.

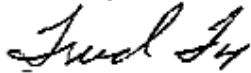
There is one recommendation in the human resource section of the performance audit that I feel would create a possible problem in meeting the basic needs of students and could adversely affect student safety and building security. That recommendation is R3.2 to consider reducing the clerical staff throughout the district by 2.0 FTEs. The district has reduced assistant principals at both the middle school and high school. The district has reduced the number of guidance counselors in the district from four positions to two positions. I believe with the reduction of these four positions, that to reduce clerical staff would compromise efficiency in building operations, efficiency in the guidance office, especially at the high school, and could lead to safety issues at the elementary schools as our nurses are part-time and the guidance position is also part-time. I believe that students would lose out meeting timelines for college applications and deadlines for scholarships. This could adversely affect students at every level.

Also as discussed in the post audit session, the final draft would reflect that recommendation R3.1 in the human resources section has been implemented by the district. The commission reduced ESP staff by that number before the start of this school year.

Many of the recommendations made in the performance audit are recommendations that are subject to the negotiated agreements with our two bargaining units. The recommendations made by the Auditor of State's office will be used as a basis during negotiations in the spring of 2005.

Overall, I believe the cooperation between the staff of the Huron City Schools and the Auditor of State's Office was very successful. The performance audit reaffirmed the Board's position on efficiency and effectiveness and how to be the best district we can be.

Sincerely,



Fred Fox
Superintendent