



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Wellington Exempted Village School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State
March 22, 2016

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of the Wellington Exempted Village School District (WEVSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to improve WEVSD's financial condition through an objective assessment of the economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

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

Performance Audit Overview

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

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

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

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. The primary set of peers, used for general District-wide comparisons, was selected based on similar enrollment, lower spending per pupil, a higher academic performance index, and similar socioeconomic factors such as median income, percentage of students in poverty, and percentage of students with disabilities. Similarly, a group of districts selected using the same criteria but with a focus on proximity to WEVSD were selected for comparison of compensation, benefits, and bargaining agreements (referred to as surrounding districts). Lastly, a separate set of peers was selected for a comparison of transportation services. The transportation set of peers were selected using the same criteria but with a focus on similarity in square mileage to the District. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Chippewa Local School District (Wayne County) • Jefferson Local School District (Madison County) • Liberty Union-Thurston Local School District (Fairfield County) • Norwayne Local School District (Wayne County) • Swanton Local School District (Fulton County)
Compensation, Benefits and Union Contract Peers (Surrounding Districts)
<ul style="list-style-type: none"> • Black River Local School District (Medina County) • Firelands Local School District (Lorain County) • Keystone Local School District (Lorain County) • Midview Local School District (Lorain County)
Transportation Peers
<ul style="list-style-type: none"> • Anna Local School District (Shelby County) • Edison Local School District (Erie County) • Liberty Benton Local School District (Hancock County) • Liberty Union-Thurston Local School District (Fairfield County) • West Muskingum Local School District (Muskingum County) • Woodmore Local School District (Sandusky County)

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American School and University (AS&U), the Government Finance Officers Association (GFOA), the National Center for Education Statistics (NCES), the Ohio Administrative Code (OAC), the Ohio Department of Education (ODE), the Ohio Revised Code (ORC), and the Ohio State Employment Relations Board (SERB).

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Wellington Exempted Village School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

- **Financial Communication:** The District actively disseminated financial information through its website, including Board of Education minutes, appropriations, weekly Superintendent newsletters, annual financial reports, and five-year financial forecasts. Additionally, the District has a Financial Advisory Committee, comprised of internal and external stakeholders, that meets monthly to review the District's operating budget and five-year financial forecast.

Summary of Recommendations

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

Table 2: Summary of Recommendations

Recommendations		Savings
R.1	Develop a strategic plan that is linked to the budget	N/A
R.2	Develop a comprehensive staffing plan and review staffing levels	N/A
R.3	Reduce health insurance costs	\$52,000
R.4	Revise supplemental salary schedule and implement a step freeze	\$19,400
R.5	Enhance internal control measures for compiling transportation data	N/A
R.6	Implement a formal preventive maintenance and bus replacement program	N/A
Total Cost Savings from Performance Audit Recommendations		\$71,400

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

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Original Ending Fund Balance	\$2,886,062	\$2,927,225	\$2,517,805	\$1,485,140	(\$8,185)
Cumulative Balance of Performance Audit Recommendations¹	N/A	\$71,400	\$142,800	\$214,200	\$285,600
Revised Ending Fund Balance	\$2,886,062	\$2,998,625	\$2,660,605	\$1,699,340	\$277,415

Source: WEVSD, ODE, and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2016-17 through FY 2019-20 only.

As shown in **Table 3**, implementing the performance audit recommendations contained in this report could enable the District to delay projected deficits throughout the forecasted period. While implementation of these recommendations does delay the projected deficits throughout the forecasted period, it is vital the District addresses declining student enrollment and develop a sustainable financial plan to ensure its ending fund balance stays positive. Implementation of the recommendations contained in this performance audit, or other similar steps to evaluate economy, efficiency, and/or effectiveness, should be integral to the District's efforts to do so.

Background

An analysis of the District's May 2015 five-year forecast projected negative 60 day cash reserves and operational expenditures exceeding operational revenues. This operating condition served as the primary determination of the need for the performance audit. **Table 4** shows WEVSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances, and ending fund balances as projected in the May 2015 five-year forecast.

Table 4: WEVSD Financial Condition Overview (May 2015)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Revenue	\$13,044,399	\$12,833,507	\$12,874,996	\$12,882,736	\$12,890,489
Total Expenditure	\$14,174,380	\$13,072,887	\$13,421,469	\$13,884,759	\$14,314,974
Results of Operations	(\$1,129,981)	(\$239,380)	(\$546,473)	(\$1,002,023)	(\$1,424,485)
Beginning Cash Balance	\$2,747,812	\$1,617,831	\$1,378,451	\$831,978	(\$170,045)
Ending Cash Balance	\$1,617,831	\$1,378,451	\$831,978	(\$170,045)	(\$1,594,530)
Outstanding Encumbrances	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Ending Fund Balance	\$1,417,831	\$1,178,451	\$631,978	(\$370,045)	(\$1,794,530)

Source: WEVSD and ODE

As shown in **Table 4**, the District's May 2015 five-year forecast projected year-end deficits beginning in FY 2017-18 and continuing for the forecasted period. This deficit condition is a direct result of expenditures continuing to outpace revenues, depleting cash balances over the forecasted period. In FY 2018-19, the final year of the forecast period, the District projected a deficit of over \$1.7 million.

In October 2015, the District released an updated five-year forecast as required by ODE. **Table 5** shows a summary of this forecast. An examination of this forecast serves to provide visibility on any changes in the financial condition of the District since its initial selection for the performance audit.

Table 5: WEVSD Financial Condition Overview (October 2015)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$13,011,012	\$13,013,250	\$12,895,536	\$12,796,413	\$12,697,292
Total Expenditure	\$12,360,300	\$12,972,087	\$13,304,956	\$13,829,078	\$14,190,617
Results of Operations	\$650,712	\$41,163	(\$409,420)	(\$1,032,665)	(\$1,493,325)
Beginning Cash Balance	\$2,435,350	\$3,086,062	\$3,127,225	\$2,717,805	\$1,685,140
Ending Cash Balance	\$3,086,062	\$3,127,225	\$2,717,805	\$1,685,140	\$191,815
Outstanding Encumbrances	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Ending Fund Balance	\$2,886,062	\$2,927,225	\$2,517,805	\$1,485,140	(\$8,185)

Source: WEVSD and ODE

As shown in **Table 5**, the District projects an improved financial condition in its October 2015 five-year forecast. Specifically, it delays expected deficits an additional two years at greatly reduced levels than previously estimated, forecasting positive results of operations in FY 2015-16 and FY 2016-17. WEVSD's improved financial condition is the result of District-wide purchasing and staffing reductions that decreased total annual expenditures by approximately \$1.9 million at the end of FY 2014-15.

Specifically, WEVSD eliminated approximately \$57,000 in purchased services through various reductions in contracted services. WEVSD also eliminated two full-time equivalent (FTE) administrative positions totaling approximately \$167,800. In addition, classified staff expenditures were reduced by approximately \$200,000 and certificated staff expenditures were reduced by approximately \$1.3 million. Lastly, WEVSD eliminated approximately \$195,000 in athletics and other areas of operations such as summer school, professional development, summer help and its summer shuttle busing.

Eliminating future fund balance deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, the District's operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District. If the District's revenue increases, it may be able to address projected deficits without making significant reductions to operations. However, revenue is not directly controlled by school districts, but instead by federal and State laws, regulations, and support from local residents.

Recommendations

R.1 Develop a strategic plan that is linked to the budget

WEVSD prepares required five-year forecasts and completes required tax budgets and annual appropriations. However, the District has not routinely engaged in long-term planning activities outside of these major requirements. Further, starting in FY 2015-16 the District has a new Superintendent and Treasurer. As such, the District lacks a comprehensive strategic plan that guides long-term operations and spending decisions. Furthermore, the annual budget is not explicitly linked to formal goals, objectives, and/or performance measures such as those that would be included in a long-term, comprehensive strategic plan.

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

- Initiate the strategic planning process;
- Prepare a mission statement;
- Identify and assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement, and monitor the plan; and
- Reassess the strategic plan annually.

WEVSD should develop a strategic plan that is linked to its budget in order to guide program and funding decisions. Without a strategic plan, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs. Furthermore, the lack of a strategic plan potentially hinders WEVSD from effectively developing budgets and five-year forecasts.

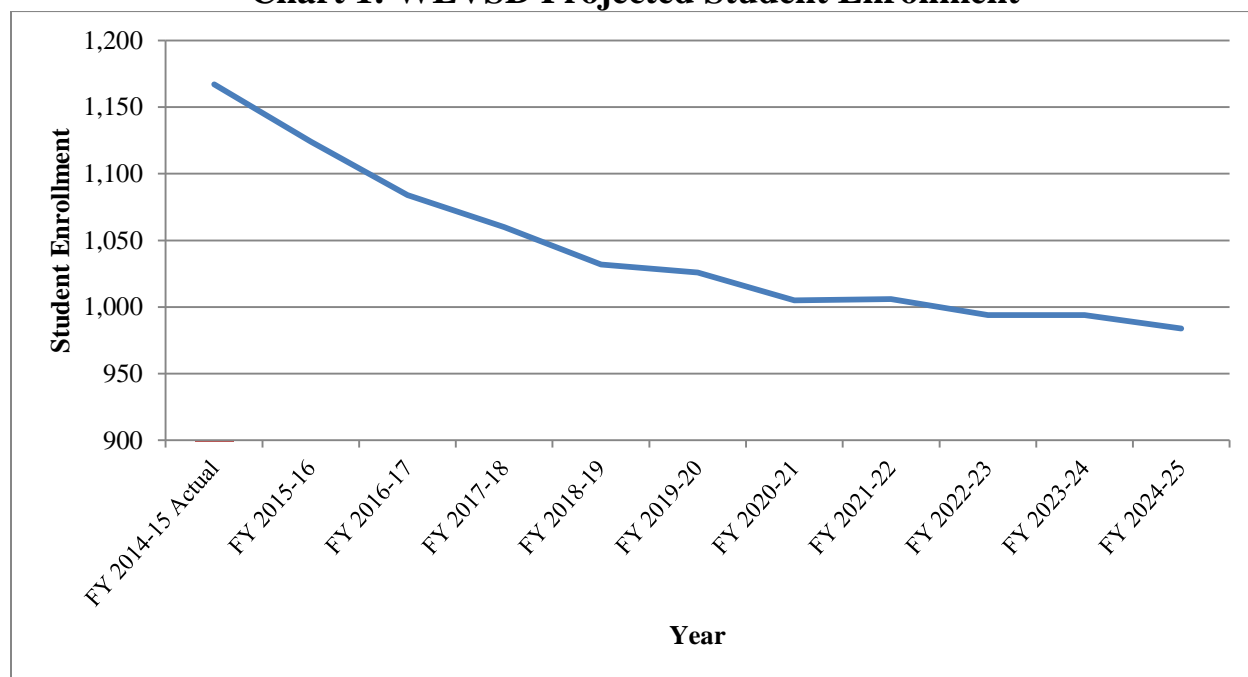
R.2 Develop a comprehensive staffing plan and review staffing levels

Effective for FY 2014-15, the District made significant efforts to reduce staffing levels from the previous fiscal year. It did not, however, have a staffing plan to serve as a guide in efficiently and effectively reallocating staffing resources. The absence of such a plan could result in reactionary decisions to change staffing levels, based on short-term operating data. Furthermore, staffing reductions may result in some positions taking on multiple job functions, causing them to be misaligned with the mission and goals of the District.

While the October 2015 five-year forecast projects an approximate \$8,000 deficit for FY 2019-20, WEVSD will have to rely heavily on its cash reserves starting in FY 2017-18 and beyond to maintain positive year end fund balances. Based on 2014 enrollment levels projected in *Future Think* (Ohio School Facility Commission (OSFC), 2014), the District is expected to continue losing students through FY 2023-24. Lacking a plan to proactively adjust staffing levels with changes in enrollment could result in an inefficient staffing composition, placing a continued burden on cash reserves. Without an implemented strategy, the District may find itself in position to rely on large budget cuts if staffing is not proactively managed and adjusted on an annual basis.

Chart 1 shows the anticipated declining enrollment from FY 2014-15 through FY 2024-25. This type of overview is important to help demonstrate the projected declining enrollment trend, an important indicator when determining future staffing levels.

Chart 1: WEVSD Projected Student Enrollment



Source: OSFC

As shown in **Chart 1**, projected student enrollment is forecasted to decline by 183 students or 15.6 percent by FY 2024-25.

According to *Your Next Move: Strategic Workforce Planning in the Public Sector* (Deloitte, 2006), strategic workforce planning “is an ongoing process for defining and anticipating long-term workforce needs.” Five key stages in developing a strategic workforce plan are as follows:

- Identify critical workforce segments;
- Establish one source of truth (data consistency);
- Analyze labor supply/demand;
- Identify strategies to mitigate future labor gaps; and
- Embed workforce planning as part of the annual planning process.

Lakota Local School District (Butler County) has a plan that incorporates staffing allocation factors such as State and federal regulation, workload measures, and other leading practices. In general, staffing benchmarks in the plan are calibrated to available general fund revenues, which assist it in ensuring a balanced budget.

An analysis of the District's staffing was performed and the following areas were found to be above the peer average:

- General education teachers,
- Administrators, and
- Clerical staff.

Despite these areas having slightly higher than average staffing compared to the peers, no recommendations for reduction of staff were included in this performance audit due to the District's projected financial condition.

General Education Teachers

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the district-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel.

Table 6 shows the District's general education teachers, regular student population, and student-to-teacher ratio for FY 2015-16 as compared to OAC minimum staffing levels and the peer average for FY 2014-15. Comparing the student-to-teacher ratio to the peer average and OAC minimum standards provides context on the appropriateness of the current staffing levels relative to student population.

Table 6: General Education Teacher Staffing Comparison

General Education FTEs ¹			49.50
Regular Student Population			983.93
Staffing Ratios	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)
Wellington EVSD	19.9:1		
Peer Average	20.8:1	47.30	2.20
OAC State Minimum	25.0:1	39.36	10.14

Source: WEVSD, ODE, and OAC

¹ Reflects WEVSD staffing data as of October 2015.

As shown in **Table 6**, based on its student population, WEVSD employs 2.20 more general education FTEs than the peer average and 10.14 FTE more than the OAC minimum standard.

Administrators

Table 7 shows the District's FY 2015-16 administrative staffing levels per 1,000 students as compared to the peer average for FY 2014-15. Comparing administrators in relation to student population on a per 1,000 student normalizes the effect of district size between WEVSD and the peers.

Table 7: Administrative Staffing Comparison

	WEVSD	Peer Average	Difference		
Students Educated ¹	1,055.60	1,295.60	(240.00)		
Students Educated (thousands)	1.05560	1.29560	(0.24)		
	FTEs ²	FTE per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total Above/ (Below) ³
Admin. Assistant	1.00	0.95	0.00	0.95	1.00
Assist. Principal	1.00	0.95	0.31	0.64	0.68
Principal	3.00	2.84	2.32	0.52	0.55
Superintendent	1.00	0.95	0.77	0.18	0.19
Supervising/Managing/Directing	1.00	0.95	1.40	(0.45)	(0.48)
Treasurer	1.00	0.95	0.93	0.02	0.02
Coordinator	0.00	0.00	0.98	(0.98)	(1.03)
Director	1.00	0.95	0.00	0.95	1.00
Other Official/Administrative	0.00	0.00	0.30	(0.30)	(0.32)
Total Administrative FTEs	9.00	8.54	7.01	1.53	1.61
FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students					1.61

Source: WEVSD and ODE

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

² Reflects WEVSD staffing data as of October 2015

³ Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average. Calculated by multiplying "Difference per 1,000 Students" by "Students Educated (thousands)".

As shown in **Table 7**, WEVSD employs 1.61 more administrative FTEs in comparison to the peer average.

Clerical Staff

Table 8 compares the District's FY 2015-16 office/clerical staffing level on a per 1,000 students basis to the peer average for FY 2014-15.

Table 8: Office/Clerical Staff Comparison

	WEVSD	Peer Average	Difference		
Students Educated ¹	1,055.6	1,295.6	(240.0)		
Students Educated (thousands)	1.0556	1.2956	(0.2400)		
	FTEs ²	FTE per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total Above/ (Below) ³
Bookkeeping	2.00	1.89	1.08	0.81	0.86
Clerical	6.87	6.51	5.44	1.07	1.13
Records Managing	0.00	0.00	0.15	(0.15)	(0.16)
Other Office/Clerical	0.00	0.00	0.15	(0.15)	(0.16)
Total Office/Clerical FTEs	8.87	8.40	6.82	1.58	1.67
FTE Adjustment Needed to Equal Peer Average Staff per 1,000 Students					1.67

Source: WEVSD and ODE

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

² Reflects WEVSD staffing data as of October 2015

³ Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average. Calculated by multiplying "Difference per 1,000 Students" by "Students Educated (thousands)".

As shown in **Table 8**, WEVSD employs 1.67 more office/clerical FTEs than the peer average.

The District should develop a staffing plan in conjunction with a comprehensive strategic plan (see **R.1**) to help guide long-term financial sustainability while being proactive in addressing staffing needs with a declining enrollment. Staffing indicators contained in **Table 6** through **Table 8** (or similar indicators) should be included and considered in the plan. WEVSD should use the plan to closely scrutinize the appropriateness of its staffing levels. If the District's financial condition were to worsen, it may need to consider reductions equivalent to at least the peer average, depending on the severity of the condition.

R.3 Reduce health insurance costs

Prior to making any changes to health insurance, the District should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the legislation.

The District procured its health insurance through the Lake Erie Regional Council (LERC), which provides its member school districts with greater purchasing power while allowing member districts to maintain control of their own benefit levels. In FY 2014-15, the District had 22 single plans and 81 family plans.

Table 9 shows FY 2014-15 premiums compared to the 2015 average premiums for LERC school districts. This type of comparison is important as it provides a baseline comparison of the cost of WEVSD insurance, which is reflective of plan design and claims history.

Table 9: Monthly Insurance Premium Comparison

Plan Type	WEVSD	LERC ¹	Difference	% Difference
Single	\$615.68	\$569.14	\$46.54	8.2%
Family	\$1,539.17	\$1,424.80	\$114.37	8.0%

Source: WEVSD and SERB

¹ Reflects the 2015 average monthly medical/prescription premiums for school districts in LERC.

As shown in **Table 9**, the District's monthly premiums for single and family medical coverage were higher than the LERC school district average.

Although actual premium costs were higher than the LERC average, districts can alleviate higher insurance costs by sharing a portion of the premium costs with employees. In FY 2014-15, WEVSD required employees to contribute 15 percent of the premium cost. This employee contribution percentage was higher than the LERC average of 11.6 percent. **Table 10** applies the District's share of the premium cost and compares this cost to the LERC average. This analysis serves to show a comparison of actual cost to the District for insurance.

Table 10: Monthly Board Medical Insurance Cost Comparison

Plan Type	Number of Plans	WEVSD	LERC ¹	Difference	% Difference
Single	22	\$523.33	\$503.39	\$19.94	4.0%
Family	81	\$1,308.29	\$1,260.12	\$48.17	3.8%

Source: WEVSD and SERB

¹ Reflects the 2015 average monthly medical/prescription board costs for school districts in LERC.

As shown in **Table 10**, the District's monthly cost for medical insurance was higher than the LERC average, despite WEVSD employees contributing a higher percentage of their premium. A primary cost driver of health insurance premiums is the level of coverage provided by the chosen plan, including deductibles, co-insurance, out-of-pocket maximums, and copays for prescription and doctor visits. Typically, the more comprehensive the plan benefits, the more expensive the premium will be to the employer/employee.

Table 11 shows the District's FY 2014-15 coverage levels in comparison to the LERC average. Illustrating the differences in coverage levels between the District and the LERC averages aids in determining the specific cost drivers of the health insurance premiums.

Table 11: Insurance Plan Benefits Comparison

	WEVSD	LERC	Difference	% Difference
Coinsurance				
Coinsurance - Board Share	90.0%	81.7%	8.3%	10.2%
Deductible				
Single	\$250.00	\$1,659.38	(\$1,409.38)	(84.9%)
Family	\$500.00	\$3,318.75	(\$2,818.75)	(84.9%)
Out-of-Pocket Maximum				
Single	\$1,000.00	\$1,535.94	(\$535.94)	(34.9%)
Family	\$2,000.00	\$3,057.81	(\$1,057.81)	(34.6%)
Retail Rx				
Generic	\$10.00	\$11.67	(\$1.67)	(14.3%)
Preferred	\$20.00	\$22.92	(\$2.92)	(12.7%)
Non-Preferred	\$30.00	\$38.13	(\$8.13)	(21.3%)
Mail Order Rx				
Generic	\$20.00	\$19.17	\$0.83	4.3%
Preferred	\$40.00	\$39.79	\$0.21	0.5%
Non-Preferred	\$60.00	\$67.50	(\$7.50)	(11.1%)
Doctor Copays				
Primary Care Physician	\$15.00	\$34.04	(\$19.04)	(55.9%)
Specialist	\$15.00	\$60.96	(\$45.96)	(75.4%)
Emergency Room Visit	\$50.00	\$186.00	(\$136.00)	(73.1%)

Source: WEVSD and SERB

As shown in **Table 11**, the District's coverage for coinsurance, deductibles, out-of-pocket maximums, and doctor copays were substantially more generous than the respective LERC averages, while retail and mail order prescription copays were comparable to the LERC averages.

Higher board costs relative to other school districts in the area is a result of higher premiums due to a more generous schedule of benefits. **Table 12** shows the financial impact associated with WEVSD reducing its insurance premium board cost to the LERC average for school districts in Lorain County.

Table 12: Financial Impact of Insurance Premium Cost Reduction

Plan Type	Number of Plans	WEVSD	LERC ¹	Difference	Annual Savings
Single	22	\$523.33	\$503.39	\$19.94	\$5,264.16
Family	81	\$1,308.29	\$1,260.12	\$48.17	\$46,821.24
Total Annual Savings					\$52,085.40

Source: WEVSD and SERB

¹ Reflects the 2015 average monthly medical/prescription board costs for school districts in LERC

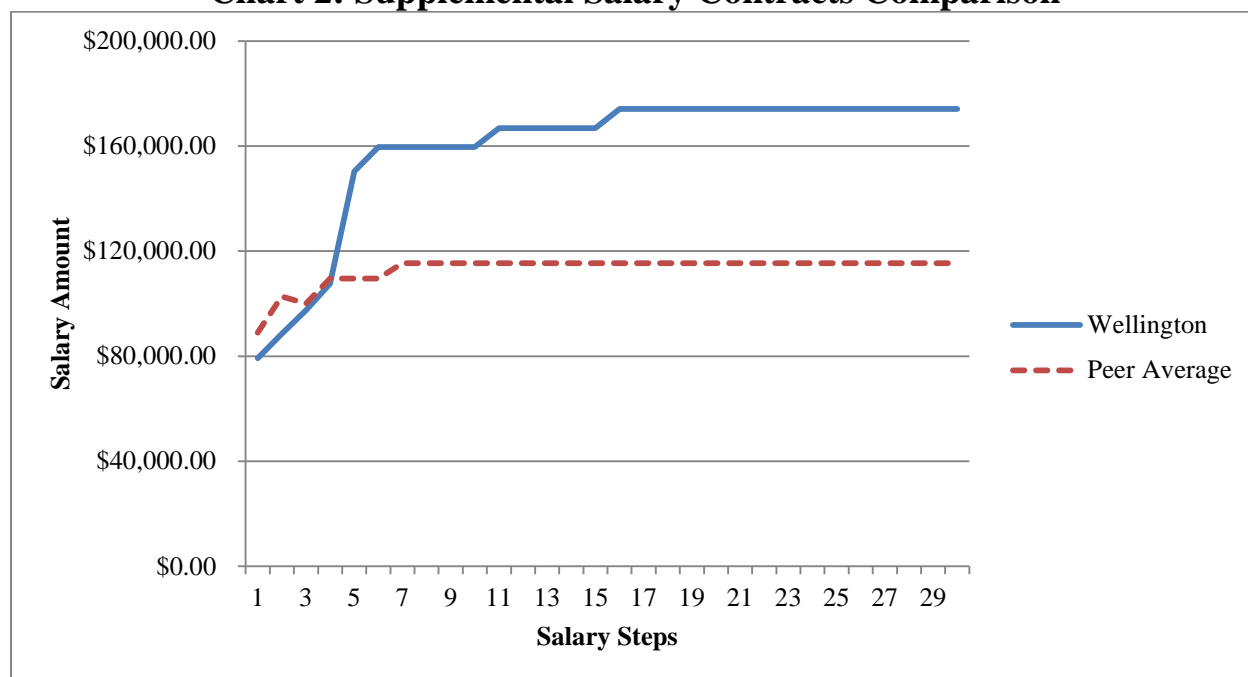
As shown in **Table 12**, reducing the insurance premium board cost to the LERC average would result in significant annual savings.

Financial Implication: Aligning health insurance coverage levels with the LERC averages would save the District approximately **\$52,000**, annually, based on the number of plans offered compared to the average LERC board cost.

R.4 Revise supplemental salary schedule and implement a step freeze

Chart 2 shows a comparison of the District's supplemental salary contracts for athletics, music, and academic groups over the course of a 30 year career to the average of surrounding districts based on salary schedule starting wages and step increases for FY 2015-16. Comparing supplemental salary contracts to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis. Presenting the salary comparison visually helps to illustrate the pay disparity in each year of the supplemental salary contract.

Chart 2: Supplemental Salary Contracts Comparison



Source: WEVSD and SERB

As shown in **Chart 2**, the District's combined supplemental salary contracts begin slightly lower than the surrounding district average but significantly increase after year four and throughout the entire career. The District's high compensation is due to the number of step advances relative to the peers. While WEVSD's base rates for supplemental contracts were slightly lower than the surrounding district averages, over the duration of a 30 year career, WEVSD employees advance 16 steps in comparison to the surrounding district average of four. After year four, all supplemental contract salaries are higher than the peer average salary.

The District should negotiate new salary step schedules for all of its supplemental contracts, ensuring they are comparable, yet market competitive, and balanced within the District's financial means. Additionally, the District should implement a step freeze for current staff in these positions. Implementing a salary freeze for current staff would yield immediate savings while negotiating new salary schedules would yield long term savings.

Financial Implication: Negotiating a step freeze in FY 2016-17 for all supplemental salary contracts would save approximately **\$19,400**, annually.

R.5 Enhance internal control measures for compiling transportation data

In accordance with ORC § 3327.012 and OAC 3301-83-01, school districts in Ohio are required to report information about transportation operations to ODE on an annual basis. The T-1 Form is used to report information on students, buses, and mileage, while the T-2 Form is used to report actual expenses incurred for the transportation of eligible students to and from school. ODE also uses the T-1 and T-2 forms to calculate special education transportation funding.

WEVSD's bus drivers are responsible for collecting information pertaining to daily ridership and mileage via paper count sheets. The bus drivers submit the count sheets to the Business Manager who then uses the reported information to complete the T-1 Form. The T-1 Form is then reviewed by the Superintendent and Treasurer and submitted to ODE. T-1 Form data is processed by ODE and published as the T-1 Report.

The District T-1 Report and the rider count sheets for FY 2014-15 were reviewed and tested for accuracy. Numerous errors were identified in these reports, including inaccurate counts of daily ridership and daily mileage. The T-2 Report was also tested for accuracy and it was found that in FY 2013-14, the District did not report any non-routine miles, despite providing transportation to extracurricular events. This error was identified and corrected by the District in FY 2014-15.

Prior to submitting the T-1 and T-2 Forms to ODE, the reports are reviewed by the Business Manager, the Superintendent, and the Treasurer. The number and type of errors indicate that there are deficiencies in the District's internal data collection and review process controls.

According to *Getting Management Involved with Internal Controls* (GFOA, 2008),

“Managers should obtain the information and training needed to meaningfully take responsibility for internal controls. In particular, they should obtain a sound understanding of the essential internal control components. Likewise, they should ensure that all employees who are responsible for administering internal control processes receive the information and training they need to fulfill their particular responsibilities”.

The District should enhance the internal controls for its T-Form data collection and reporting process. In doing so, the District should ensure that the employees responsible for the T-form data are properly trained and have an adequate understanding of the data they are gathering and reporting. A formal procedure to ensure accuracy when compiling and submitting rider count sheets for the T-1 Report should also be included. Furthermore, there should be a formal policy to properly maintain the required supporting documentation. Failure to accurately report T-Form

information could result in incorrect calculations of State pupil transportation payments to the District.

R.6 Implement a formal preventive maintenance and bus replacement program

WEVSD does not have a formal preventive fleet maintenance program. The District's practice is to outsource all bus maintenance and repair services to a local vendor. Although the District receives invoices for the services performed, this information is not maintained in a way that is easily accessible or useful to track and analyze costs.

According to the American Public Works Association (APWA) in *Public Works Management Practices Manual* (APWA, 2001), a formal fleet preventive maintenance program should be developed that includes scheduling, recording performance, and monitoring the program. Key preventive maintenance activities include:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

The implementation of a formal preventive maintenance program would allow the District the ability to more accurately monitor costs and work performed on vehicles and would better inform bus repair decisions.

In addition to the absence of a preventive maintenance plan, the District also lacks a bus replacement plan. According to the National Association of State Directors of Pupil Transportation Services (NASDPTS) in *School Bus Replacement Considerations* (NASDPTS, 2002), the replacement of school buses should be a planned process. The plan should incorporate the maintenance data collected by the District into the decision making process for bus replacements. The plan should also allow the District to establish its priorities with regard to safety and emissions features. Additionally, the publication recommends a combined approach to school bus replacement that considers both age and mileage in which replacement thresholds are set between 12 and 15 years, or 150,000 to 200,000 miles, respectively. Currently, eight of nine buses owned by WEVSD are at least 11 years old.

The District should implement a formal preventive maintenance and bus replacement program. Although finances may be an obstacle for replacing buses on a schedule set by the District, a bus replacement plan would allow it to communicate to its leadership and to the public about the needs of its bus fleet, its progress in meeting its schedule of replacement, and any risks posed by the current state of the fleet. Adopting these plans could serve to reduce overall operating costs and help to anticipate and avoid the potential need to replace a major portion of the fleet at the same time.

Appendix A: Scope and Objectives

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

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** shows the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Of the 14 objectives, 7 did not yield a recommendation (see **Appendix B** for additional information, including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are budgeting practices comparable to leading practices?	R.1
Is the strategic plan consistent with leading practices?	R.1
Is financial communication consistent with leading practices?	N/A
Does the District have a Business Advisory Council?	N/A
Human Resources	
Are staffing levels comparable to peers?	R.2
Are salaries comparable to surrounding peers?	N/A
Are collective bargaining agreements consistent with leading practices?	N/A
Are insurance benefits consistent with leading practices?	R.3
Are supplemental contracts comparable to surrounding peers?	R.4
Facilities	
Is facility staffing efficient compared to leading practices?	N/A
Are facility expenditures comparable to peers?	N/A
Transportation	
Are T-Report procedures consistent with leading practices?	R.5
Are fleet maintenance and replacement policies consistent with leading practices?	R.6
Food Service	
Is food service staffing efficient compared to leading practices?	N/A

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

Appendix B: Additional Comparisons

Staffing

Table B-1 shows WEVSD's FTE staffing levels per 1,000 students for FY 2015-16 as compared to the peer average. Peer average data is from FY 2013-14 as reported to ODE through the Education Management Information System (EMIS). This type of analysis is important because it shows staffing levels per 1,000 students based on position codes compared to the peer average. Making a comparison on a per 1,000 student basis eliminates the subtle differences in FTEs and spreads the analysis out over a larger scale. This helps identify higher staffing levels based on an entire student body rather than an individual FTE basis. Also, this type of analysis controls for the differences in enrollment between WEVSD and its peers. It should be noted that adjustments were made to the District EMIS data to reflect accurate staffing at the time of the assessment.

Table B-1 Staffing Comparison Summary

	WEVSD	Peer Average	Difference		
Students Educated ¹	1,055.6	1,296.0	(240.4)		
Students Educated (thousands)	1.0556	1.2960	(0.2404)		
Staffing Categories	FTEs	FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above/ (Below) ²
Administrative	9.00	8.53	7.01	1.52	1.60
Office/Clerical	8.87	8.40	6.83	1.57	1.66
General Education Teachers	49.50	46.89	43.46	3.43	3.62
All Other Teachers	11.00	10.42	11.99	(1.57)	(1.66)
Education Service Personnel (ESP)	7.00	6.63	7.09	(0.46)	(0.49)
Educational Support	2.00	1.89	4.49	(2.60)	(2.74)
Other Certificated	0.00	0.00	0.47	(0.47)	(0.50)
Non-Certificated Classroom Support	7.51	7.11	5.26	1.85	1.95
All Other Staff	3.57	3.38	2.53	0.85	0.90

Source: WEVSD and ODE

Note: The District's operational staffing, including custodians, maintenance workers, bus drivers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of employees per 1,000 students in line with the peer average.

As shown in **Table B-1**, WEVSD was at or above the peer average in five out of nine staffing categories. Staffing levels for administrative, office/clerical, and general education teachers were assessed in **R.2**. The staffing level for non-certificated classroom support was excluded from the assessment in **R.2**, because it is directly affected by the number of students with special needs. Likewise, staffing levels for all other staff was slightly higher than the peer average by less than 1.0 FTE and was therefore excluded from the assessment in **R.2**.

Salaries

Table B-2 shows the District's FY 2015-16 salary schedules compared to the surrounding peers over the course of 30 years. This type of analysis is important because it provides an indication of the effect of current pay disparities over the course of a 30-year career.

Table B-2: 30-Year Salary Comparison

	WEVSD	Peer Average	Difference	% Difference
Certified: 30-Year Salary				
Bachelor's Degree (BA)	\$1,539,639	\$1,564,467	(\$24,828)	(1.6%)
Bachelor's Maximum	\$1,622,608	\$1,653,473	(\$30,865)	(1.9%)
Master's Degree	\$1,706,572	\$1,788,097	(\$81,525)	(4.6%)
Master's Maximum	\$1,790,146	\$1,883,866	(\$93,720)	(5.0%)
Classified: 30-Year Salary				
Bus Driver	\$567,265	\$627,785	(\$60,520)	(9.6%)
Clerical	\$826,728	\$752,273	\$74,455	9.9%
Custodian	\$1,045,200	\$1,120,768	(\$75,568)	(6.7%)
Food Service	\$642,755	\$651,652	(\$8,897)	(1.4%)

Source: WEVSD and Peer Districts

As shown in **Table B-2**, lower salary schedules resulted in lower career compensation in every category with the exception of clerical.

Facilities Expenditures

Table B-3 shows the District's facilities expenditures per square foot compared to the peer average for FY 2014-15. Comparing facilities expenditures on a square footage basis normalizes any expenditures that may result from district size.

Table B-3: Facilities Expenditures per Square Foot Comparison

	WEVSD	Peer Average	Difference	Percent Difference
Salaries and Wages	\$2.10	\$1.94	\$0.16	8.2%
Employee Benefits	\$0.92	\$0.85	\$0.07	8.2%
Purchased Services (Excluding Utilities)	\$0.83	\$1.17	(\$0.34)	(29.1%)
Utilities - Total	\$1.14	\$1.57	(\$0.43)	(27.4%)
Electric	\$0.55	\$1.09	(\$0.54)	(49.5%)
Gas	\$0.45	\$0.36	\$0.09	25.0%
Water & Sewer	\$0.14	\$0.12	\$0.02	16.7%
Supplies and Materials	\$0.31	\$0.50	(\$0.19)	(38.0%)
Capital Outlay	\$0.04	\$0.07	(\$0.03)	(42.9%)
Other Objects	\$0.00	\$0.00	\$0.00	0.0%
Total Expenditures per Square Foot	\$5.34	\$6.10	(\$0.76)	(12.5%)
Square Feet Maintained	209,433	210,707	(1,274)	(0.6%)

Source: WEVSD and ODE

As shown in **Table B-3**, WEVSD spent less in every category with the exception of salaries and wages, employee benefits, gas, and water and sewer. Although gas and water expenditures were 25.0 percent and 16.7 percent higher, the net utility cost is significantly lower and were not assessed further. . Overall, WEVSD expended 12.5 percent less per square foot than the peer average.

Facilities Staffing

Staffing levels within the Facilities Department were assessed based on workload measures contained in the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) and *Maintenance & Operations Cost Study* (American School & University, 2005-2009). **Table B-4** shows the District's facilities staffing levels and workload measures for FY 2015-16 compared to these benchmarks, which serves to provide a gauge on staffing in relation to established industry norms.

Table B-4: Facilities Staffing Need

Grounds-keeper Staffing	
Grounds-keeper FTEs	1.5
Acreage Maintained	51.4
AS&U Benchmark - Acres per FTE Grounds-keeper	40.2
Benchmarked Staffing Need	1.3
Grounds-keeper FTEs Above/(Below) Benchmark	0.2
Custodial Staffing	
Custodial FTEs	6.7
Square Footage Cleaned	209,433
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	7.1
Custodial FTEs Above/(Below) Benchmark	(0.4)
Maintenance Staffing	
Maintenance FTEs	1.2
Square Footage Maintained	209,433
AS&U Benchmark - Square Footage per Maintenance FTE	94,872
Benchmarked Staffing Need	2.2
Maintenance FTEs Above/(Below) Benchmark	(1.0)
Total Facilities Staffing	
Total FTEs Employed	9.4
Total Benchmarked Staffing Need	10.6
Total FTEs Above/(Below) Benchmark	(1.2)

Source: WEVSD, AS&U, and NCES

As shown in **Table B-4**, the District employs 1.2 fewer facilities FTEs compared to the national benchmarks.

Food Service Staffing

The primary driver of food service operating costs are labor hours. **Table B-5** shows WEVSD's daily labor hours for FY 2014-15 compared to benchmarks outlined in *School Foodservice Management for the 21st Century* (Pannell-Martin, 2014). This type of workload measurement analysis is important because it can highlight the effect that labor efficiency can have on the financial condition of a food service operation.

Table B-5: Daily Labor Hours Comparison

Building	Meal Equivalents Served per Day	Meal Equivalents per Labor Hour Benchmark	Daily Labor Hour Benchmark	WEVSD Daily Labor Hours	Difference
McCormick Middle School	295.2	15.5	19.0	14.5	(4.5)
Wellington High School	232.3	14.5	16.0	15.0	(1.0)
Westwood Elementary School	315.5	17.0	18.6	12.5	(6.1)
Total	843.0	47.0	53.6	42.0	(11.6)

Source: WEVSD and Pannell-Martin

Table B-5 shows that WEVSD's food service staffing is efficient, producing more meals with fewer labor hours than the industry benchmarks.

Appendix C: Five-Year Forecasts

Chart C-1 shows the District's May 2015 Five-Year Forecast.

Chart C-1: WEVSD FY 2014-15 May Five-Year Forecast

Line	Actual			Forecasted				
	2012	2013	2014	2015	2016	2017	2018	2019
1.010 General Property (Real Estate)	4,057,378	4,433,100	4,410,620	4,522,603	4,528,852	4,535,704	4,542,567	4,549,441
1.030 Income Tax	1,752,014	1,759,286	1,848,742	1,847,718	1,847,718	1,847,718	1,847,718	1,847,718
1.035 Unrestricted Grants-in-Aid	5,389,350	5,222,660	5,183,277	5,191,595	5,031,445	5,137,206	5,137,206	5,137,206
1.040 Restricted Grants-in-Aid	281,655	67,400	131,339	131,334	118,590	118,590	118,590	118,590
1.050 Property Tax Allocation	853,890	683,608	689,734	691,108	634,942	635,818	636,695	637,574
1.060 All Other Operating Revenues	509,439	545,279	529,501	612,055	671,960	599,960	599,960	599,960
1.070 Total Revenue	12,843,726	12,711,333	12,793,213	12,996,413	12,833,507	12,874,996	12,882,736	12,890,489
2.040 Operating Transfers-In	60,339	19,207	42,041	47,986				
2.050 Advances-In	170,000	22,112	21,297					
2.060 All Other Financial Sources								
2.070 Total Other Financing Sources	230,339	41,319	63,338	47,986				
2.080 Total Revenues and Other Financing Sources	13,074,065	12,752,652	12,856,551	13,044,399	12,833,507	12,874,996	12,882,736	12,890,489
3.010 Personnel Services	7,055,153	6,954,272	7,085,896	7,113,520	6,191,883	6,271,194	6,407,865	6,598,489
3.020 Employee's Retirement/Insurance Benefits	2,793,387	2,736,966	2,784,434	3,311,133	3,086,857	3,170,353	3,294,404	3,496,375
3.030 Purchased Services	1,923,266	2,430,758	2,900,750	3,042,542	2,989,384	3,018,601	3,047,709	3,076,686
3.040 Supplies and Materials	372,875	513,606	315,012	304,950	384,430	387,524	390,649	393,806
3.050 Capital Outlay	59,902	92,038	134,223	41,000	120,000	121,200	322,412	325,636
4.050 Debt Service: Principal - HB 264 Loans								
4.055 Debt Service: Principal - Other								
4.300 Other Objects	234,667	311,833	142,818	131,136	140,333	142,597	111,720	113,982
4.500 Total Expenditures	12,439,250	13,039,473	13,363,133	13,944,281	12,912,887	13,111,469	13,574,759	14,004,974
5.010 Operational Transfers - Out	405,024	277,593	283,505	230,099	160,000	310,000	310,000	310,000
5.040 Total Other Financing Uses	405,024	277,593	283,505	230,099	160,000	310,000	310,000	310,000
5.050 Total Expenditure and Other Financing Uses	12,844,274	13,317,066	13,646,638	14,174,380	13,072,887	13,421,469	13,884,759	14,314,974
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	229,791	(564,414)	(790,087)	(1,129,981)	(239,380)	(546,473)	(1,002,023)	(1,424,485)
7.010 Beginning Cash Balance	3,872,522	4,102,313	3,537,899	2,747,812	1,617,831	1,378,451	831,978	(170,045)
7.020 Ending Cash Balance	4,102,313	3,537,899	2,747,812	1,617,831	1,378,451	831,978	(170,045)	(1,594,530)
8.010 Outstanding Encumbrances	305,226	184,091	190,071	200,000	200,000	200,000	200,000	200,000
10.010 Fund Balance June 30 for Certification of Appropriations	3,797,087	3,353,808	2,557,741	1,417,831	1,178,451	631,978	(370,045)	(1,794,530)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,797,087	3,353,808	2,557,741	1,417,831	1,178,451	631,978	(370,045)	(1,794,530)
15.010 Unreserved Fund Balance June 30	3,797,087	3,353,808	2,557,741	1,417,831	1,178,451	631,978	(370,045)	(1,794,530)

Source: WEVSD and ODE

Chart C-2 shows the District's October 2015 Five-Year Forecast.

Chart C-2: WEVSD FY 2015-16 October Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	4,433,100	4,410,620	4,522,604	4,528,852	4,600,000	4,600,000	4,600,000	4,600,000
1.030 Income Tax	1,759,286	1,848,742	1,847,718	1,847,718	1,847,718	1,847,718	1,847,718	1,847,718
1.035 Unrestricted Grants-in-Aid	5,222,660	5,183,277	5,261,678	5,200,000	5,200,000	5,100,000	5,000,000	4,900,000
1.040 Restricted Grants-in-Aid	67,400	131,339	195,983	131,334	118,590	100,000	100,000	100,000
1.050 Property Tax Allocation	683,608	689,734	691,108	691,108	634,942	635,818	636,695	637,574
1.060 All Other Operating Revenue	545,279	529,501	623,349	612,000	612,000	612,000	612,000	612,000
1.070 Total Revenue	12,711,333	12,793,213	13,142,440	13,011,012	13,013,250	12,895,536	12,796,413	12,697,292
2.040 Operating Transfers-In	19,207	42,041	42,101					
2.050 Advances -In	22,112	21,297						
2.060 All Other Financial Sources			47,986					
2.070 Total Other Financing Sources	41,319	63,338	90,087					
2.080 Total Revenues and Other Financing Sources	12,752,652	12,856,551	13,232,527	13,011,012	13,013,250	12,895,536	12,796,413	12,697,292
3.010 Personnel Services	6,954,272	7,085,896	7,007,709	6,240,300	6,402,703	6,466,730	6,531,397	6,596,711
3.020 Employees' Retirement/Insurance Benefits	2,736,966	2,784,434	2,969,801	2,600,000	2,795,000	3,004,625	3,229,972	3,472,220
3.030 Purchased Services	2,430,758	2,900,750	2,839,895	2,900,000	2,989,384	3,018,601	3,047,709	3,076,686
3.040 Supplies and Materials	513,606	315,012	280,674	305,000	325,000	350,000	370,000	390,000
3.050 Capital Outlay	92,038	134,223	37,035	50,000	50,000	50,000	230,000	230,000
4.050 Debt Service: Principal - HB 264 Loans			32,838					
4.055 Debt Service: Principal - Other			302					
4.300 Other Objects	311,833	142,818	110,778	150,000	140,000	145,000	150,000	155,000
4.500 Total Expenditures	13,039,473	13,363,133	13,279,032	12,245,300	12,702,087	13,034,956	13,559,078	13,920,617
5.010 Operational Transfers - Out	277,593	283,505	265,957	115,000	270,000	270,000	270,000	270,000
5.040 Total Other Financing Uses	277,593	283,505	265,957	115,000	270,000	270,000	270,000	270,000
5.050 Total Expenditure and Other Financing Uses	13,317,066	13,646,638	13,544,989	12,360,300	12,972,087	13,304,956	13,829,078	14,190,617
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(564,414)	(790,087)	(312,462)	650,712	41,163	(409,420)	(1,032,665)	(1,493,325)
7.010 Beginning Cash Balance	4,102,313	3,537,899	2,747,812	2,435,350	3,086,062	3,127,225	2,717,805	1,685,140
7.020 Ending Cash Balance	3,537,899	2,747,812	2,435,350	3,086,062	3,127,225	2,717,805	1,685,140	191,815
8.010 Outstanding Encumbrances	184,091	190,071	184,937	200,000	200,000	200,000	200,000	200,000
10.010 Fund Balance June 30 for Certification of Appropriations	3,353,808	2,557,741	2,250,413	2,886,062	2,927,225	2,517,805	1,485,140	(8,185)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,353,808	2,557,741	2,250,413	2,886,062	2,927,225	2,517,805	1,485,140	(8,185)
15.010 Unreserved Fund Balance June 30	3,353,808	2,557,741	2,250,413	2,886,062	2,927,225	2,517,805	1,485,140	(8,185)

Source: WEVSD and ODE

Client Response

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

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

305 UNION STREET
WELLINGTON, OHIO 44090

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Building Our Nation's Future Together

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Mr. David Yost

Auditor of State

88 East Broad Street, 5th Floor

Columbus, Ohio 43215

RECEIVED

FEB 22, 2016 ART

AUDITOR OF STATE

February 17, 2016

Dear Auditor Yost,

The Wellington Exempted Village School District would like to thank the Performance Audit staff for their time and effort in providing the audit report for our school district. The performance audit will assist our school district in reviewing and streamlining our operational procedures in the future.

As a result of the audit, Treasurer, Michael Pissini will review the efficiencies and recommendations with the district Finance Committee in March, 2016. The Board members have scheduled a 'State of the Schools Address' for March 15, 2016, as well. The district will implement several of the recommended items immediately, however, some items will require union negotiations in order to implement. Attached is the '20 Steps to Fiscal Health Strategy' presentation provided at the January Board of Education meeting in regard to the 'Draft' audit. The presentation highlighted avenues which the Administration will pursue to improve the overall financial operations of the district. The District had already implemented several of the recommendations within the audit report in the Spring, 2015.

We thank you for presenting the audit report in a professional manner and the overall efforts of Justin Klingshirn in preparing this valuable data to our school district.

Regards,



Dennis Mock, Superintendent



Michael Pissini, Treasurer

CC: WEVSD Board of Education

Westwood Elementary School
305 Union Street
Wellington, Ohio 44090-1099
Phone (440) 647-3636

McCormick Middle School
627 North Main Street
Wellington, Ohio 44090-1315
Phone: (440) 647-2342

Wellington High School
629 North Main Street
Wellington, Ohio 44090-1096
Phone: (440) 647-3734

**SUPERINTENDENT MOCK'S 20 STEPS TO FISCAL
HEALTH STRATEGY FOR THE WELLINGTON EXEMPTED
VILLAGE SCHOOL DISTRICT**

Our General Fund budget forecast is vulnerable due to the 2- year Ohio Department of Education biennial funding budget process. The budget affects the long-term fiscal health of our school district!

Wellington Exempted Village School District reduced expenditures for the 2015-16 SY and based on the 5-year forecast additional reductions may need to be evaluated in the future without passage of an operating levy and reduced enrollment.

Goal: Minimize miscommunication and rumors to craft financial decisions in the best interests of the students, employees and community!



Key Budget Criteria and Decision-Making Process based on:

- 1. What is best for students**
- 2. Safety**
- 3. Short-term impact on student learning**
- 4. Long-term impact on student learning**
- 5. Number of students affected**
- 6. State minimum standards**
- 7. Amount of money reduced over a 5-year forecast**
- 8. Impact on the employees**
- 9. Impact on the community**
- 10. Consistency with Board policy and contracts**



1. Measure Your Fiscal Health

a. True Days Cash Ratio = $\frac{\text{Cash Balance June 30}^{\text{th}}}{\text{Total Expenditure}/365}$

b. 60-80 True Days Cash is the goal

5-Year Forecast

2015-16 SY	2016-17 SY	2017-18 SY	2018-19 SY	2019-20 SY
<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY19</u>	<u>FY 20</u>

True cash days

91 day(s) 88 day(s) 75 day(s) 44 day(s) 5 day(s)



2. Fiscal Goals- Monthly Financial Statement Booklet

- a. Measurable
- b. Inflation Adjusted
- c. Attainable Long-Term



3. Think Long-Term

a. To add just one certified teaching staff member

1. Salary- Step 0	\$ 33,561.00
2. Family Health Insurance	16,787.40
3. Life Insurance	50.40
4. STRS (14%)	4,698.54
5. Medicare	486.63
	<hr/>
Total 5-year Cost/Salary/Insurance	\$ 55,583.97
	<hr/>
	\$ 277,920.00



4. Maintain Communication with Employees and Community

a. Open, Honest, Frequent and Complete

1. Newsletter, Week-in-Review and Website
2. WEA and WSS monthly meetings



5. Encourage Employee Longevity

- a. No One Wins When There is Constant Turnover



6. Don't Hesitate to Seek Advice

- | | |
|----------|--------------|
| a. BASA | 614.846.4080 |
| b. OSBA | 800.589.6722 |
| c. OASBO | 614.431.9116 |
| d. ODE | 614.466.7571 |



7. Avoid Over-estimating Revenue

- a. Personal Property Valuations
 - 1. Vary year-to-year
- b. Tangible Property Tax
 - 1. To be phased out
- c. No Revenue growth- limited
 - 1. HB 920
 - a. As....Local Property tax increases (inflation)
voted millage is decreased



8. Prioritize Levy Proposals

- a. Operating Levy
- b. Income Tax Levy
- c. Permanent Improvement Levy



9. Time Levies Carefully

- a. Consider
 - 1. True Days Cash
 - 2. Don't go to the well too often
 - 3. 1-year levy window, if possible, for all renewals



10. Consider 'Continuing' Term Levies

- a. No need for additional millage when the levy is renewed
- b. Positive for the District's bond rating
- c. No renewal risk
- d. Fewer levy campaigns



11. Approach the 20-Mill Floor with Caution

- a. **Minimum effective operating millage required to qualify for state funding**
 - 1. **No HB 920 tax reductions**
 - 2. **When valuations go up, the local revenue goes up in proportionally**
 - 3. **Growth on all 20 mills, not just 4-5 inside mills**
 - a. **Emergency levies**
 - b. **Income tax levy**
 - c. **PI levy**
 - 4. **Don't forget about the charge-off**
 - 5. **Gap Aid Trap**
 - a. **Local share of Special Ed/Vocational Aid plus local share of transportation**



12. Diversify Your Revenue Base- Consider

- a. **Consider Income Tax Levy**
 - 1. **Income increase, district revenue increase**
 - 2. **Not subject to HB 920**
 - 3. **Not included in 20-mill floor**
 - 4. **'Tax earned Income' only provision**
 - 5. **Harder to pass**
 - 6. **Longer to receive payment from employer**
 - 7. **Subject to recall initiatives**



13. Have a Permanent Improvement (PI) Levy

- a. Facility repairs/additions
- b. School buses, computers, textbooks and equipment
- c. 5-year life cycle
- d. Understood by the public/voter
- e. Easier to convert to 'Continuing'
- f. Relieves General Fund



14. Maximize Your State Funding

- a. EMIS count - accurate
- b. Code all 'weighted' students for special education correctly
- c. Monitor court-placed students
- d. Monitor Open Enrollment- in and out



15. Seek Grants, BUT be Aware of the Grant Disappearing
a. 'Keep hold of the plug...you may need to pull it!'



16. Maintain Personnel Costs Under Control
a. Salaries and Benefits = 75-80% of total operating budget



17. Remember the “Fat and Lean” cycles of School Finance
a. State of Ohio operated under a 2-year biennium budget
b. Columbus expects a 5-year forecast, though
c. In reality, 2-3 years is accurate



18. Protect the Year-End Balance

- a. You can only spend your balance once!
- b. Set the fiscal goal, spend the balance conservatively
 - 1. Remember: Additional staff
 - a. 5-year cost(s)



19. Negotiated Agreements

- a. Be prepared
- b. Always compute long term fiscal impact
- c. Encourage multi-year agreements
- d. Provide employees with incentives to reduce costs



20. Develop a Board of Education Strategic Plan

- a. One year plan
- b. Curriculum, Finance, Technology, Communication, Facilities and Staffing/Programs



FISCAL HEALTH...EVERYONE BENEFITS!

**The Students;
Employees;
Taxpayers; and
Community.**

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Dave Yost • Auditor of State

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2016**