



Dave Yost • Auditor of State

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# Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the Niles City School District,

The Auditor of State's Office selected the Niles School District (NCSD or the District) for a performance audit based on its projected financial condition. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

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

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

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

Sincerely,

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

Dave Yost  
Auditor of State  
April 3, 2018

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# Executive Summary

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## 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 Niles City School District (NCSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to improve NCSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Systems, 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

Performance audits provide 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.

The United States Government Accountability Office develops and promulgates Government Auditing Standards that establish 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. Those standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Methodology

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

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

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for a comparison of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

**Table 1: Peer Group Definitions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Dover City School District (Tuscarawas County)</li> <li>• East Muskingum Local School District (Muskingum County)</li> <li>• Field Local School District (Portage County)</li> <li>• Howland Local School District (Trumbull County)</li> <li>• Jackson City School District (Jackson County)</li> <li>• Lexington Local School District (Richland County)</li> <li>• Marlinton Local School District (Stark County)</li> <li>• Northern Local School District (Perry County)</li> <li>• St. Marys City School District (Auglaize County)</li> <li>• Steubenville City School District (Jefferson County)</li> </ul>
<b>Local Peers (Compensation, Benefits, and Bargaining Agreements)</b>
<ul style="list-style-type: none"> <li>• Howland Local School District (Trumbull County)</li> <li>• Liberty Local School District (Trumbull County)</li> <li>• McDonald Local School District (Trumbull County)</li> <li>• Weathersfield Local School District (Trumbull County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• East Liverpool City School District (Columbiana County)</li> <li>• Girard City School District (Trumbull County)</li> <li>• Salem City School District (Columbiana County)</li> </ul>

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: American Public Works Association (APWA), American School and University Magazine (AS&U), US Environmental Protection Agency (EPA), Government Finance officers Association (GFOA), National Center for Education (NCES), Ohio Department of Administrative Services (DAS), Ohio Department of Education (ODE), Ohio State Employment Relations Board (SERB), and Society for Human Resource Management (SHRM). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.



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 Niles City School District for their cooperation and assistance throughout this audit.

### Issue for Further Study

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

- Electricity Expenditures:** Table 2 shows NCSD’s building square footage, total electricity expenditures, and cost per square foot compared to the primary peer average for fiscal year (FY) 2016-17. This is an important measure of relative efficiency, and comparing on a cost per square foot basis normalizes the effects of different sized buildings among the districts.

**Table 2: Electric Expenditures per Square Foot Comparison**

	NCS D	Primary Peer Average	Difference	% Difference
Square Feet	399,054	422,388	(23,334)	(5.5%)
Electric Expenditures	\$601,135	\$395,680	\$205,455	51.9%
<b>Expenditures per Sq. Ft.</b>	<b>\$1.51</b>	<b>\$0.94</b>	<b>\$0.57</b>	<b>60.6%</b>

Source: NCSD, ODE, and primary peers

As shown in **Table 2**, the District’s electric expenditures were higher than the primary peer average by \$0.57 per square foot, or 60.6 percent.

NCSD’s electric utilities, including both generation and distribution, are provided by the City of Niles. In contrast, other local school districts in the area utilize a consortium to bundle electricity purchasing and reduce overall cost. However, because the City of Niles provides both generation and distribution, this option is not feasible for NCSD. Therefore, the District should further study the option to work with the City of Niles and identify feasible options to reduce electricity expenditures.

## Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

**Table 3: Summary of Recommendations**

Recommendations		Savings
R.1	Develop long-term strategic, capital, and financial plans linked to the budget	N/A
R.2	Enhance financial communication	N/A
R.3	Record and manage education management information system data accurately	N/A
R.4	Eliminate 10.5 FTE general education teacher positions	\$779,600
R.5	Eliminate 2.5 FTE other educational positions	\$185,600
R.6	Eliminate 1.5 FTE nursing positions	\$123,800
R.7	Eliminate 0.5 FTE psychologist position	\$43,100
R.8	Eliminate 2.0 FTE building clerical positions	\$115,500
R.9	Eliminate 1.5 FTE central office clerical positions	\$86,600
R.10	Reduce employer cost of health insurance	\$2,084,800
R.11	Reduce employer cost of vision insurance	\$18,100
R.12	Renegotiate collective bargaining agreement provisions	\$62,200
R.13	Reduce 9.5 daily labor hours from the food service operation	\$44,500
R.14	Complete T-1 Forms as prescribed by ODE	N/A
R.15	Develop a data-driven bus replacement plan	N/A
R.16	Develop a formal transportation preventive maintenance program	N/A
Cost Savings Adjustments <sup>1</sup>		(\$179,200)
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$3,364,600</b>

<sup>1</sup> Implementation of R.4, R.5, R.6, R.7, R.8, R.9, and R.13 would reduce the savings achievable in R.10 and R.11.

Table 4 shows the District's ending fund balances as projected in the March 2018 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 4: Financial Forecast with Performance Audit Recommendations**

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Original Ending Fund Balance	(\$1,612,446)	(\$4,189,583)	(\$7,454,132)	(\$11,580,128)
Cumulative Balance of Performance Audit Recommendations <sup>1</sup>	\$289,700	\$4,021,200	\$7,968,200	\$12,153,500
Revised Ending Fund Balance	(\$1,322,746)	(\$168,383)	\$514,068	\$573,372

Source: NCSD, ODE, and performance audit recommendations

<sup>1</sup> The Cumulative Balance of Performance Audit Recommendations for FY 2018-19 is inclusive of the savings identified in R.7, R.8, R.9, and R.13. All recommendations are included for FY 2019-20 through FY 2021-22 because FY 2019-20 will be the first year of new collective bargaining agreements (CBAs) which impacts implementation of R.4, R.5, R.6, R.10, R.11, and R.12. Finally, the Cumulative Balance of Performance Audit Recommendations excludes a portion of the savings identified in R.10 and R.11 that would only apply only to the Food Service Fund, which is not included in the District's five-year forecast, outside of General Fund transfers.

As shown in Table 4, implementing the performance audit recommendations could allow NCSD to avoid year-end fund deficits in FY 2020-21 and FY 2021-22. Due to the District's collective

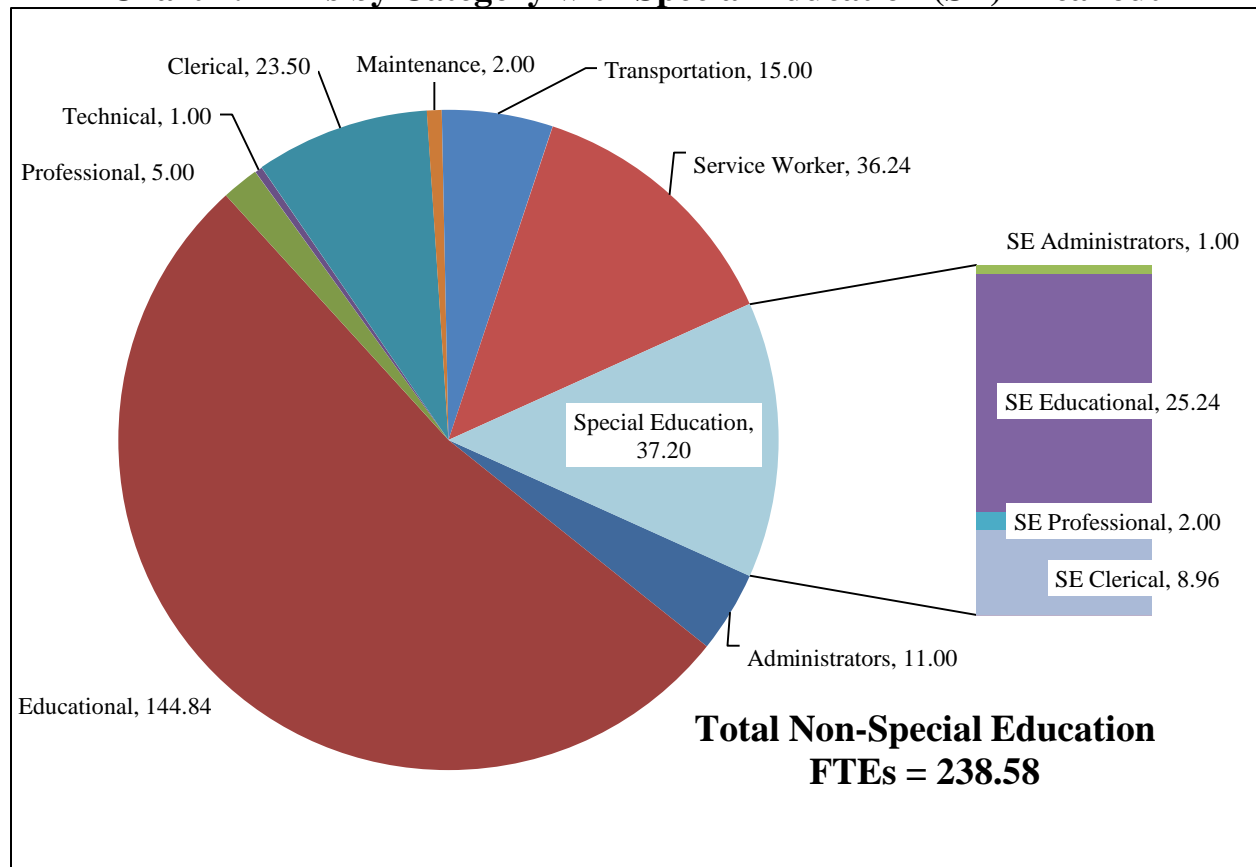
bargaining agreements, effective through August 31, 2019, NCSD would not be able to achieve a majority of the savings in FY 2018-19.

## District Staffing Overview

The appropriateness of staffing levels is significant to both the operational and financial conditions within school districts. Operational decisions such as classroom sizes, class offerings, and other non-educational service levels collectively drive the need for overall staffing total. Specifically, personnel costs (i.e., salaries and benefits) accounted for 72.3 percent of NCSD’s General Fund expenditures in FY 2016-17, a significant impact on the District’s budget and financial condition.

**Chart 1** shows NCSD’s FY 2017-18 full-time equivalent (FTE) staffing levels by category<sup>1</sup> with special education staffing broken out for informational purpose only.

**Chart 1: FTEs by Category with Special Education (SE) Breakout**



Source: NCSD

As shown in **Chart 1**, NCSD employed a total of 275.78 FTEs in FY 2017-18. Of this total, 37.20 FTEs, or 13.5 percent, were specifically dedicated to special education services. The

<sup>1</sup> The individual positions within each staffing category are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

remaining 238.58 non-special education FTEs were evaluated in each of the eight staffing categories shown.

Categories where staffing levels were compared to the primary peer average included administrators (see **Table B-1**), clerical (see **R.8** and **R.9**), educational (see **R.4** and **R.5**), professional (see **R.7**), and technical staff (see **R.6**). Categories where the District's staffing level per 1,000 students was higher than the primary peers includes clerical, educational, professional, and technical. Facilities (see **Table B-14**), transportation, and food service (see **R.13**) workers were assessed using workload measures and benchmarks, as these positions operate in areas that have industrywide developed gauges of efficiency and effectiveness.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.<sup>2</sup> Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

It is important to note that the provision of special education services may have a significant impact on NCSD's overall operating cost and staffing levels. However, the appropriateness of special education costs and staffing were not evaluated as a part of this performance audit. Special education staffing levels were excluded from staffing comparisons due to the unique requirements of Individual Education Program (IEPs) and the nature of maintenance of effort requirements. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

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<sup>2</sup> IDEA Part B does not have an MOE waiver option.

# Background

On September 26, 2017, NCSD was placed in fiscal caution by the Ohio Department of Education (ODE) because it determined through the five-year forecast that conditions exist that could result in a designation of fiscal watch or emergency. **Table 5** shows the District’s total revenues, total expenditures, results of operations, beginning and ending cash balances, cumulative balance of replacement/renewal levies, and ending fund balance as projected in the District’s October 2017 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions.

**Table 5: NCSD Financial Condition Overview (October 2017)**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Total Revenue	\$26,148,059	\$26,279,154	\$25,524,941	\$24,838,715	\$24,759,741
Total Expenditure	\$26,673,264	\$27,963,487	\$28,745,160	\$29,442,226	\$30,322,143
<b>Results of Operations</b>	<b>(\$525,205)</b>	<b>(\$1,684,333)</b>	<b>(\$3,220,219)</b>	<b>(\$4,603,511)</b>	<b>(\$5,562,402)</b>
Beginning Cash Balance	\$160,174	(\$365,031)	(\$2,049,364)	(\$5,269,583)	(\$9,873,094)
<b>Ending Cash Balance</b>	<b>(\$365,031)</b>	<b>(\$2,049,364)</b>	<b>(\$5,269,583)</b>	<b>(\$9,873,094)</b>	<b>(\$15,435,496)</b>
Cumulative Balance of Replacement/Renewal Levies	N/A	N/A	\$644,536	\$1,860,641	\$3,076,746
<b>Ending Fund Balance</b>	<b>(\$365,031)</b>	<b>(\$2,049,364)</b>	<b>(\$4,625,047)</b>	<b>(\$8,012,453)</b>	<b>(\$12,358,750)</b>

Source: NCSD and ODE

As shown in **Table 5**, the District’s October 2017 five-year forecast projected ending fund balance deficits for each year of the forecast period. These annual deficits are projected to accumulate to a year-end fund balance deficit of over \$12.3 million in FY 2021-22, the final year of the forecast. The progressively worsening financial condition is the direct result of an expected annual decline in revenues coupled with a steady annual increase in expenditures.

In March 2018, the District submitted an updated five-year financial forecast to ODE.<sup>3</sup> **Table 6** shows total revenues, total expenditures, results of operations, beginning and ending cash balances, cumulative balance of replacement/renewal levies, and ending fund balances contained in this updated forecast. This forecast provides an indication of changes in the District’s financial condition relative to October 2017 projections.

<sup>3</sup> ORC § 5705.391 and OAC 3301-92-04 require school districts in Ohio to submit a five-year forecast to ODE in May and October each year. ODE encourages districts to update their forecast throughout the year whenever events take place that significantly affect the District. Due to NCSD’s financial condition and the performance audit, NCSD updated the five-year forecast and submitted it to ODE and AOS.

**Table 6: NCSD Financial Condition Overview (March 2018)**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Total Revenue	\$26,398,693	\$26,195,296	\$25,336,194	\$24,728,022	\$24,725,665
Total Expenditure	\$26,471,942	\$27,829,665	\$28,587,975	\$29,265,485	\$30,124,575
<b>Results of Operations</b>	(73,249)	(1,634,369)	(3,251,781)	(4,537,463)	(5,398,910)
Beginning Cash Balance	160,171	86,922	(1,547,446)	(4,799,227)	(9,336,690)
<b>Ending Cash Balance</b>	86,922	(1,547,447)	(4,799,227)	(9,336,690)	(14,735,600)
Encumbrances	65,000	65,000	65,000	65,000	65,000
Cumulative Balance of Replacement/Renewal Levies	N/A	N/A	674,644	1,947,558	3,220,472
<b>Ending Fund Balance</b>	<b>\$21,922</b>	<b>(\$1,612,447)</b>	<b>(\$4,189,583)</b>	<b>(\$7,454,132)</b>	<b>(\$11,580,128)</b>

Source: NCSD

As shown in **Table 6**, the District's March 2018 five-year forecast projects ending fund balance deficits beginning in FY 2018-19 through the remainder of the forecast period. These annual deficits are projected to accumulate to a year-end balance deficit of over \$11.5 million in FY 2021-22, which is \$778,600 less than the October 2017 five-year forecast. The updated March 2018 five-year forecast includes additional revenue from a refund of prior year receipts and prior year's revenues of \$325,000, and a decrease in expenditures due to a \$500,000 insurance premium holiday, along with other minor adjustments. The unanticipated additional revenue and premium holiday are projected to keep the District from having a negative fund balance at the end of FY 2017-18.

In May 2018, the District's voters will be voting on a 10-year, 5.85 mill emergency levy. If passed, this levy will commence in 2018 and generate approximately \$1.3 million in new revenues for the District. Even with this levy in place, NCSD still projects a year-end fund balance deficit of over \$6.9 million by FY 2021-22.

# Recommendations

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## R.1 Develop long-term strategic, capital, and financial plans linked to the budget

Although NCS D's administration and Board often discuss operations, capital, and financial decisions at Board meetings and as a part of the regularly scheduled Finance Committee meetings, this routine discussion has not been used to develop formal plans. Specifically, the District does not have formal, long-term strategic, capital improvement, or financial plans. Additionally, it does not fully involve department heads and other stakeholders in the budgeting process. As a result, its annual budget is not linked to formal goals, objectives, and/or performance measures.

The Government Finance Officers Association (GFOA) provides guidance to governmental entities in the development and maintenance on effective long-term planning. *Establishment of Strategic Plans* (GFOA, 2005) defines strategic planning as "a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission." Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and
- Implementing, monitoring, and reassessing the plan.

*Long-Term Financial Planning* (GFOA, 2008) specifies that long-term financial planning should encompass the following elements:

- Planning at least five-to-ten years into the future;
- Considering all appropriated funds;
- Updating long-term planning activities as needed in order to provide direction to the budget process;
- Analyzing the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health, and;
- Informing the public and elected officials about the long-term financial prospects of the government and strategies for financial balance.

Finally, *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should:

- Identify and prioritize expected needs based on the entity's strategic plan;
- Establish project scopes and costs;
- Detail estimated amounts of funding from various sources; and
- Project future operating and maintenance costs.

The District should concurrently develop a strategic plan and long-term financial plan. As part of its strategic plan, it should create a capital improvement plan for all capital assets. These plans should be linked to a formal budgeting process that involves key stakeholders. In doing so, the ability of the strategic plan to guide program and funding decisions will be enhanced. Without a goal and resource oriented strategic plan based on input from key financial, operational, and instructional participants, 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.

## **R.2 Enhance financial communication**

The District limits financial information provided to the public via its website to the semi-annual five-year forecasts, Board meeting dates and times, and meeting agendas and minutes.

According to *Website Posting of Financial Documents* (GFOA), 2009), using a government website to disseminate information demonstrates both accountability and transparency to stakeholders in an easily accessible format. The GFOA recognizes the following benefits from communicating financial information on a government's website:

- Heightened awareness;
- Universal accessibility;
- Increased potential for interaction;
- Enhanced diversity;
- Facilitated analysis;
- Lowered costs;
- Contribution to sustainability; and
- Broadened potential scope.

Two school districts in Ohio, Wheelersburg Local School District (Wheelersburg) in Scioto County) and Jonathan Alder Local School District (Jonathan Alder) in Madison County provide examples of increased stakeholder transparency through the availability of financial information. Wheelersburg provides monthly and annual financial reports as approved by its board of education that include the following:

- Explanations of revenues and expenditures for all funds, excluding those for construction debt;
- A comparison of budget versus actual for the current fiscal year;
- A comparison of actuals for the current fiscal year versus actuals for the previous two fiscal years;
- A reconciliation of the district records with bank records; and
- Details of investments.



Also, Jonathan Alder includes on its website:

- Audited financial statements;
- Five-year forecasts;
- Cost per pupil and local tax effort comparisons; and
- Financial advisory council agendas and minutes.

NCSD should enhance communication of its financial information by fully utilizing its website to disseminate important data and pertinent news to stakeholders. By not making all financial information available on its website, the District increases the risk that it will not be able to fully engage with community stakeholders who can provide meaningful input based on readily available financial information. Improving the communication of such information will help to ensure accountability and transparency to stakeholders and the community.

### **R.3 Record and manage education management information system data accurately**

In accordance with ORC § 3301.0714, ODE developed the education management information system (EMIS) in order to provide school districts with a uniform approach to reporting staffing data. In an attempt to ensure the accuracy and consistency of this data, the *ODE EMIS Manual* (ODE, 2017) was developed which includes definitions, requirements, and procedures.

Staff employment information was reviewed to determine the accuracy of the District's EMIS information. This comparison showed instances where NCSD is not documenting staff employment information in accordance with the *ODE EMIS Manual*. For example:

- An employee who teaches two music classes at the high school and three music classes at the middle school had one staff employment record. If a teacher instructs in two different buildings, the employee should have two records, with the Position FTE Element and Pay Amount/Rate Element split in accordance with time in each building.
- Employees who teach K-8 art, music, or physical education should have a specific number in the Assignment Area Element. A teacher who instructs music at the middle school should have 999570 in the Assignment Area Element.
- The District also had employees listed with incorrect Position Code Elements, Special Education FTE Elements, and Temporary versus Regular status.
- Finally, the *ODE EMIS Manual* defines full-time equivalency (FTE) as “the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. The number 1.0 represents one full-time assignment...as defined by the district.” NCSD food service staff work between 2.0 and 7.0 hours per day, but all were reported as 1.0 FTE.

NCSD should ensure that all staff employment information is reported in accordance with the *ODE EMIS Manual*. Ensuring that staff information is up to date and correct will allow management the ability to analyze and review staff information as needed. To ensure accurate staffing comparisons were completed in the audit, the District's EMIS data was updated to comply with ODE requirements when data was found to be inaccurate or non-compliant (see **R.4, R.5, R.6, R.7, R.8, R.9, and R.13**).

## R.4 Eliminate 10.5 FTE general education teacher positions

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 be at least 1.0 FTE classroom teacher for every 25 regular students.<sup>4</sup> This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

**Table 7** shows the District's FY 2017-18 general education teachers per 1,000 students compared to the FY 2016-17 primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 7: General Education Teacher Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total FTEs Above/ (Below) <sup>2</sup>
General Education Teachers	111.90	48.46	43.79	4.67	10.78

Source: NCSD, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of general education teacher FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 7**, NCSD's general education teacher staffing is higher than the primary peer average by 10.78 FTEs. The District would need to reduce 10.5 FTE teacher positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

**Financial Implication:** Eliminating 10.5 FTE general education teacher positions could save approximately **\$779,600** in salaries and benefits in FY 2019-20.<sup>5</sup> The value of each FTE reduction is calculated using the actual salaries and benefits of the 13.0 FTE least tenured teaching positions that are recommended for elimination within this performance audit (also see **R.5**). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>6</sup>

<sup>4</sup> In FY 2016-17, NCSD's regular student population was 2,050.89 with a total of 111.90 general education teacher FTEs. This resulted in a District-wide ratio of 18.33 students per general education teacher. If the District were to operate at the State minimum ratio of 25:1, it would do so with a total of 82.04 FTEs, 29.86 FTEs less than are currently employed.

<sup>5</sup> Due to the reduction in force (RIF) provision in the certificated CBA, implemented is delayed until FY 2019-20 (see **R.12**).

<sup>6</sup> The value of the savings from this recommendation is projected to increase by 4.6 percent annually for FY 2020-21 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in

## R.5 Eliminate 2.5 FTE other educational positions

The District employs 3.0 FTE other educational positions. These positions are the deans of students at Niles Primary School, Niles Intermediate School, and Niles Middle School, and assist the principals and act as a liaison between the students, parents and staff.

**Table 8** shows the District's FY 2017-18 other professional educational positions per 1,000 students compared to the FY 2016-17 primary peer average. Comparing other professional educational staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 8: Other Educational Staff Comparison**

Students	NCS D		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCS D		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTE Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Other Educational	3.00	1.30	0.17	1.13	2.61

Source: NCS D, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of other educational FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 8**, other educational staffing is higher than the primary peer average by 2.61 FTEs. The District would need to reduce 2.5 FTE other educational positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

**Financial Implication:** Eliminating 2.5 FTE other educational positions could save approximately **\$185,600** in salaries and benefits in FY 2019-20.<sup>7</sup> The value of each FTE reduction is calculated using the actual salaries and benefits of the 13.0 FTE least tenured teaching positions that are recommended for elimination within this performance audit (see **R.4**). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>8</sup>

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the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers' compensation.

<sup>7</sup> Due to the RIF provision in the certificated CBA, implemented is delayed until FY 2019-20 (see **R.12**).

<sup>8</sup> The value of the savings from this recommendation is projected to increase by 4.6 percent annually for FY 2020-21 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers' compensation.

## R.6 Eliminate 1.5 FTE nursing positions

The District employs 3.0 FTE registered nursing positions, which perform activities requiring substantial specialized judgment and skill in observation, care, and counsel of ill and injured persons and in illness prevention. Registered nurses are included in the certificated CBA.

**Table 9** shows the District's FY 2017-18 nursing staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing nursing staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 9: Nursing Staff Comparison**

	NCS D		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCS D		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTE Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Registered Nursing	3.00	1.30	0.30	1.00	2.31
Practical Nursing	0.00	0.00	0.26	(0.26)	(0.60)
<b>Total</b>	<b>3.00</b>	<b>1.30</b>	<b>0.56</b>	<b>0.74</b>	<b>1.71</b>

Source: NCS D, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of nursing FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 9**, while NCS D only employs registered nurses, the peers employ a combination of registered and practical nurses. In total, NCS D employs 1.71 FTE more nursing positions than the primary peer average per 1,000 students. The District would need to reduce 1.5 FTE nursing positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students. Additionally, in future hiring decisions, the District should consider whether or not it would be appropriate to consider a combination of registered and practical nurses. Practical nurses are typically compensated at a lower rate of pay and are used across the primary peers at a rate nearly equal to registered nurses.

**Financial Implication:** Eliminating 1.5 FTE nursing positions could save approximately **\$123,800** in salaries and benefits in FY 2019-20.<sup>9</sup> This was calculated using salaries and benefits of the least tenured nursing positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>10</sup>

<sup>9</sup> Due to the RIF provision in the certificated CBA, implemented is delayed until FY 2019-20 (see **R.12**).

<sup>10</sup> The value of the savings from this recommendation is projected to increase by 5.0 percent annually for FY 2020-21 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers' compensation.

## R.7 Eliminate 0.5 FTE psychologist position

The District employs 2.0 FTE psychologist positions. These positions are certified school psychologists and provide psychological services, including: provision of assessment, consultation, intervention design, counseling, in services, and research.

**Table 10** shows the District's FY 2017-18 psychologist staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing nursing staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 10: Psychologist Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTE Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Psychologist	2.00	0.87	0.17	0.70	1.62

Source: NCSD, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of psychologist FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 10**, psychologist staffing is higher than the primary peer average per 1,000 students by 1.62 FTEs. The District would need to reduce 1.5 FTE psychologist positions in order to be in line with the primary peer average per 1,000 students. However, because 1.0 FTE psychologist is paid through Medicaid funds, which does not impact the five-year forecast, reducing 0.5 FTE psychologist position would bring the District further in line with the primary peer average per 1,000 students while allowing for savings to the five-year forecast.

**Financial Implication:** Eliminating 0.5 FTE psychologist position could save approximately **\$43,100** in salaries and benefits in FY 2018-19.<sup>11</sup> This was calculated using salaries and benefits of the least tenured psychologist positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>12</sup>

<sup>11</sup> Psychologist positions are contracted employees, with contracts that expire in July 2018.

<sup>12</sup> The value of the savings from this recommendation is projected to increase by 2.0 percent annually for FY 2019-20 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers' compensation.

## R.8 Eliminate 2.0 FTE building clerical positions

NCSD employs 10.0 FTE building clerical positions, which provide support to building-level administrators and students. The District has four school buildings, each with its own clerical staff.

**Table 11** compares the District's FY 2017-18 building clerical staff per 1,000 students and per building to the FY 2016-17 primary peer average. Comparing clerical staff in relation to student population normalizes the effect of district sizes on raw staffing numbers. In addition, comparing staff in relation to the number of school buildings provides further assessment of labor efficiency and provides additional context because building clerical staff are assigned building-based coverage responsibilities.

**Table 11: Building Clerical Staff Comparison**

Students and Buildings	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Buildings	4.0		5.0	(1.0)	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Clerical	10.00	4.33	4.14	0.19	0.44
Bookkeeping	0.00	0.00	0.04	(0.04)	(0.09)
Records Managing	0.00	0.00	0.03	(0.03)	(0.07)
Other Office/Clerical	0.00	0.00	0.09	(0.09)	(0.21)
<b>Total</b>	<b>10.00</b>	<b>4.33</b>	<b>4.30</b>	<b>0.03</b>	<b>0.07</b>
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per Building	FTEs per Building	FTE per Building	Total Above/ (Below) <sup>3</sup>
Clerical	10.00	2.50	1.91	0.59	2.36
Bookkeeping	0.00	0.00	0.02	(0.02)	(0.08)
Records Managing	0.00	0.00	0.02	(0.02)	(0.08)
Other Office/Clerical	0.00	0.00	0.04	(0.04)	(0.16)
<b>Total</b>	<b>10.00</b>	<b>2.50</b>	<b>1.99</b>	<b>0.51</b>	<b>2.04</b>

Source: NCSD, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of clerical FTEs per 1,000 students in line with the primary peer average.

<sup>3</sup> Represents the number of FTEs that, when added or subtracted, would bring the District's number of FTEs per building in line with the primary peer average.

As shown in **Table 11**, the District’s building clerical staffing is comparable to the primary peer average per 1,000 students, but 2.04 FTEs over the primary peer average per building. Although NCSD is in line with the primary peer average per 1,000 students, a per building comparison provides more context as to the workload of building clerical employees. The District would need to reduce 2.0 FTE school building clerical positions to achieve a staffing ratio in line with the primary peer average per building.

**Financial Implication:** Eliminating 2.0 FTE building clerical staff positions could save approximately **\$115,500** in salaries and benefits in FY 2018-19. The value of each FTE reduction is calculated using the actual salaries and benefits of the 4.0 FTE least tenured clerical positions that are recommended for elimination within this performance audit (also see **R.9**). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>13</sup>

**R.9 Eliminate 1.5 FTE central office clerical positions**

NCSD employs 7.50 FTE clerical staff in its central office that provide clerical support to the central office administrators. **Table 12** shows the District’s FY 2017-18 central office clerical staff per 1,000 students compared to the FY 2016-17 primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 12: Central Office Clerical Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Clerical	5.50	2.38	2.07	0.31	0.72
Bookkeeping	1.00	0.43	0.35	0.08	0.18
Records Managing	1.00	0.43	0.04	0.39	0.90
Telephone Operator	0.00	0.00	0.09	(0.09)	(0.21)
Other Office/Clerical	0.00	0.00	0.04	(0.04)	(0.09)
<b>Total</b>	<b>7.50</b>	<b>3.24</b>	<b>2.59</b>	<b>0.65</b>	<b>1.50</b>

Source: NCSD, ODE, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

<sup>13</sup> The value of the savings from this recommendation is projected to increase by 3.8 percent annually for FY 2019-20 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers’ compensation.

As shown in **Table 12**, the District is 1.50 FTEs higher than the primary peer average for central office clerical staff. The District would need to reduce 1.5 FTE central office clerical positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

Financial Implication: Eliminating 1.5 FTE central office clerical staff positions could save approximately **\$86,600** in salaries and benefits in FY 2018-19. The value of each FTE reduction is calculated using the actual salaries and benefits of the 4.0 FTE least tenured clerical positions that are recommended for elimination within this performance audit (also see **R.8**). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.<sup>14</sup>

### **R.10 Reduce employer cost of health insurance**

NCSD offers single and family plan medical/prescription drug (health), dental, and vision insurance coverage to all employees. The District's insurance coverage, plan components, and employer/employee contribution levels are all included in the collective bargaining agreements (CBAs) with the Niles Education Association (certificated CBA), and the Ohio Association of Public School Employees<sup>15</sup> (classified CBA). These CBAs are both effective through August 30, 2019. As of February 2018, 241 employees were enrolled in District health insurance plans.

The District is self-insured and has established an Employee Benefits Self-Insurance Fund (Self-Insurance Fund) to account for and finance this benefit. Plan provisions are administered through a third party administrator, Anthem Blue Cross/Blue Shield. According to the U.S. Centers for Medicare & Medicaid Services, a self-insured plan is a "Type of plan usually present in larger [organizations] where the employer itself collects premiums from enrollees and takes on the responsibility of paying employees' and dependents' medical claims. These [organizations] can contract for insurance services such as enrollment, claims processing, and provider networks with a third party administrator, or they can be self-administered."

Self-insured governments are required to collect premiums sufficient to account for actual claims paid as well as to maintain a Self-Insurance Fund balance that is adequate to account for claims liability as estimated by the third-party administrator or other qualified actuarial services provider. Unlike a traditional insurance plan participant, a self-insured government, once an adequate Self-Insurance Fund balance is achieved, is eligible for a "premium holiday". Under a premium holiday, the self-insured government is able to forego a portion of premium payments into the Self-Insurance Fund as they are unnecessary to maintain an adequate fund balance; effectively resulting in a one-time cost reduction.

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<sup>14</sup> The value of the savings from this recommendation is projected to increase by 3.8 percent annually for FY 2019-20 through FY 2021-22 to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers' compensation.

<sup>15</sup> NCSD's classified employees are members of AFSCME Local No.4, AFL-CIO and Local No. 365.



**Table 13** shows NCSD’s Self-Insurance Fund balances, receipts, expenditures, and results of operations from FY 2014-15 through FY 2016-17. Additionally, ending claims liability and ending fund balance less claims liability are shown for FY 2016-17. It is important to analyze Self-Insurance Fund performance over time as it provides context on overall utilization, but also the adequacy of premiums as well as the potential to obtain a premium holiday.

**Table 13: NCSD Self-Insurance Fund Financial Overview**

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Beginning Fund Balance	\$370,491	\$271,238	\$868,659
Receipts	\$4,024,771	\$5,276,442	\$5,465,928
Expenditures	\$4,124,024	\$4,679,021	\$5,533,617
<b>Results of Operations</b>	<b>(\$99,253)</b>	<b>\$597,421</b>	<b>(\$67,689)</b>
<b>Ending Fund Balance</b>	<b>\$271,238</b>	<b>\$868,659</b>	<b>\$800,970</b>
<b>Three-Year Ending Fund Balance Performance</b>			<b>\$529,732</b>
<b>FY 2016-17 Ending Claims Liability</b>			<b>\$489,139</b>
<b>FY 2016-17 Ending Fund Balance Less Claims Liability</b>			<b>\$311,831</b>

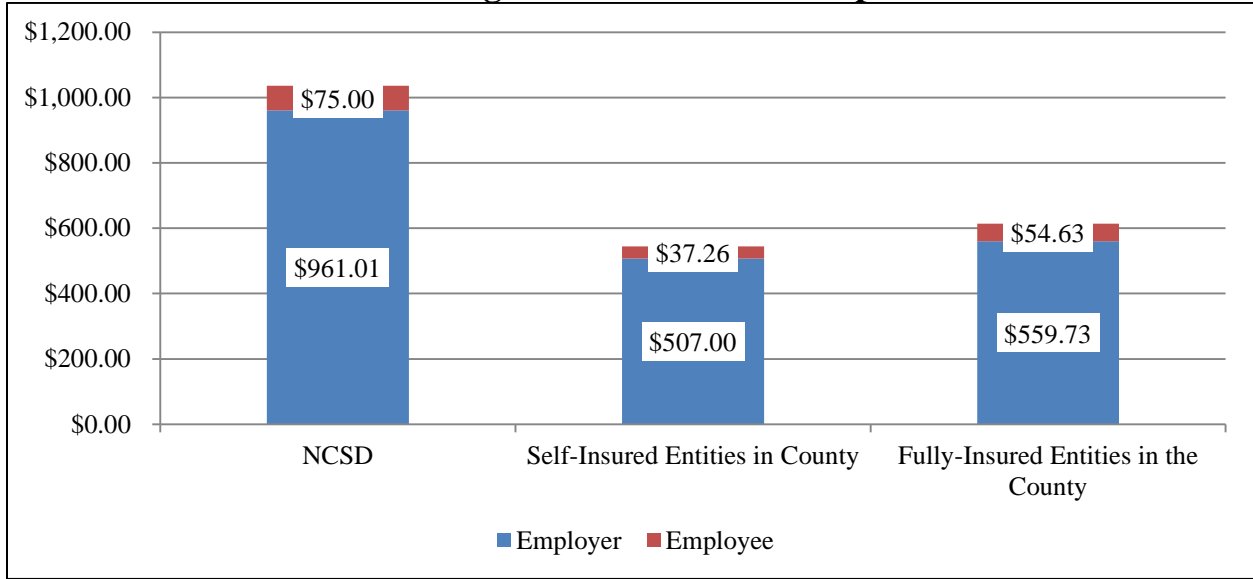
Source: NCSD

As shown in **Table 13**, NCSD’s Self-Insurance Fund has ended the past three years with a positive fund balance, and over that same timeframe the ending fund balance has increased nearly \$530,000. This is largely the product of a significant increase in receipts from FY 2014-15 to 2015-16 resulting in a nearly \$600,000 results of operations increase. In addition, the ending fund balance surpassed the ending claims liability for FY 2016-17 by more than \$311,000. This signifies that the District is maintaining a sufficient Self-Insurance Fund balance and may have an opportunity to take advantage of a premium holiday during FY 2017-18.

In gauging the relative cost of insurance it is important to compare to other entities in the area. The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in *Health Insurance: The Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2017).<sup>16</sup> **Chart 2** shows NCSD’s single plan monthly health insurance premiums and contributions for FY 2017-18 as compared to the Trumbull County average for both self-insured and fully-insured plans. **Chart 3** shows a similar comparison focusing on family plan monthly health insurance premiums.

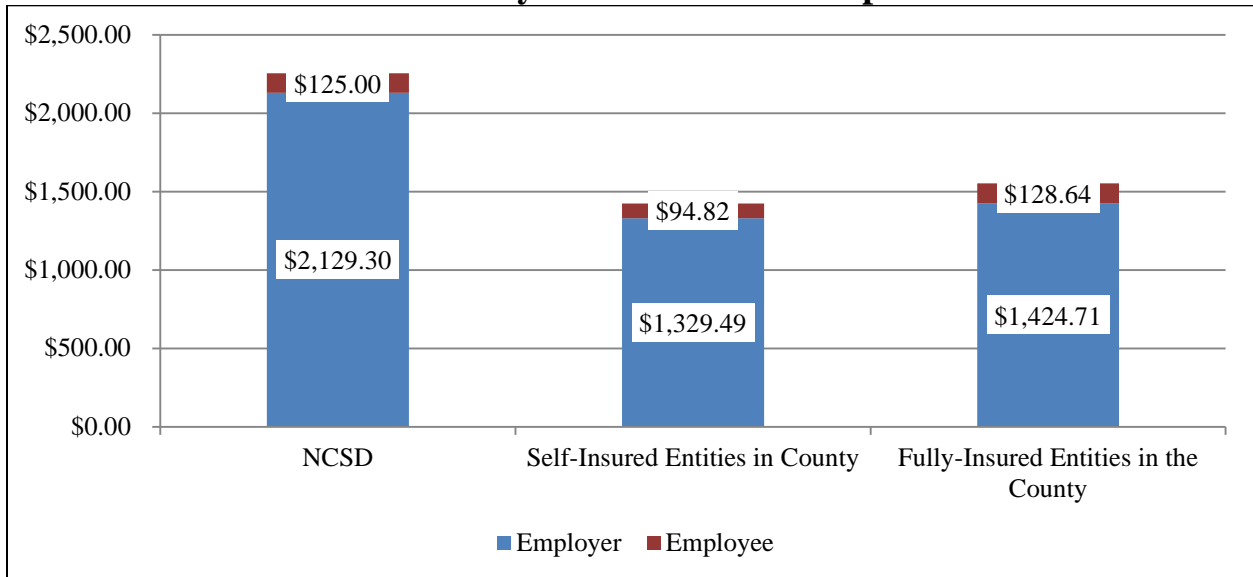
<sup>16</sup> The most recent SERB survey available was published in 2017. In order to compare NCSD’s FY 2017-18 premiums, the SERB 2017 information was inflated using the weighted average of historical premium increases of 3.3 percent for calendar year (CY) 2013 through CY 2017.

**Chart 2: Single Plan Premium Comparison**



Source: NCS D and SERB

**Chart 3: Family Plan Premium Comparison**



Source: NCS D and SERB

As shown in **Chart 2** and **Chart 3**, NCS D’s single and family plan monthly health insurance premiums are significantly more costly than the Trumbull County average for both self-insured and fully-insured entities. Furthermore, for both plan types, the District’s share of the monthly health premium (employer cost) alone is still significantly more costly than the Trumbull County average full premium cost for self-insured and fully-insured entities.

As previously noted, NCS D’s premiums are used to pay claims as well as to ensure adequate reserves in order to address likely claims liability. As such, the higher the claims cost, the higher the premiums. There are two primary factors impacting the cost of claims; employee use of

insurance, measured by Self-Insurance Fund expenditures (see **Table 13**) and insurance plan design, including cost sharing.

While the cost of claims is directly measurable through the performance of the Self-Insurance Fund, the cost effectiveness of plan design is able to be evaluated through comparisons to other entities in the area. **Table 14** shows NCSD’s key health insurance plan design elements, by plan type, as compared to the Trumbull County average.

**Table 14: Health Insurance Plan Design Comparison**

	NCSD	Trumbull County Avg.	Difference
<b>Deductibles</b>			
Single: In-Network	\$500	\$499	\$1
Family: In-Network	\$1,000	\$998	\$2
Single: Out-of-Network	\$1,000	\$882	\$118
Family: Out-of-Network	\$2,000	\$1,764	\$236
<b>Out-Of-Pocket Maximums</b>			
Single: In-Network	\$1,000	\$2,076	(\$1,076)
Family: In-Network	\$2,000	\$4,156	(\$2,156)
Single: Out-of-Network	\$2,000	\$3,835	(\$1,835)
Family: Out-of-Network	\$4,000	\$7,669	(\$3,669)
<b>Co-Payments</b>			
Office Visit	\$25	\$24	\$1
Urgent Care	\$50	\$24	\$26
Emergency Room	\$100	\$96	\$4

Source: NCSD and SERB

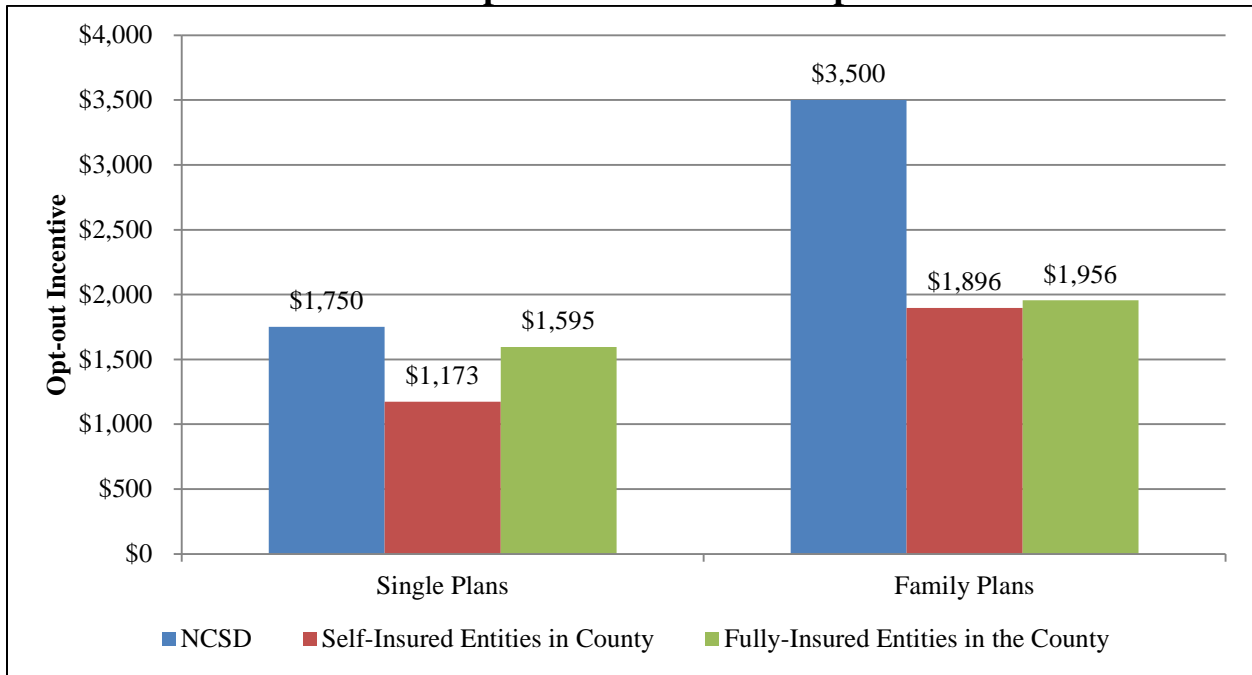
As shown in **Table 14**, NCSD’s single and family, in- and out-of-network deductibles and co-payments are in line or slightly higher than the Trumbull County averages. In contrast, the District’s out-of-pocket maximums for both in- and out-of-network are significantly lower than Trumbull County averages. These significantly lower than average out-of-pocket maximums increase the District’s cost of health insurance services. A less generous plan design, specifically focusing on increased out-of-pocket maximums, would help the District to shift some of the current financial responsibilities to employees and may help to decrease employer cost.

NCSD could also attempt to reduce health insurance claims, and overall cost, through the creation of an employee wellness program. According to *Managing Health Care Costs* (Society for Human Resource Management, 2017), wellness benefits can take many forms, and can be as simple or as complex as an organization desires. Some wellness benefits help employees deal with preventable and chronic conditions such as obesity, high glucose and elevated cholesterol. Other wellness benefits are incentive programs designed to motivate employees to complete certain health and wellness activities such as annual health risk assessments, smoking-cessation programs or weight-reduction programs. SHRM continues, stating “about three-quarters of HR professionals said their organizations offered some type of wellness program in 2014, and more than two-thirds of respondents from organizations that offered wellness initiatives indicated these efforts were “somewhat effective” or “very effective” in reducing the costs of health care.”

Another common method of reducing health insurance claims and cost is for an employer to offer an opt-out incentive. Under an opt-out incentive, the employer offers employees a monetary incentive for electing to forgo insurance coverage. NCS D already offers opt-out incentives to employees as a part of the certificated and classified CBAs.

**Chart 4** shows NCS D’s FY 2017-18 opt-out incentive compared to the Trumbull County average for both self-insured and fully-insured plans as reported in *Health Insurance: The Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2017).<sup>17</sup> Comparing the District’s opt-out levels to county data provides an indication on the appropriateness of this benefit.

**Chart 4: Opt-Out Incentive Comparison**



Source: NCS D and SERB

As shown in **Chart 4**, NCS D’s opt-out incentive for single plans is higher than both self-insured and fully-insured entities in Trumbull County. For family plan opt-outs, the District’s \$3,500 incentive was significantly higher than both self-insured and fully-insured entities by more than \$1,500. The District should assess the effectiveness of its opt-out incentive until it is successful in decreasing overall health insurance costs.

Similar to opt-out incentives, employers also commonly implement spousal restrictions to reduce the number of health insurance participants, and thus reduce claims and cost. Under a spousal restriction, an employer may require spouses of employees, who have health insurance coverage available through other means (e.g., another employer), to use other available health insurance coverage. Unlike opt-out incentives, NCS D does not currently have spousal restrictions in place.

<sup>17</sup> The most recent SERB survey available was published in 2017. In order to compare NCS D’s FY 2017-18 premiums, the SERB 2017 information was inflated using the weighted average of historical premium increases of 3.3 percent for calendar year (CY) 2013 through CY 2017.

According to *Health Insurance: The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2017), spousal restrictions are used by 44.1 percent of public sector employers in Ohio. Although a majority, 59.5 percent of entities, with spousal restrictions only required the spouse to take other insurance as the primary provider. Another 4.9 percent of entities with a spousal restriction offered an incentive and 3.6 percent charged a penalty.

The final component of plan design in employer/employee cost sharing. If NCSD is unable to adequately reduce the employer cost of insurance through the aforementioned plan design changes and restrictions, it may be necessary to increase the employee premium to fully offset the District's significantly higher employer cost of health insurance (see **Chart 2** and **Chart 3**).

**Table 15** shows NCSD's employer cost of health insurance for FY 2017-18 as compared to the Trumbull County average for self-insured and fully-insured plans. Focusing on the District's employer cost of health insurance provides context for the potential savings available through bringing employer cost in line with the Trumbull County average.

**Table 15: Health Insurance Premium Comparison**

NCSD Employees Enrolled by Plan Type			
Single			55
Family			186
Plan Type	NCSD Annual Employer Costs	Trumbull County Avg. Annual Employer Cost	
		Self-Insured Entities	Fully-Insured Entities
Single	\$11,532	\$6,084	\$5,667
Family	\$25,552	\$15,954	\$15,936
Single Plan Annual Difference per Employee		\$5,448	\$5,865
Family Plan Annual Difference per Employee		\$9,598	\$9,616
Single Plan Annual Total Cost Savings		\$299,640	\$322,575
Family Plan Annual Total Cost Savings		\$1,785,228	\$1,788,576
<b>Total Annual Health Insurance Cost Savings</b>		<b>\$2,084,868</b>	<b>\$2,111,151</b>

Source: NCSD and SERB

As shown in **Table 15**, NCSD's annual employer cost of health insurance for single and family plans is significantly higher than the Trumbull County average for both self-insured and fully-insured entities. In total, bringing the District's employer cost in line with the Trumbull County average would result in cost savings of between \$2.0 and \$2.1 million annually.

NCSD's employer health insurance costs for single and family plans are significantly higher than the Trumbull County averages for both self-insured and fully-insured entities. If the District chooses to remain self-insured, it should attempt to reduce cost by controlling claim amounts or the overall cost sharing. Options to reevaluate include: key plan design elements, such as out-of-pocket maximums; the cost/benefit of opt-out incentive amounts; the cost/benefit of wellness programs; implementing spousal restrictions; and increasing employee contributions. However, implementation of these changes would not be feasible, except through negotiation, and would not be implementable until after the CBAs expire on August 30, 2019.

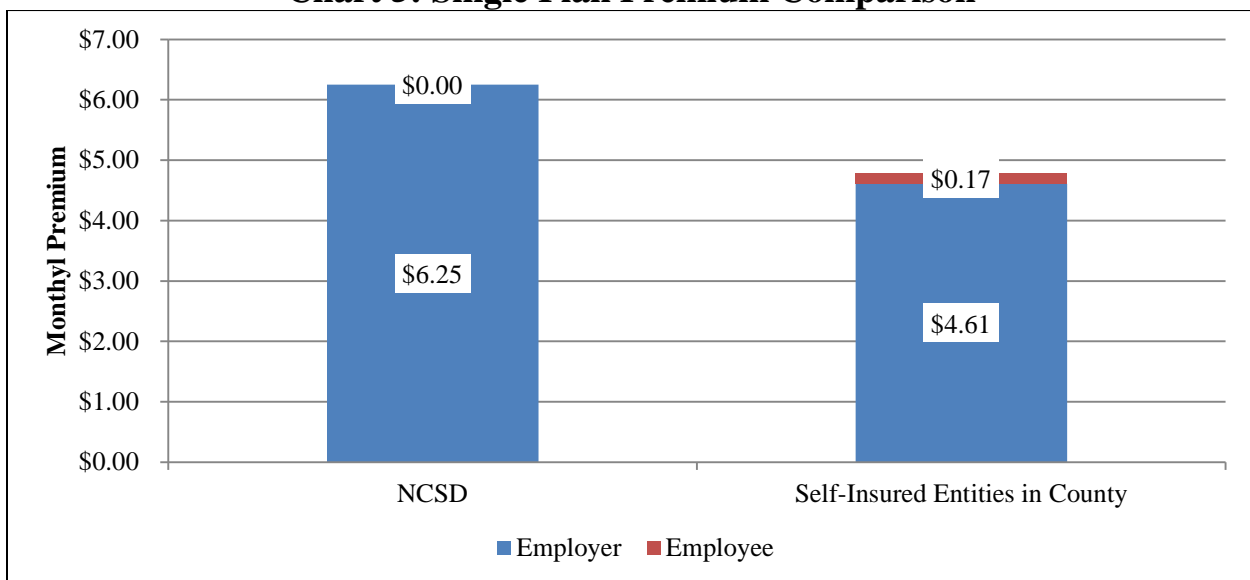
Financial Implication: Bringing the employer cost of health insurance in line with the Trumbull County average for self-insured entities could save the District **\$2,084,800** annually.<sup>18</sup>

### R.11 Reduce employer cost of vision insurance

As previously noted, NCSD offers single and family plan health, dental, and vision insurance coverage to all employees. The District's insurance coverage, plan components, and employer/employee contribution levels are all included in the CBAs. These CBAs are both effective through August 30, 2019. As of February 2018, 241 employees were enrolled in District vision insurance plans.

In gauging the relative cost of insurance it is important to compare to other entities in the area. SERB surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in *Health Insurance: The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2017).<sup>19</sup> **Chart 5** shows NCSD's single plan monthly vision insurance premiums and contributions for FY 2017-18 as compared to the Trumbull County average for self-insured plans.<sup>20</sup> **Chart 6** shows a similar comparison focusing on family plan monthly vision insurance premiums.

**Chart 5: Single Plan Premium Comparison**



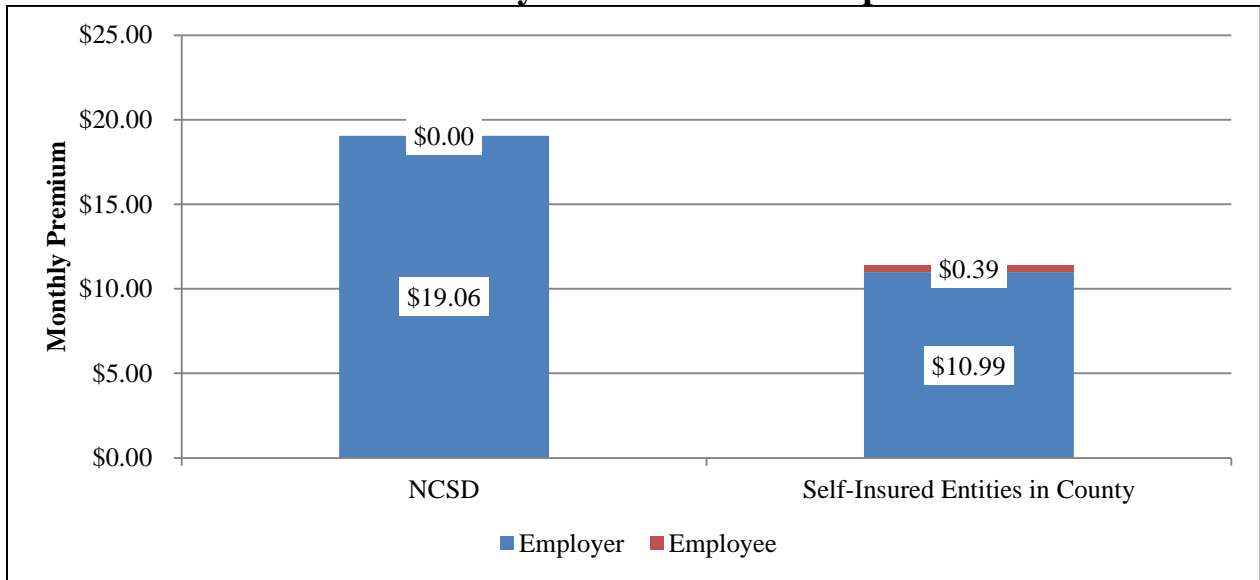
Source: NCSD and SERB

<sup>18</sup> The District's March 2018 five-year forecast does not assume premium holidays in FY2018-19 through FY 2021-22, therefore, the full cost savings identified in **Table 15** is applied to the forecast. The District also assumes a 6.5 percent increase in insurance costs annually. As such, cost savings applied to the forecast are also inflated by 6.5 percent annually to be consistent with the assumptions.

<sup>19</sup> SERB does not publish inflationary information that is directly calculable for vision insurance. Therefore, no inflationary factor is included in this analysis.

<sup>20</sup> This comparison is limited to self-insured plans only as there are an insufficient number of fully-insured plans in the County to draw an accurate comparison.

**Chart 6: Family Plan Premium Comparison**



Source: NCS D and SERB

As shown in **Chart 5** and **Chart 6**, NCS D’s single and family plan monthly vision insurance premiums are significantly more costly than the Trumbull County average for self-insured entities. Furthermore, the District’s employer cost alone is still significantly more costly than the Trumbull County average full premium cost for self-insured entities.

**Table 16** shows NCS D’s employer cost of vision insurance for FY 2017-18 as compared to the Trumbull County average for self-insured plans. Focusing on the District’s employer cost of vision insurance provides context for the potential savings available through bringing employer cost in line with the Trumbull County average.

**Table 16: Vision Employee Contributions Comparison**

NCS D Employees Enrolled by Plan Type		
Single		55
Family		186
Plan Type	NCS D Annual Employer Costs	Self-Insured Entities in Trumbull County Annual Employer Costs
Single	\$75.00	\$57.13
Family	\$228.72	\$136.28
Single Plan Annual Difference per Employee		\$17.87
Family Plan Annual Difference per Employee		\$92.44
Single Plan Annual Total Cost Savings		\$982.85
Family Plan Annual Total Cost Savings		\$17,193.84
<b>Total Annual Vision Insurance Cost Savings</b>		<b>\$18,176.69</b>

Source: NCS D and SERB

As shown in **Table 16**, NCSD's annual employer cost of vision insurance for single and family plans is significantly higher than the Trumbull County average for self-insured entities. In total, bringing the District's employer cost in line with the Trumbull County average would result in cost savings of \$18,100 annually.

Financial Implication: Bringing the employer cost of vision insurance in line with the Trumbull County average for self-insured entities could save the District **\$18,100** annually.<sup>21</sup>

## **R.12 Renegotiate collective bargaining agreement provisions**

An analysis of the certificated and classified CBAs identified certain provisions that exceed State minimum standards as set forth in the ORC, OAC, and/or provisions in the local peer district contracts.

### **Provisions with Long-Term Impact**

- **Vacation Accrual:** Under the classified CBA, 11-month and 12-month employees are entitled to annual vacation accrual whereby they can earn 505 vacation days over the course of a 30-year career. Although this amount is lower than the local peer average of 549 days, it exceeds the statutory minimum of 460 days established for full-time employees under ORC § 3319.084. In addition, NCSD employees working less than 11 months are entitled to 10 vacation days per year with full pay. The ORC does not require paid vacation days for employees working less than 11 months per year and no local peer provides vacation to employees working less than 11 months. Providing employees with more vacation days could increase substitute and overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, this would serve to increase the number of available work hours, at no additional cost to the District.
- **Paid Holidays:** Under the classified CBA, 11-month and 12-month employees are entitled to 14 paid holidays and nine and 10-month employees are entitled to 11 paid holidays. ORC § 3319.087 states 11-month and 12-month employees are entitled to seven paid holidays, and 9-month and 10-month employees are entitled to six paid holidays. Furthermore, the District is higher than the local peer average of 12.5 holidays for 11-month and 12-month employees and nine holidays for 9-month and 10-month employees. Direct savings from reducing the number of holidays could not be quantified; however, a reduction would increase the number of available work hours at no additional cost to the District.
- **Paid Lunch:** Under the classified CBA, employees who work more than five hours per day are entitled to a half-hour paid lunch during the workday. Paid lunch is not a requirement under ORC or OAC for classified employees and one local peer, Weathersfield LSD, does not offer a paid lunch to classified staff, while three local peers

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<sup>21</sup> The District assumes a 6.5 percent increase in insurance costs annually. These increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Because health insurance is included in the District's CBAs this recommendation could not be implemented until FY 2019-20 when new agreements will begin (see **R.12**).



do offer paid lunch. Eliminating paid lunch would increase the number of available work hours at no additional cost to the District.

- **Sick Leave Accumulation and Severance Payout:** Under each respective CBA, certificated employees are entitled to accumulate an unlimited amount of sick leave and the classified employees are entitled to accumulate 350 days. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. In comparison, three of the four local peer districts' certificated and classified CBAs entitle employees to accrue sick leave to an unlimited amount.<sup>22</sup> The exception among local peer districts is McDonald LSD which entitles certificated and classified employees to accrue up to 320 days. Although the District is in line with a majority of local peers, providing accumulation in excess of State minimum levels represents the potential for increased liability when sick leave is paid out to retiring employees.

The District's CBAs entitle certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, NCSD certificated and classified employees are entitled to payouts of 35 percent of unused sick leave, up to a maximum of 70 days, after eight years of service with the District. In addition, sick leave days in excess of 200 are paid at the rate of \$50, per day, for certificated employees and \$40, per day, for classified employees. In comparison, the District allows a higher payout level than the minimum established by ORC § 124.39, which allows employees to be paid for 25 percent of unused sick leave at retirement, up to a maximum of 30 days, after ten years of service. Additionally, three out of the four local peers require a minimum of ten years of service to qualify for severance.<sup>23</sup> Similar to NCSD, three out of the four peers offer severance payments based on a maximum number of sick days plus an additional amount beyond the maximum.<sup>24</sup> The fourth peer, McDonald LSD, pays out a maximum of 80 days. While the District's payouts are similar to most of the local peers, allowing employees to receive payouts in excess of State minimums becomes costly at employee retirements (see **Table B-13** in **Appendix B**).

- **Emergency Leave:** Under the certificated and classified CBAs, NCSD employees receive four paid personal days and one paid emergency leave day per year.<sup>25</sup> Additionally, the District's CBAs allow unused emergency leave days to be combined with sick leave and paid out in the form of severance at the time of retirement. ORC § 3319.142 requires that non-teaching employees receive three personal days per year and does not address personal leave for certificated employees. In comparison, Howland LSD

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<sup>22</sup> Howland LSD, Liberty LSD, and Weathersfield LSD CBAs entitle employees to accrue sick leave to an unlimited amount.

<sup>23</sup> Howland LSD, Liberty LSD, and McDonald LSD require a minimum of ten years of service to qualify for severance and Weathersfield LSD has a minimum of five years of service.

<sup>24</sup> Howland LSD pays out sick leave based on a sliding scale, plus an additional 10 percent of remaining sick leave. Liberty LSD pays out 65 days, plus up to an additional 100 days in excess of 300. Weathersfield LSD pays out 216 days and an additional 14 percent of days in excess of 216 days.

<sup>25</sup> Emergency leave days can be used for the observance of religious holidays, attendance at graduation exercises for employee, spouse, or child, weather conditions, conducting business that cannot be done on Saturday, accompanying a member of immediate family to a terminal upon departing for service or returning from service, or other situations approved by the Superintendent.

and Liberty LSD offer four paid personal days a year to certificated employees and McDonald LSD and Weathersfield LSD offer three days. For classified employees, Howland LSD, Liberty LSD, and McDonald LSD provide four paid days of personal leave and Weathersfield LSD provides three days.<sup>26</sup> None of the local peers offer paid emergency leave in addition to paid personal leave. Similar to vacation leave, providing employees with an additional day of paid emergency leave could result in increased substitute or overtime costs. Furthermore, it could result in additional severance liability at retirement. Direct savings from eliminating one emergency day could not be quantified; however, this would serve to increase the number of available work hours, at no additional cost to the District.

### **Provisions with Immediate Impact**

- **Minimum Staffing Requirement:** The certificated CBA requires a minimum staffing level for teachers, stating that “There will be no reductions in force for the duration of this Agreement causing the membership of the Niles Education Association to drop below 180 members except for attrition.” OAC 3301-35-05 requires one FTE teacher for every 25 regular students, which already creates a minimum staffing level for the District. Moreover, none of the local peer CBAs have minimum staffing level requirements for certificated staff. Staffing requirements that are more stringent than what is required by the OAC restrict the ability of the District to manage the size of its workforce by adjusting for changes in student population or to address financial solvency issues.
- **Building Checks:** Under the classified CBA, building checks of the four school buildings, the administrative building, and the stadium complex are completed by building and grounds personnel each weekend, throughout the year. Under the classified CBA, head custodians are entitled to two hours of pay at one and one-half times their respective regular pay rate for building checks of the four school buildings. The assistant head custodian is entitled to two hours of pay at one and one-half times his or her respective regular pay rate for building checks of the administrative building, while the assistant custodian/groundskeeper is entitled to one hour of pay at one and one-half times his or her regular pay rate for checks of the stadium complex. In comparison, Liberty LSD’s classified contract does not contain a building check provision. While the other three peers do have building checks provision in their respective classified CBAs, none have a defined, pre-determined schedule specified. For example, McDonald LSD’s CBA specifically states that building checks are only conducted if ordered by the administration. Additionally, each of the three local peer CBAs containing a building check provision specify payment for one hour at one and one half-times the regular rate of pay, unlike NCSD’s provision calling for two hours of pay per building check for everything but the stadium complex.

In FY 2016-17, the District paid \$16,284, or 33.7 percent, of its total Buildings and Grounds departmental overtime expenditure, for building checks. **Table 17** shows the District’s total Buildings and Grounds Department overtime expenditures in FY 2016-17

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<sup>26</sup> McDonald LSD gives three days of personal leave to classified employees working less than 12 months.

compared to the primary peer average. This analysis is important for determining the impact this provision has on overtime.

**Table 17: Buildings and Grounds Overtime Expenditure Comparison**

	NCS D	Primary Peer Average	Difference	% Difference
Overtime Total	\$48,345	\$35,302	\$13,043	36.9%
Overtime Total without Building Checks	\$32,061	\$35,302	(\$3,241)	(9.2%)

Source: NCS D and primary peers

As shown in **Table 17**, total overtime expenditures for the Buildings and Grounds Department were 36.9 percent higher than the primary peer average. Furthermore, relatively high overtime costs were driven by building checks as shown by total overtime without building checks being lower than primary peer average by 9.2 percent. Reducing overtime expenditures to a level consistent with the primary peer average would save the District approximately \$13,000, annually.

- Class Size:** Under the certificated CBA, class sizes are set as follows: grades K-5 will have a maximum class size of 26 students per classroom employee and grades 6-12 will have an average of 26 students, per classroom, with a maximum of 28 students. Neither the OAC nor the ORC set maximum class size limits. Furthermore, McDonald LSD does not reference class sizes in its CBA and Liberty LSD states that class size will be within the parameters of OAC 3301-35-05. Weathersfield LSD’s certificated CBA set class limits at 35 students for K-12, and Howland LSD has limits of grades K-2 of 23 students, grades 3-5 of 25 students, and grades 6-12 of 28 students. Including maximum class size provisions in the CBA limits the District’s ability to adjust class sizes in order to efficiently operate based on the District’s financial position.
- Class Load Compensation:** Under the certificated CBA, secondary teachers are entitled to receive additional compensation for carrying six assigned periods in one day, excluding the homeroom period, one preparation period, and one lunch period.<sup>27</sup> Teachers receive additional compensation in the amount of 2.50 percent of the base salary for the entire year, or 1.25 percent of the base salary, per semester, for carrying six periods. Three of the local peers do not offer additional compensation. Only one local peer, Howland LSD, offers a similar provision to certificated employees.<sup>28</sup> Eliminating additional class load compensation would bring the District in line with the local peers and could save the District approximately \$20,100, annually, based on the average actual class load payments from FY 2014-15 through FY 2016-17.
- Internal Substitutes:** Under the certificated CBA, when an external substitute cannot be enlisted, the District’s teachers are entitled to \$50, per period, for a 40 to 70-minute timeframe, to cover other classes during their planning or preparation periods. In comparison, Howland LSD compensates internal substitutes at a rate of \$20, per period,

<sup>27</sup> A secondary employee teaches grades nine through twelve.

<sup>28</sup> Howland LSD compensates high school teachers 8 percent of the base salary for carrying more than 25 teaching periods per week.

while Liberty LSD and McDonald LSD pay internal substitutes per hour, at the rate of \$17.56 and \$20.50, respectively. Reducing the amount of internal substitute compensation to the peer average of \$19.35 per period would bring the District in line and could save \$20,400 based on the District's actual reimbursements from FY 2016-17.

- **Certificated Tuition Reimbursement:** Under the certificated CBA, employees are entitled to be reimbursed for tuition costs, up to a maximum appropriation of \$22,500 annually for all certificated employees.<sup>29</sup> In comparison, local peer districts have an average maximum tuition allocation of \$12,500, each year.<sup>30</sup> Additionally, the District's tuition provisions do not specify maximum reimbursement amounts for individual employees. In comparison, three out of the four local peers specify maximum reimbursement amounts for individual employees.<sup>31</sup> For example, Weathersfield LSD allows for an individual tuition reimbursement amount of \$900 per year. In FY 2016-17, out of the certificated employees at NCS D that received tuition reimbursements, 38 percent received payments in excess of \$900, with the average of those payments being \$3,790.<sup>32</sup> Reducing the maximum tuition reimbursement for certificated employees to the peer average of \$12,500 annually, would result in a cost savings of \$8,700 annually.<sup>33</sup>
- **Classified Tuition Reimbursement:** Under the classified CBA, employees are entitled to be reimbursed for tuition costs, up to a maximum appropriation of \$5,000 for all classified employees. Two of the local peers, Liberty LSD and Weathersfield LSD, do not offer tuition reimbursement to classified staff, while the two remaining peers, Howland LSD and McDonald LSD, offer limited tuition reimbursement. Howland LSD reimburses tuition for classified staff if the Board has requested the employee to attend classes. McDonald LSD reimburses classified staff a maximum of \$225, per employee, for each school year. NCS D should eliminate tuition reimbursement for classified staff in order to be in line with three of the local peers.<sup>34</sup>

**Financial Implication:** Reducing overtime expenditures for classified staff to a level consistent with the primary peers could save the District **\$13,000** annually, based on actual overtime expenditures in FY 2016-17; eliminating the additional class load compensation for secondary employees could save the District **\$20,100** annually, based on FY 2014-15 through FY 2016-17

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<sup>29</sup> Included in the allowance for certificated employees is \$2,500 that is allocated for tuition costs associated with the Third Grade Reading Guarantee. Any money left over from this is used for general tuition payments.

<sup>30</sup> McDonald LSD and Weathersfield LSD appropriate an annual tuition reimbursement maximum of \$10,000 and \$15,000, respectively. Howland LSD and Liberty LSD offer tuition reimbursements to individual employees only, rather than a pool for all employees, and, therefore, are not included in the peer average.

<sup>31</sup> Howland LSD has an individual maximum of \$1,000, per year, for employees who do not have a master's degree. Once a master's degree is obtained, the reimbursement amount is \$100 per semester hour or \$60 per quarter hour. Liberty LSD has an individual maximum of \$800, per year, for employees who do not have a master's degree. Once a master's degree is obtained, the reimbursement maximum for Liberty LSD is \$700 per year. Weathersfield LSD has an individual maximum of \$900 per year.

<sup>32</sup> The average of payments over \$900 was \$1,686 in FY 2014-15 and \$1,878 in FY 2015-16.

<sup>33</sup> NCS D spent an average of \$21,200 on tuition reimbursements from FY 2014-15 and FY 2016-17.

<sup>34</sup> In FY 2014-15, no classified employees received tuition reimbursement, in FY 2015-16 and FY 2016-17, one classified employee received tuition reimbursement.

actual expenditures;<sup>35</sup> reducing the amount of internal substitute compensation to \$19.35, per period, could save the District **\$20,400** annually, based on actual reimbursements from FY 2016-17; reducing tuition reimbursements to the local peer average could save the District **\$8,700** annually, based on FY 2014-15 through FY 2016-17 actual reimbursements.

**R.13 Reduce 9.5 daily labor hours from the food service operation**

**Table 18** shows operating results for the Food Service Fund for FY 2014-15 through FY 2016-17. Examining the financial performance of food service operations is important as negative operations directly affect the General Fund.

**Table 18: Food Service Fund Historical Operating Results**

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Beginning Fund Balance	(\$9,992.16)	\$1,372.38	\$0.00
Net Result of Operations	(\$78,335.46)	(\$84,198.21)	(\$137,203.58)
General Fund Transfer In	\$89,700.00	\$82,825.83	\$0.00
<b>Year-End Fund Balance</b>	<b>\$1,372.38</b>	<b>\$0.00</b>	<b>(\$137,203.58)</b>

Source: NCSD

As shown in **Table 18**, NCSD’s Food Service Fund had negative results of operations in all three fiscal years, and required a transfer from the General Fund in FY 2014-15 and FY 2015-16 to avoid fund balance deficits. Although the District incurred a year-end fund balance deficit in FY 2016-17, no General Fund transfer was made, resulting in a year-end negative balance of \$137,203.58. Year-end deficits in special funds are only permissible under ORC § 3315.20 if the district has a request for payment pending with the State sufficient to cover the amount of the deficit and there is a reasonable likelihood that payment will be made, and the unspent and unencumbered balance in the district’s general fund is greater than the aggregate of deficit amounts in all the district’s special funds. NCSD did not have a payment pending to cover the amount of the deficit; therefore, it does not appear that the District complied with ORC 3315.20.

At the beginning of FY 2016-17, the District began contracting with a food service management company (the Contractor) that provides an on-site Food Service Manager that manages staff, purchases supplies and materials, submits claims, and monitors free and reduced levels. Beginning in FY 2017-18, the District began participating in the Community Eligibility Provision (CEP) for students in kindergarten through fifth grade. This allows districts in low-income areas to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. As a result, student participation in grades K-5 increased from FY 2016-17 to FY 2017-18.<sup>36</sup>

The District operates four kitchens, one in each school building, with 125.0 labor hours, and one Food Service Director. Meals per labor hour is a common indicator of food service labor efficiency and is determined by taking the number of meal equivalents served in relation to the number of food preparation hours. **Table 19** shows the District’s meals per labor hour from

<sup>35</sup> This amount includes class load compensation in addition to corresponding STRS and worker’s compensation payments. For FY 2017-18, the annual class load payment amount is 2.5 percent of the base salary or \$765.93. In FY 2018-19, the annual payment amount will be \$777.43, because there is an increase in the base salary.

<sup>36</sup> Participation data used for FY 2017-18 includes September 2017 through January 2018.

September 2017 through January 2018 compared to benchmark data outlined in *School Food and Nutrition Service Management for the 21<sup>st</sup> Century* (Pannell-Martin and Boettger, 2014). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

**Table 19: Food Service Workload Comparison**

	<b>Meal Equivalents Served per Day</b>	<b>NCSD Daily Labor Hours</b>	<b>Benchmark Required Daily Labor Hours</b>	<b>Difference</b>
Niles Primary School	515	28.5	28.6	(0.1)
Niles Intermediate School	523	28.0	29.0	(1.0)
Niles Middle School	502	32.5	27.9	4.6
Niles McKinley High School	555	36.0	30.9	5.1

Source: NCSD and Pannell-Martin and Boettger

As shown in **Table 19**, the District’s daily labor hours exceeded the benchmark at Niles Middle School and Niles McKinley High School. As participation in the food service program changes, staffing adjustments need to be evaluated in order to ensure efficiency. In order to align with the benchmark, the District would need to reduce 4.6 labor hours at Niles Middle School and 5.1 labor hours at Niles McKinley High School. The District should continue to monitor participation and adjust the workforce accordingly. In addition, the NCSD should comply with ORC § 3315.20, and ensure the Food Service Fund is self-sufficient in future years.

Financial Implication: Reducing 9.5 daily labor hours from the food service operation could save the District **\$44,500** in salaries and benefits in FY 2018-19.<sup>37</sup> This was calculated using salaries and benefits of the least tenured positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff. If the full cost savings from insurance plan changes (see **R.10** and **R.11**) are realized, the District may be able to operate the Food Service Fund without a deficit, and may not need to reduce the full 9.5 daily labor hours.

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<sup>37</sup> The value of the savings from this recommendation is projected to increase by an average of 5.2 percent annually for FY 2019-20 through FY 2021-22 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 4**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, retirement, and workers’ compensation.

## **R.14 Complete T-1 Forms as prescribed by ODE**

In accordance with ORC § 3327.012 and OAC 3301-83-01, Ohio school districts are required to submit annual T-1 and T-2 Forms to ODE. The T-1 Form certifies the actual number and type of pupils transported, daily miles traveled, and buses used in the transportation program. School districts are required to complete the T-1 Form by recording the average number of pupils enrolled and regularly transported to school as well as the average daily miles traveled for pupil transportation, excluding non-routine and extracurricular miles, during the first full week of October. The T-1 Form is then used for calculation of the pupil transportation payment pursuant to ORC § 3327.012. Cost data is reported via the T-2 Form, which serves to certify the actual expenses incurred in the transportation of eligible pupils reported on the corresponding T-1 Form.

The District stated that it uses the instructions set forth by ODE as its policy for completing the T-1 and T-2 Forms. In order to submit the requisite data to ODE, NCSD bus drivers collect daily ridership and mileage on a manual form and submit it to the Transportation Supervisor for input into the T-1 Form. After approval by the Treasurer and Superintendent, the information is submitted to ODE where it is approved and published as the T-1 and T-2 Reports.

Despite supervision of the bus drivers and review from the Treasurer and Superintendent, numerous errors with regards to completing the T-1 Form in relation to ODE instructions were identified. The District failed to report riders for one bus and reported afternoon riders, instead of morning riders, for another. Additionally, on the rider count sheets, nine of the 14 buses (64.3 percent) had incomplete or inaccurate mileage data recorded. The District either removed these days from the average calculation or reported numbers based on an assumption, which deviate from reporting instructions. ODE requires the tracking of riders and mileage for each day of the count period, with the average to be reported on the T-1 Form. The T-2 Form was completed accurately and in accordance with ODE reporting instructions.

The District should develop formal internal policies and procedures for acquiring and compiling T-Form data. Developing and implementing formal procedures would help ensure accuracy when compiling and submitting rider count sheets for the T-1 Form. The types of errors identified above indicate that there are deficiencies in the data collection and review process used by the District. Failure to accurately report this information could result in incorrect calculations of State pupil transportation payments to the District.

## **R.15 Develop a data driven bus replacement plan**

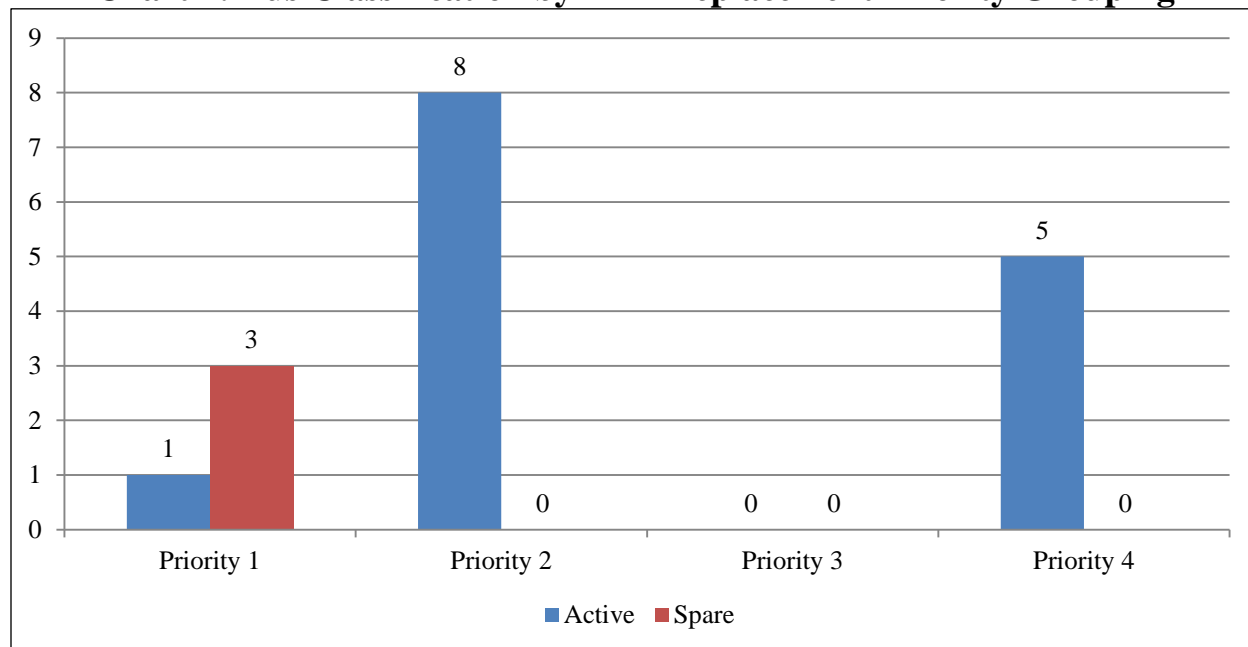
NCSD does not have a formal data driven bus replacement plan and an analysis of its fleet revealed that the average age of its active buses is 7 years. Historically, the District has purchased buses when funding is available from the General Fund, but has also utilized a lease-to-own option for three of its buses.

*Clean School Bus* (US Environmental Protection Agency (EPA), 2012) offers guidelines regarding the replacement of school buses. Accordingly, fleets should be assessed for age and condition to determine which buses need to be replaced first. Compiling this information in

advance allows districts to plan for future expenditures and to be prepared when funds become available. In addition, the EPA provides replacement guidance by categorizing buses into four priority groups based on model year. Groups in Priority One are considered most in need of immediate replacement with Priority Four being least in need.<sup>38</sup> Due to advanced age, buses in Priority One grouping often have increasing maintenance concerns, decreased fuel economy benefits, and less stringent safety equipment, making replacement a higher priority.

**Chart 7** shows the District’s FY 2017-18 fleet classified by EPA priority grouping. This provides a high level indication of the extent of the District’s fleet replacement needs relative to EPA guidelines.

**Chart 7: Bus Classification by EPA Replacement Priority Grouping**



Source: NCSD and EPA

As shown in **Chart 7**, five buses, or 29.4 percent, of the District’s fleet falls in the lowest priority group (Priority Four) while 70.6 percent of the District’s buses will near replacement age in the near-term, assuming no change in fleet size. A fleet replacement plan could help the District gain visibility into the costs of the fleet in priority groupings and in determining future reductions and/or replacements, enabling it to meet EPA suggested guidelines.

*Fleet Plan Instructions for Self-Managed Agencies* (Ohio Department of Administrative Services (DAS), 2016) recommends that, in addition to age, mileage and condition should be considered when making decisions about which vehicles should be replaced. To help prioritize which older

<sup>38</sup> *Clean School Bus* classifies buses by model year in the following priority groups: Priority One: pre-1998 model years; Priority Two: model years 1998 through 2003; Priority Three: model years 2004 through 2006; and Priority Four: model years 2007 and newer. For this analysis, the groupings were updated to the following priority groupings: Priority One: pre-2004 model years; Priority Two: model years 2004 through 2009; Priority Three: model years 2010 through 2012; Priority Four: model years 2013 and newer.



buses should be removed from its inventory, NCSD should consider the full cost of bus operation, including fuel, parts, labor, and vehicle depreciation.

The District should develop a formal data driven bus replacement plan. Doing so would allow it to communicate to leadership and to the public about the needs of its bus fleet. Additionally, it would allow the District to communicate its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet. Adopting a plan could reduce overall operating costs and help to avoid the need to replace a major portion of the fleet at the same time.

**R.16 Develop a formal transportation preventive maintenance program**

The District performs limited regular preventive maintenance on its buses; however, it does not have a formal bus maintenance plan. Further, maintenance and repair costs per bus are not tracked. As a result, NCSD runs the risk of allocating resources for maintenance of an aging bus that could be more efficiently allocated towards the acquisition of newer buses (see R.15).

**Table 20** shows a comparison of the District’s bus maintenance and repair expenditure ratios to the transportation peer average for FY 2016-17. This comparison provides a relative gauge of the maintenance costs associated with maintaining the District’s bus fleet.

**Table 20: Maintenance and Repair Expenditures Comparison**

	NCSD	Transportation Peer Average	Difference	% Difference
Per Yellow Bus Rider	\$94.18	\$98.95	(\$4.77)	(4.8%)
Per Active Bus	\$7,961.60	\$7,332.38	\$629.22	8.6%
Per Routine Mile	\$1.12	\$0.96	\$0.16	16.7%

Source: ODE

As shown in **Table 20**, the District’s maintenance and repair costs were significantly higher than the transportation peer average for expenditures per active bus and per routine mile. These higher relative costs increase the importance of the District to effectively track its maintenance and repair expenditures and to use the information to plan for repair and replacement needs. According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- 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.

Adopting a formal preventive maintenance program would allow the District to manage its fleet more efficiently. Specifically, a formal, proactive approach to preventive maintenance could reduce overall maintenance and repair expenditures by limiting the occurrence of major repairs. Additionally, tracking maintenance costs would help the District determine priorities for bus replacement (see R.15).

# Appendix A: Scope and Objectives

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

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Systems, 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** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. 10 of the 20 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

**Table A-1: Audit Objectives and Recommendations**

Objective	Recommendation
<b>Financial Management</b>	
Are budgeting and forecasting practices comparable to leading practices and is the forecast reasonable and supported?	<b>R.1</b>
Are the District’s strategic and capital planning efforts consistent with leading practices?	<b>R.1</b>
Are the District’s financial communication practices consistent with leading practices?	<b>R.2</b>
Are the District’s open enrollment policies and practices financially beneficial?	<b>N/A</b>
Are extracurricular activities appropriate to peers and/or the District’s financial condition?	<b>N/A</b>
<b>Human Resources</b>	
Are staffing levels efficient compared to general peers, state minimum requirements, and/or demand for service and are they appropriate based on the District’s financial condition?	<b>R.3, R.4, R.5, R.6, R.7, R.8, and R.9</b>
Are salaries and wages comparable to local peers and appropriate based on the District’s financial condition?	<b>N/A</b>
Are CBA provisions comparable to local peers and/or ORC minimums and appropriate based on the District’s financial condition?	<b>R.12</b>
Are insurance costs comparable to local markets and appropriate based on the District’s financial condition?	<b>R.10 and R.11</b>
<b>Facilities</b>	
Are building utilization rates efficient when compared to industry benchmarks and appropriate based on the District’s financial condition?	<b>N/A</b>
Is facilities staffing efficient compared to benchmarks and appropriate based on the District’s financial condition?	<b>N/A</b>
Are the facilities expenditures comparable to peers and/or industry standards and appropriate based on the District’s financial condition?	<b>N/A</b>
<b>Transportation</b>	
Are the District T-Report procedures and practices consistent with ODE requirements?	<b>R.14</b>
Is the fleet sized appropriately and routed efficiently compared to leading practices and are transportation operations appropriate based on the District’s financial condition?	<b>N/A</b>

Is the fleet maintained efficiently compared to industry benchmarks and/or transportation peers and appropriately based on the District's financial condition?	<b>R.16</b>
Are District fuel purchasing practices resulting in efficient pricing?	<b>N/A</b>
Is transportation operation security consistent with leading practices and appropriate based on the District's financial condition?	<b>N/A</b>
Are the bus replacement practices consistent with industry benchmarks and leading practices and appropriate based on the District's financial condition?	<b>R.15</b>
<b>Food Service</b>	
Is the Food Service Fund self-sufficient and consistent with leading practices?	<b>N/A</b>
Are the food service staffing levels efficient compared to peers and/or leading practices?	<b>R.13</b>

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

# Appendix B: Additional Comparisons

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## *Staffing*

NCSD's FY 2017-18 FTE staffing levels by category is shown in **Chart 1**.<sup>39</sup> Analyses of staffing levels that resulted in recommendations include: eliminate 10.5 FTE general education teachers (see **R.4**), eliminate 2.5 FTE other educational positions (see **R.5**), eliminate 1.5 FTE nursing positions (see **R.6**), eliminate 0.5 FTE psychologist position (see **R.7**), eliminate 2.0 FTE building clerical positions (see **R.8**), and eliminate 1.5 FTE central office clerical positions (see **R.9**). Staffing comparisons where the analysis did not result in a recommendation are presented for informational purposes below. Staffing comparisons show total FTEs only when the evaluation of the category as a whole is relevant.

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<sup>39</sup> The individual positions within each staffing category in **Chart 1** are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

## Central Office Administrators

In addition to the Superintendent and Treasurer, NCSD employs 3.0 FTE central office administrators. **Table B-1** shows a comparison of the District's FY 2017-18 central office administrators per 1,000 students compared to the primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-1: Central Office Administrator Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (Thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Administrative Assistant	0.00	0.00	0.04	(0.04)	(0.09)
Assistant, Deputy/Associate Superintendent	0.00	0.00	0.13	(0.13)	(0.30)
Supervisor/Manager	0.00	0.00	0.80	(0.80)	(1.85)
Coordinator	0.00	0.00	0.58	(0.58)	(1.34)
Education Administrative Specialist	2.00	0.87	0.09	0.78	1.80
Director	1.00	0.43	0.26	0.17	0.39
Other Official/Administrative	0.00	0.00	0.13	(0.13)	(0.30)
<b>Total</b>	<b>3.00</b>	<b>1.30</b>	<b>2.03</b>	<b>(0.73)</b>	<b>(1.69)</b>

Source: NCSD, ODE, and primary peers

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

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

As shown in **Table B-1**, despite employing 1.69 fewer FTE central office administrators in total than the primary peer average, NCSD has higher staffing in the education administrative specialist and director categories. Administrative staff, however, is compared in total due to the similarities and flexibility in coding these positions in EMIS. The education administrative specialist FTEs at NCSD are the Early Literacy/K-5 Curriculum Facilitator and the Director of School Improvement/Federal Programs/6-12 Curriculum. In addition, 50 percent of one FTE's salary is paid through Federal Funds.

## Building Administrators

**Table B-2** shows a comparison of the District’s FY 2017-18 building administrators per 1,000 students and per building compared to the primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers. In addition, comparing building administrators in relation to the number of school buildings provides further assessment of labor efficiency.

**Table B-2: Building Administrator Staff Comparison**

Students and Buildings	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Buildings <sup>2</sup>	4.0		5.0	(1.0)	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>3</sup>
Assistant Principal	2.00	0.87	0.95	(0.08)	(0.18)
Principal	4.00	1.73	2.04	(0.31)	(0.72)
<b>Total</b>	<b>6.00</b>	<b>2.60</b>	<b>2.99</b>	<b>(0.39)</b>	<b>(0.90)</b>
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per Building	FTEs per Building	FTEs per Building	Total Above/ (Below) <sup>4</sup>
Assistant Principal	2.00	0.50	0.44	0.06	0.24
Principal	4.00	1.00	0.94	0.06	0.24
<b>Total</b>	<b>6.00</b>	<b>1.50</b>	<b>1.38</b>	<b>0.12</b>	<b>0.48</b>

Source: NCSD, ODE, and primary peers

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

<sup>2</sup> Reflects the number of District school buildings and excludes the central office building, if located outside of a school building.

<sup>3</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

<sup>4</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per building students in line with the primary peer average.

As shown in **Table B-2**, NCSD employs 0.9 fewer FTE building administrator staff than the primary peer average per 1,000 students for the assistant principal and principal categories. In addition, although NCSD employs more FTE building administrators than the primary peer average per building the variance is less than 0.5 FTE. Therefore no recommendation is warranted.

## Teaching Staff

**Table B-3** shows a comparison of the District's FY 2017-18 teaching staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-3: Teaching Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
General Education	111.90	48.46	43.79	4.67	10.78
Gifted and Talented	0.00	0.00	0.35	(0.35)	(0.81)
Career-Technical Programs/Career Pathways	2.00	0.87	1.24	(0.37)	(0.85)
K-8 Art Education	3.00	1.30	1.04	0.26	0.60
K-8 Music Education	3.60	1.56	1.62	(0.06)	(0.14)
K-8 Physical Education	3.40	1.47	1.52	(0.05)	(0.12)

Source: NCSD, ODE, and primary peers

Note: Teaching assignments related exclusively to special education are excluded, as the special education positions are removed from the staffing analysis (see **District Staffing Overview** in the **Executive Summary**).

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

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

As shown in **Table B-3**, NCSD employs fewer FTE teaching staff than the primary peer average for the gifted and talented, career-technical programs/career pathways (career-technical), K-8 music education, and K-8 physical education categories. Furthermore, NCSD employs more FTE teaching staff than the primary peer average for the general education and K-8 art education categories. Although K-8 art education FTEs per 1,000 students is higher, the District employs 1.0 FTE K-8 art education teaching position in each of its three buildings that educate students between kindergarten and eighth grade. Therefore, no recommendation is warranted.

Analysis of the teaching staff that resulted in a recommendation includes the elimination of 10.5 FTE general education positions (see **R.4**).

## Non-Teaching Educational Staff

**Table B-4** shows a comparison of the District’s FY 2017-18 non-teaching educational staffing compared to the FY 2016-17 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-4: Non-Teaching Educational Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Curriculum Specialist	0.00	0.00	0.15	(0.15)	(0.35)
Counseling	3.00	1.30	1.32	(0.02)	(0.05)
Remedial Specialist	11.94	5.17	1.57	3.60	8.31
Tutor/Small Group Instructor	0.00	0.00	0.93	(0.93)	(2.15)
Full-time (Permanent) Substitute Teacher	1.00	0.43	0.26	0.17	0.39
Teacher Mentor/Evaluator	0.00	0.00	0.26	(0.26)	(0.60)
Other Educational	3.00	1.30	0.17	1.13	2.61

Source: NCSD, ODE, and primary peers

<sup>1</sup> Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-4**, NCSD employs fewer non-teaching educational staff than the primary peer average in the curriculum specialist, counseling, tutor/small group instructor, and teacher mentor/evaluator categories. Categories with higher non-teaching educational staff were the remedial specialist, full-time (permanent) substitute teacher, and other educational categories. Although the remedial specialist category is higher than the primary peer average, all 11.94 FTEs are paid through Title I – Disadvantaged Children/Targeted Assistance federal funds, therefore, no recommendation is warranted.

Analysis of the non-teaching educational staff that resulted in a recommendation includes the elimination of 2.5 FTE other educational positions (see **R.5**).



## Professional Staff

**Table B-5** shows a comparison of the District’s FY 2017-18 professional staffing compared to the FY 2016-17 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-5: Professional Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Dietitian/Nutritionist	0.00	0.00	0.09	(0.09)	(0.21)
Psychologist	2.00	0.87	0.17	0.70	1.62
Social Work	0.00	0.00	0.09	(0.09)	(0.21)
Other Professional - Other	0.00	0.00	0.13	(0.13)	(0.30)

Source: NCSD, ORC, and primary peers

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-5**, NCSD employs fewer professional staff than the primary peer average in every category with exception of the psychologists.

Analysis of the professional staff that resulted in a recommendation includes the elimination of 0.5 FTE psychologist position (see **R.7**).

## Technical Staff

**Table B-6** shows a comparison of the District’s FY 2017-18 technical staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-6: Technical Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Computer Operating	1.00	0.43	0.32	0.11	0.25
Computer Programming	0.00	0.00	0.04	(0.04)	(0.09)
Other Technical	0.00	0.00	0.40	(0.40)	(0.92)

Source: NCSD, ODE, and primary peers

Note: This comparison includes the computer related positions from the technical category. The remaining positions within the EMIS technical category, including practical nurses and library aides, are compared in conjunction with other positions responsible for similar job functions within the ‘Other Positions’ comparisons.

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

<sup>2</sup> Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-6**, NCSD employs fewer technical staff than the primary peer average for the computer programming and other technical categories. Furthermore, NCSD employs more technical staff than the primary peer average for the computer operating category.

## Library Staff

**Table B-7** shows the District's FY 2017-18 library staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing library staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-7: Library Staff Comparison**

	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
	NCSD		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Librarian/Media	2.00	0.87	0.43	0.44	1.02
Library Aide	0.00	0.00	0.97	(0.97)	(2.24)
<b>Total</b>	<b>2.00</b>	<b>0.87</b>	<b>1.40</b>	<b>(0.53)</b>	<b>(1.22)</b>

Source: NCSD, ODE, and primary peers

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

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

As shown in **Table B-7**, NCSD's library staff is in line with the primary peer average. Although the District employs more librarian/media staff, it does not employ library aides, whereas the peers employ both.

## Classroom Support Staff

**Table B-8** shows the District's FY 2017-18 classroom support staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing classroom support staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-8: Classroom Support Staff Comparison**

Students	NCSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
Position	NCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Instructional Paraprofessional	0.00	0.00	0.82	(0.82)	(1.89)
Teaching Aide	6.00	2.60	2.66	(0.06)	(0.14)
<b>Total</b>	<b>6.00</b>	<b>2.60</b>	<b>3.48</b>	<b>(0.88)</b>	<b>(2.03)</b>

Source: NCSD, ODE, and primary peers

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

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

As shown in **Table B-8**, NCSD employs fewer FTE classroom support staff than the primary peer average.

## Student Support Staff

**Table B-9** shows the District's FY 2017-18 student support staff compared to the FY 2016-17 primary peer average per 1,000 students. Comparing student support staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-9: Student Support Staff Comparison**

	NCS D		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	2,309		2,306	3	
Students Educated (thousands)	2.309		2.306	0.003	
	NCS D		Primary Peer Avg.	Difference	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Monitoring	0.00	0.00	2.57	(2.57)	(5.93)
School Resource Officer	1.00	0.43	0.16	0.27	0.62

Source: NCS D, ODE, and primary peers

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

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

As shown in **Table B-9**, NCS D does not employ any monitoring positions and employs 1.0 FTE school resource officer.<sup>40</sup> In comparison, three of the primary peers employ a full-time school resource officer, and one peer employs a part-time officer.<sup>41</sup> Although the District's school resource officer FTE per 1,000 students is higher than the primary peer average, the safety and security of faculty and staff is ultimately up to each individual district, and therefore, no recommendation is made.

<sup>40</sup> Beginning in FY 2017-18, reporting of the school resource officer position code is optional. Primary peer information was collected directly and two of the primary peers, Field LSD and Steubenville CSD, did not respond.

<sup>41</sup> Jackson CSD employs a part-time school resource officer who works 32 hours per week.

## Salaries

Administrative salaries are not based on salary schedules contained in CBAs, rather, they are set in contracts between the Board and the respective administrator. The salaries listed below are the average annual salary for the primary peers, and NCSD in FY 2016-17. **Table B-10** shows the District's FY 2016-17 administrative salary costs per student compared to the primary peer average. This comparison normalizes personnel costs relative to student population.

**Table B-10: Administrative Salary Cost per Student**

	NCSD		Peer Average		Difference	
Students Educated <sup>1</sup>	2,309		2,306		3	
	NCSD		Peer Average		Difference	
	FTE	Cost/ Student	FTE	Cost/ Student	\$ Difference	% Difference
Admin. Assistant	0.00	\$0.00	1.00	\$14.31	(\$14.31)	(100.0%)
Assistant, Deputy/Associate Superintendent Assignment	0.00	\$0.00	1.00	\$40.97	(\$40.97)	(100.0%)
Assist. Principal	2.00	\$67.99	2.44	\$81.38	(\$13.39)	(16.5%)
Principal	4.00	\$137.07	4.70	\$184.58	(\$47.51)	(25.7%)
Superintendent	1.00	\$47.21	0.90	\$49.56	(\$2.35)	(4.7%)
Supervising/Managing/Directing	0.00	\$0.00	2.31	\$56.94	(\$56.94)	(100.0%)
Treasurer	1.00	\$37.46	1.00	\$36.87	\$0.59	1.6%
Coordinator	0.00	\$0.00	2.23	\$67.80	(\$67.80)	(100.0%)
Education Administrative Specialist	2.00	\$74.92	1.00	\$29.40	\$45.52	154.8%
Director	1.00	\$33.13	1.20	\$41.03	(\$7.90)	(19.3%)
Other Official/Administrative	0.00	\$0.00	0.75	\$32.18	(\$32.18)	(100.0%)
<b>Total</b>	<b>11.00</b>	<b>\$397.78</b>	<b>18.53</b>	<b>\$635.02</b>	<b>(\$237.24)</b>	<b>(37.4%)</b>

Source: NCSD and primary peers

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

As shown in **Table B-10**, the District's administrative salary costs per student was \$237.24, or 37.4 percent, lower than the primary peer average.

**Table B-11** shows the District's FY 2017-18 certificated and classified salary schedules compared to the local peers over the course of a 30-year career. Comparing career compensation to the local peer average takes into account regional variations in the labor market.

**Table B-11: Career Compensation Comparison**

<b>Certificated</b>				
	<b>NCS D</b>	<b>Local Peer Avg.</b>	<b>Difference</b>	<b>% Difference</b>
Bachelors	\$1,556,974	\$1,596,613	(\$39,639)	(2.5%)
Bachelors + 15hrs <sup>1</sup>	\$1,612,120	\$1,565,870	\$46,250	3.0%
Masters	\$1,667,266	\$1,774,052	(\$106,786)	(6.0%)
Masters +30hrs <sup>2</sup>	\$1,722,413	\$1,840,364	(\$117,951)	(6.4%)
Doctorate <sup>3</sup>	\$1,777,559	N/A	N/A	N/A
<b>Classified</b>				
	<b>NCS D</b>	<b>Local Peer Avg.</b>	<b>Difference</b>	<b>% Difference</b>
Administrative Assistant	\$1,144,877	\$1,050,431	\$94,446	9.0%
Assistant Cook	\$654,240	\$611,628	\$42,612	7.0%
Bus Drivers	\$465,032	\$474,309	(\$9,277)	(2.0%)
Bus Mechanic <sup>4</sup>	\$1,168,464	\$1,114,835	\$53,629	4.8%
Custodians	\$1,129,090	\$1,136,212	(\$7,122)	(0.6%)
Educational Assistant <sup>5</sup>	\$849,363	\$744,553	\$104,810	14.1%

Source: NCS D and local peers

Note: Annual classified compensation is calculated using the average annual hours worked for each job classification at NCS D.

<sup>1</sup> Howland LSD, McDonald LSD, and Weathersfield LSD are excluded due to no comparable pay scale.

<sup>2</sup> Howland LSD and Weathersfield LSD are excluded due to no comparable pay scale.

<sup>3</sup> No local peers utilize this pay scale for comparison.

<sup>4</sup> McDonald LSD is excluded due to no comparable position.

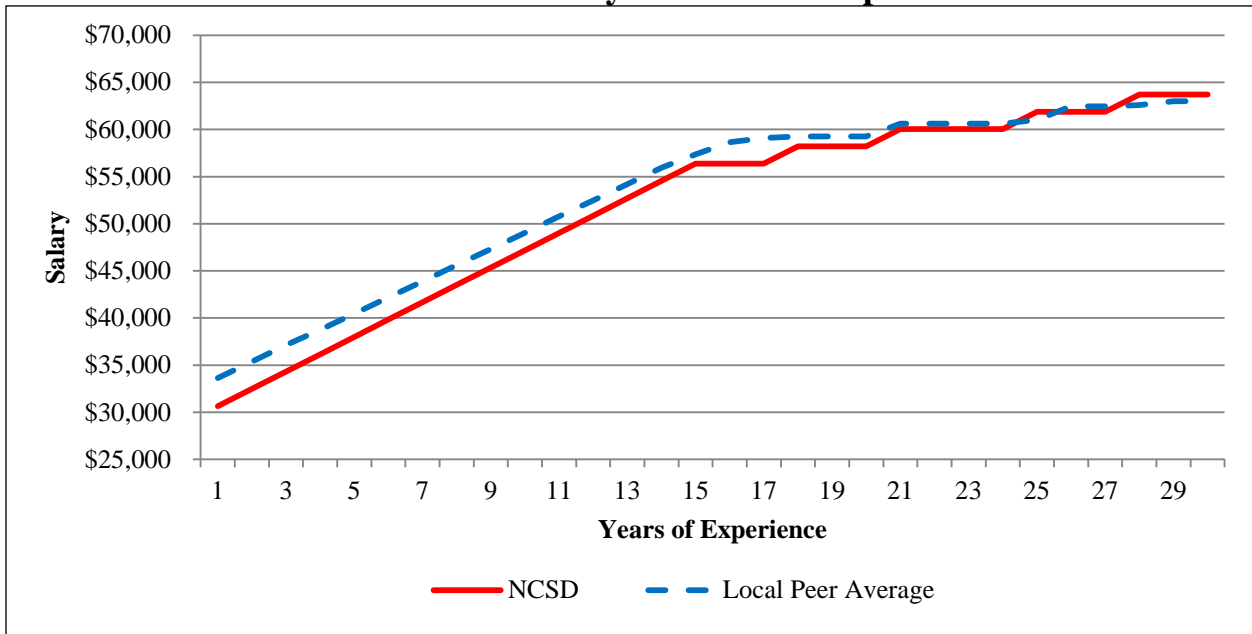
<sup>5</sup> Weathersfield LSD is excluded due to no comparable position.

As shown in **Table B-11**, the District’s career compensation for certificated staff is lower than the local peer average, with the exception of the bachelors + 15 classification.<sup>42</sup> Career compensation for classified staff is higher than the peer average for every category with the exception of bus drivers and custodians. The District should consider adjusting salaries for these positions in future CBAs to bring pay more in line within the region.

**Charts B-1** through **B-11** provide additional context to the analysis shown in **Table B-11** by showing comparisons of NCS D’s certificated and classified salary schedules to the local peer averages for FY 2017-18. It is important to examine the beginning salaries and steps in the pay schedules to identify the cause of variation relative to the local peer districts.

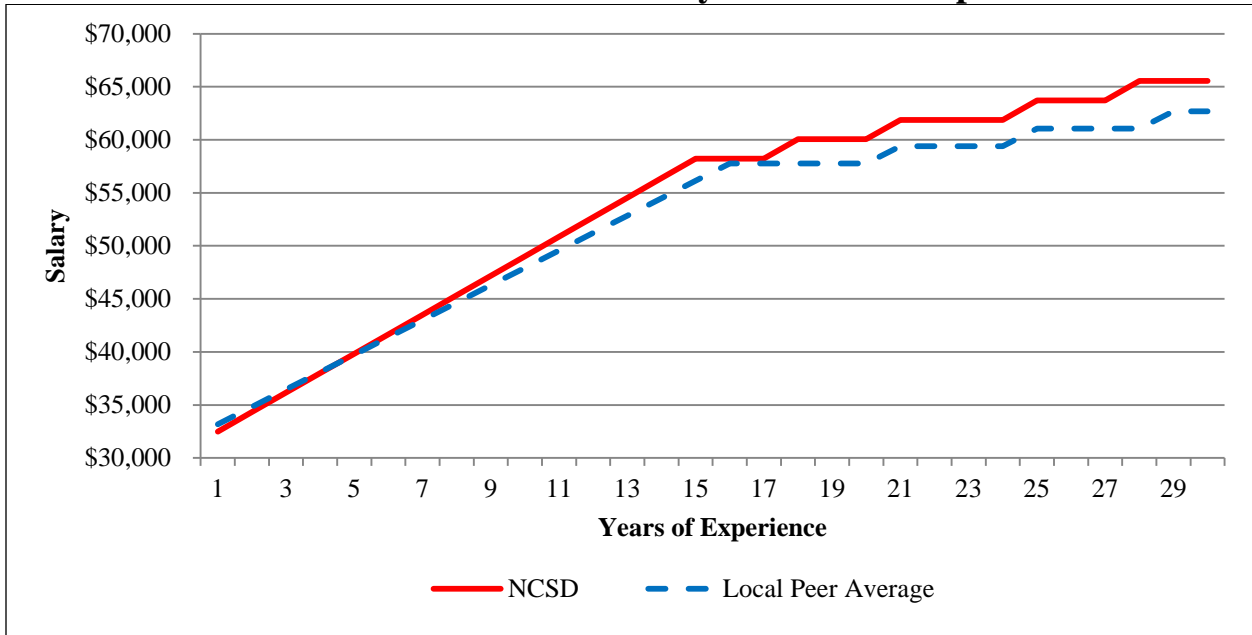
<sup>42</sup> Although NCS D was higher in the Doctorate pay scale, none of the local peers have this pay scale so no comparison can be made.

**Chart B-1: BA Salary Schedule Comparison**



Source: NCS and local peers

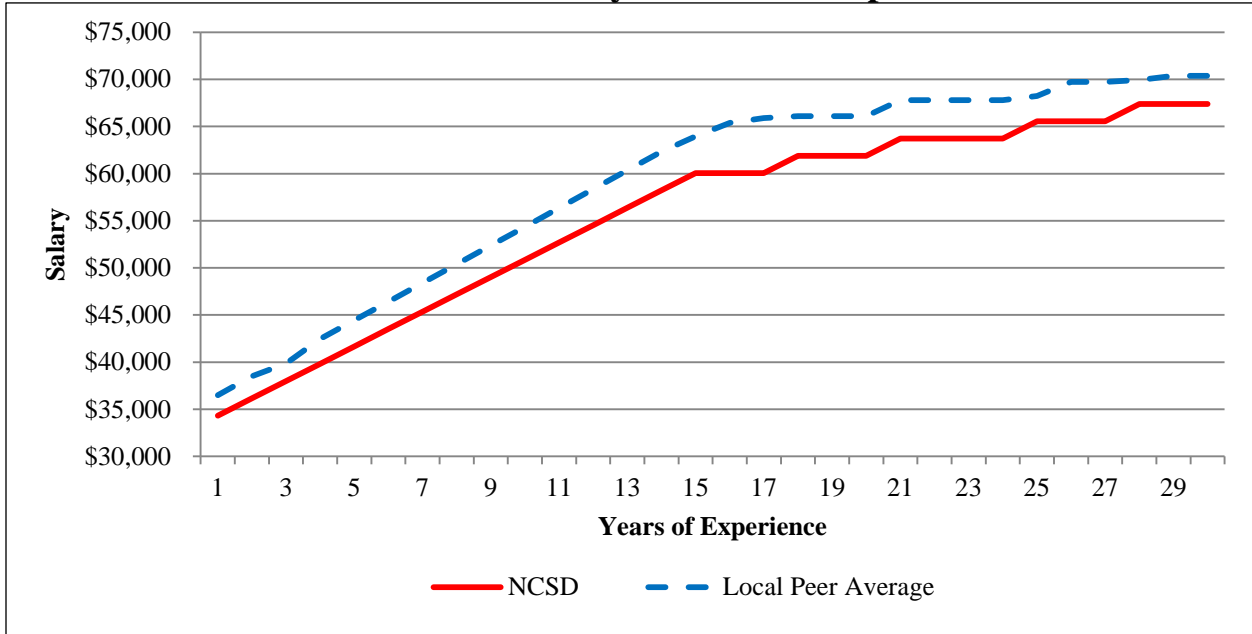
**Chart B-2: BA + 15 Hours Salary Schedule Comparison**



Source: NCS and local peers

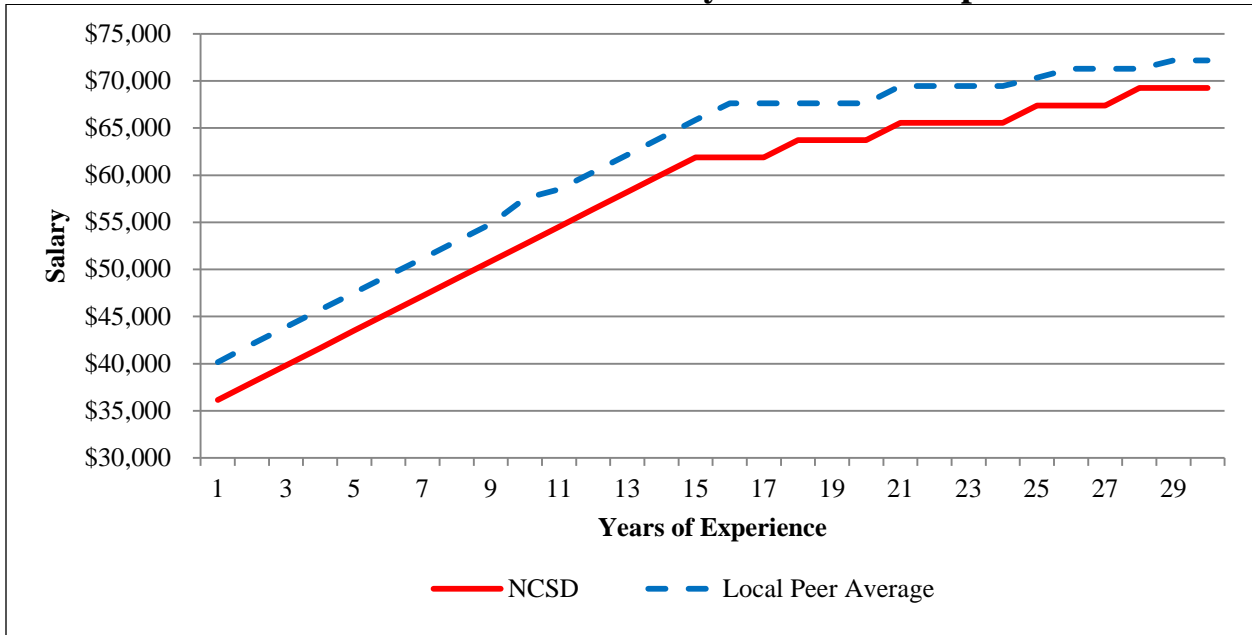


**Chart B-3: MA Salary Schedule Comparison**



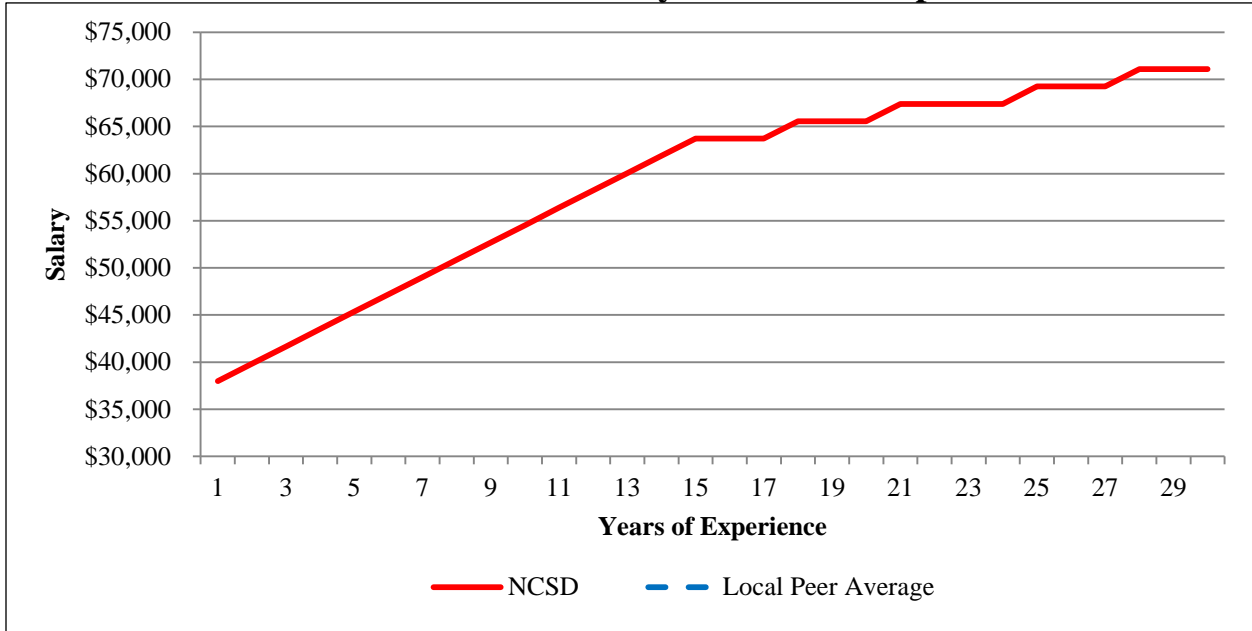
Source: NCS and local peers

**Chart B-4: MA + 30 Hours Salary Schedule Comparison**



Source: NCS and local peers

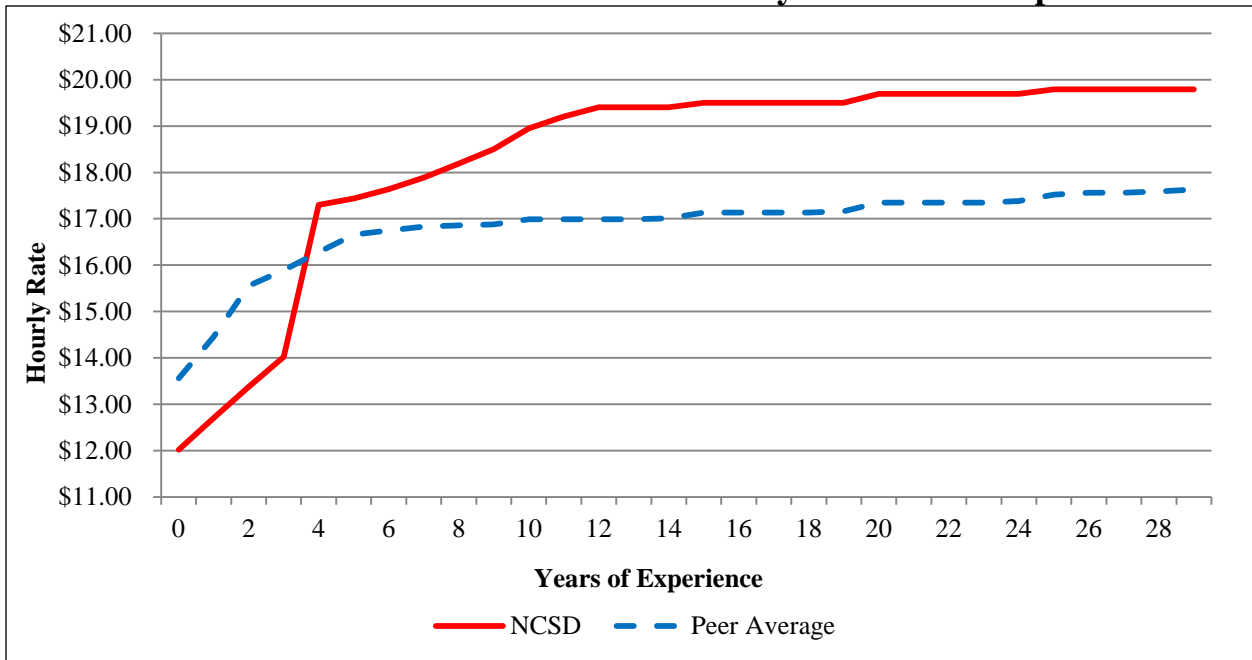
**Chart B-5: Doctorate Salary Schedule Comparison**



Source: NCS D and local peers

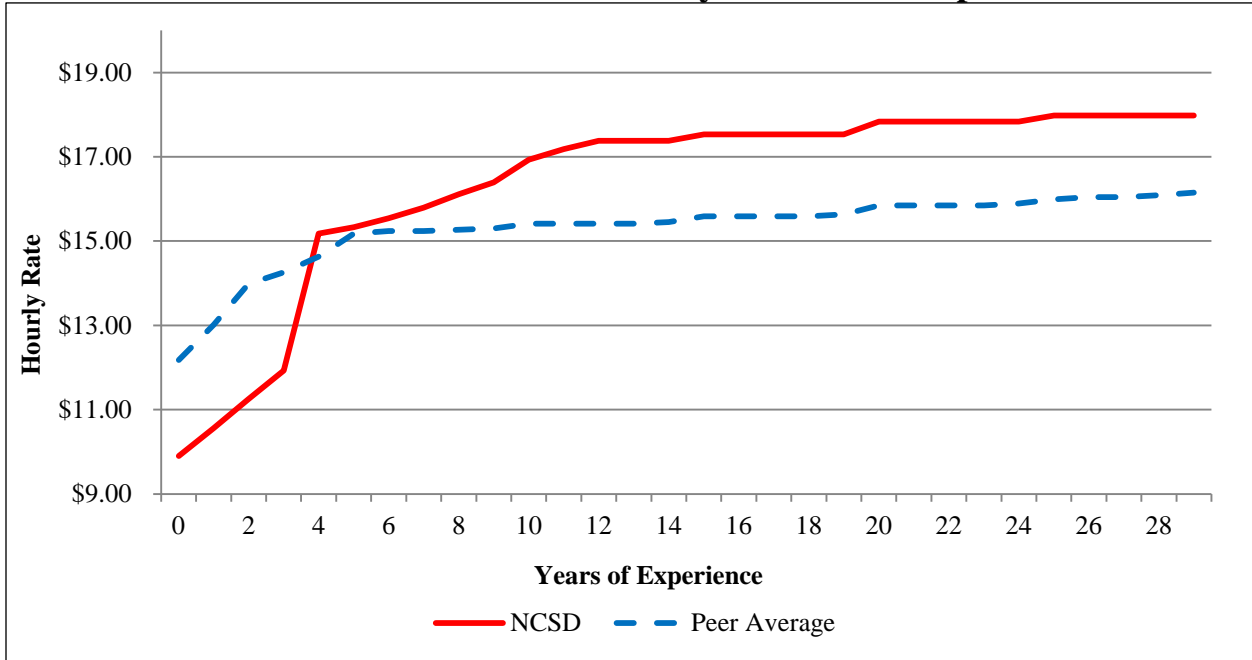
Note: None of the local peer districts utilize this pay scale.

**Chart B-6: Administrative Assistant Salary Schedule Comparison**



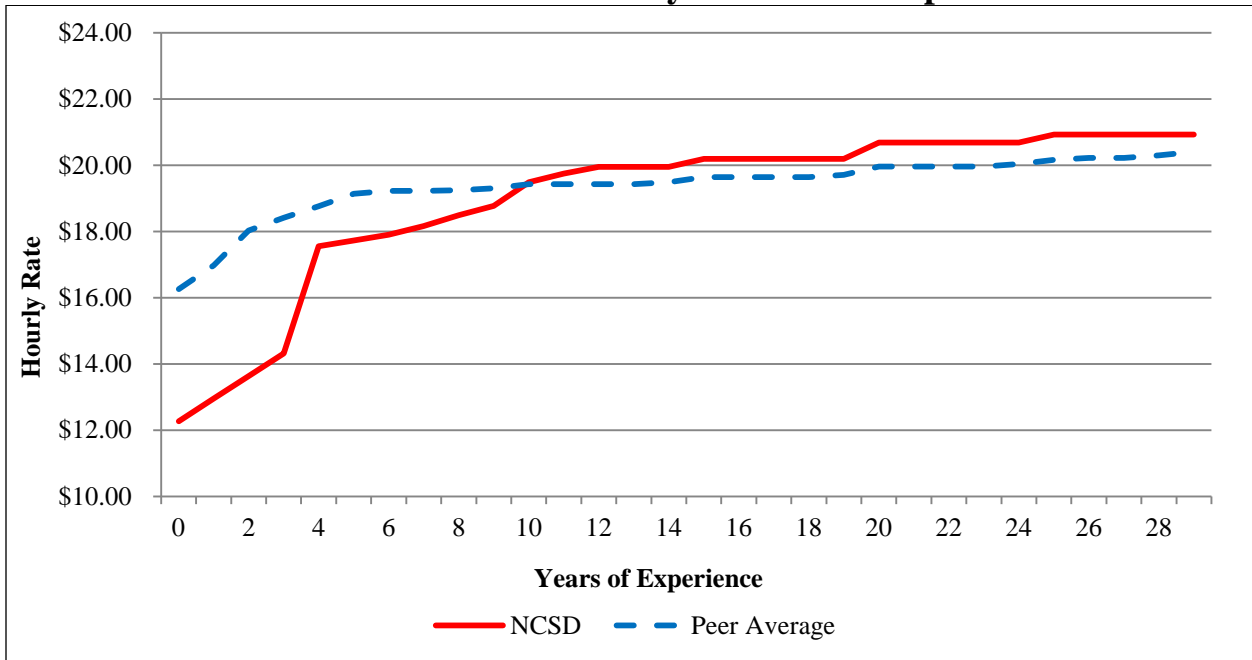
Source: NCS D and local peers

**Chart B-7: Assistant Cook Salary Schedule Comparison**



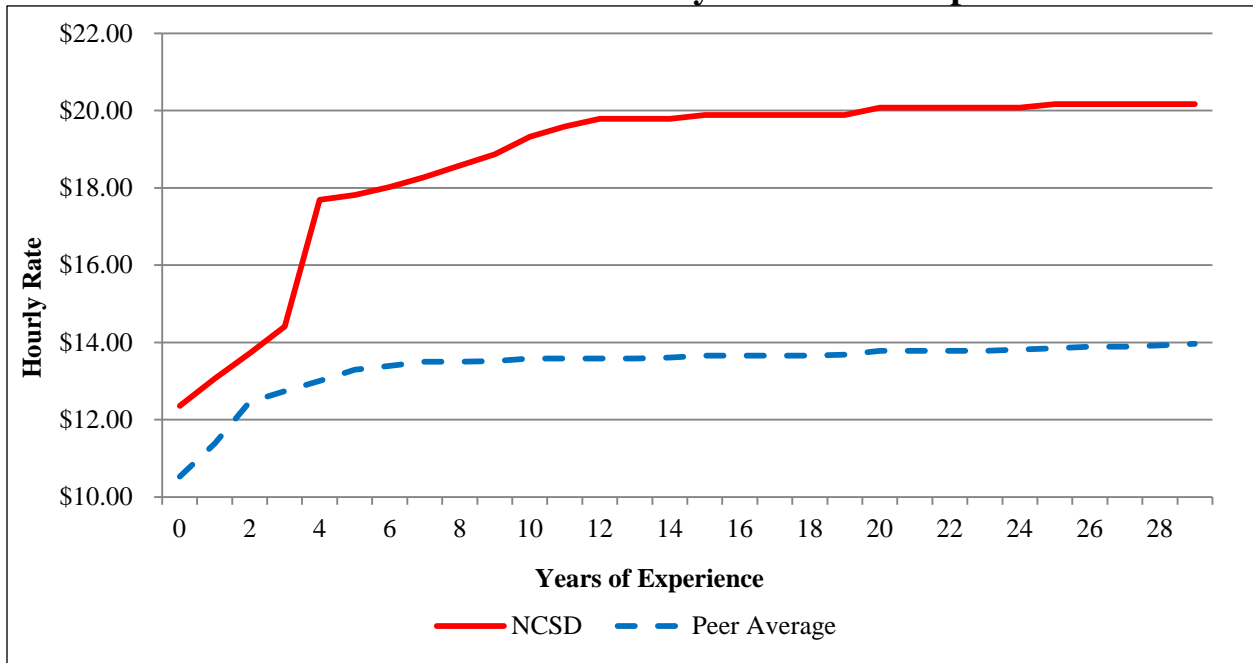
Source: NCS D and local peers

**Chart B-8: Bus Driver Salary Schedule Comparison**



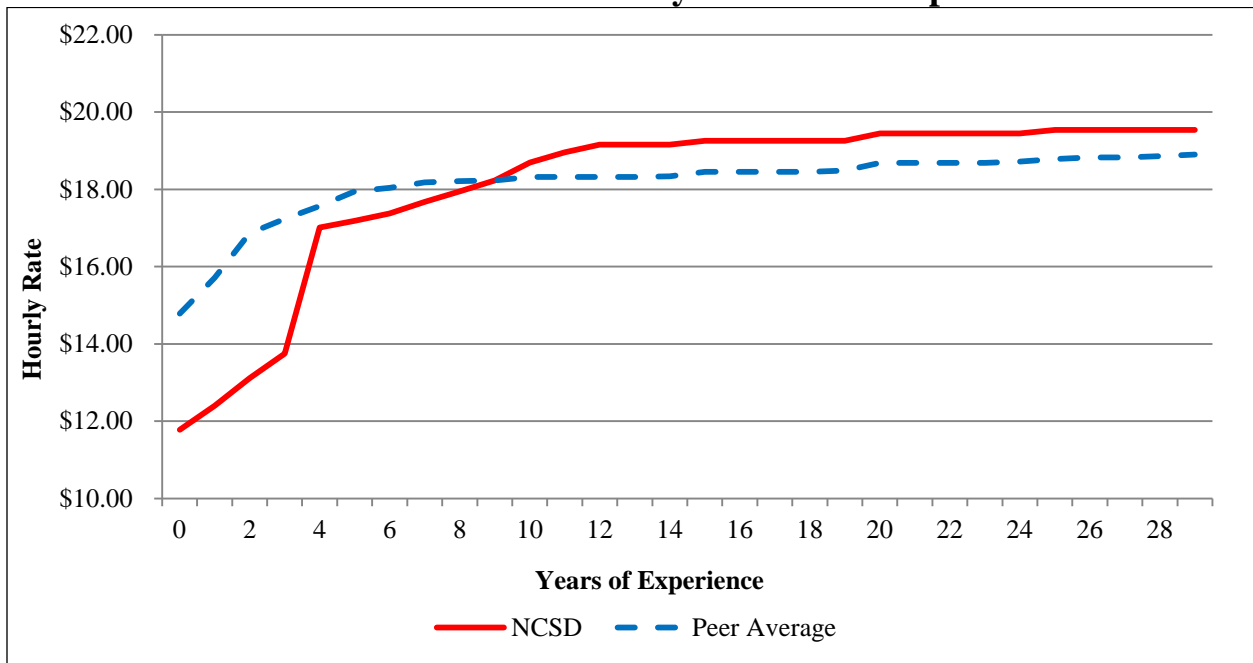
Source: NCS D and local peers

### Chart B-9: Bus Mechanic Salary Schedule Comparison



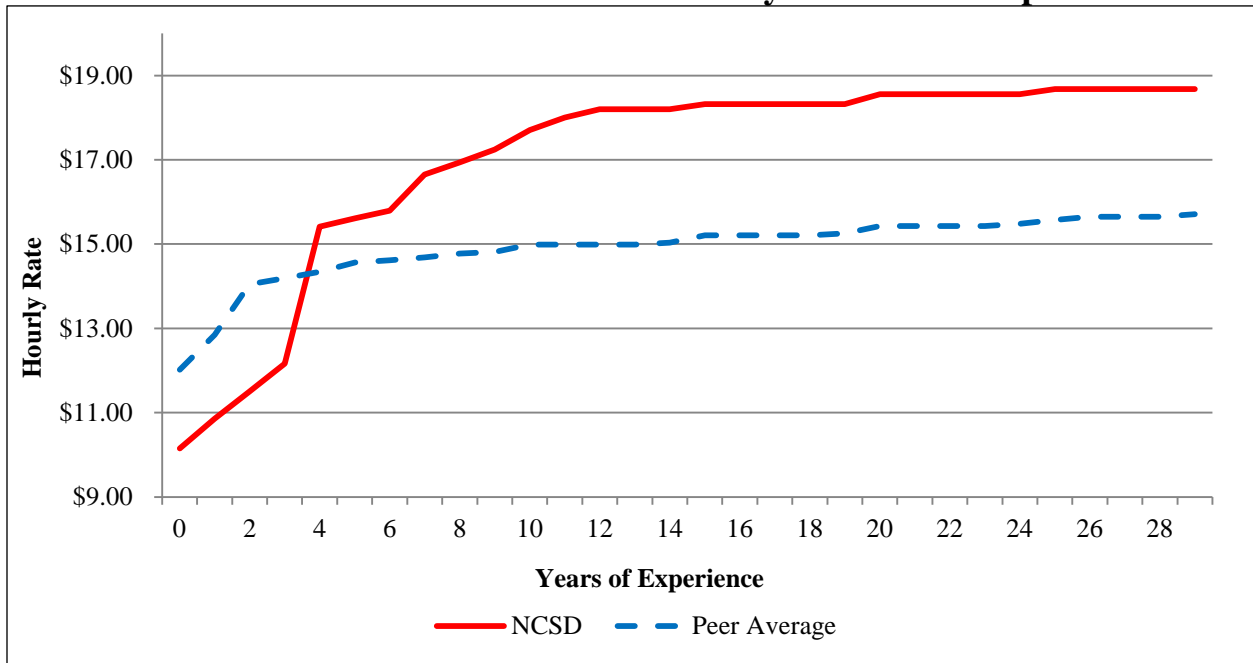
Source: NCS D and local peers

### Chart B-10: Custodian Salary Schedule Comparison



Source: NCS D and local peers

**Chart B-11: Educational Assistant Salary Schedule Comparison**



Source: NCS D and local peers

As shown in **Chart B-1** through **Chart B-11**, NCS D and the local peers certificated salary schedules have a lower starting salary but ultimately the BA schedules end slightly higher than the local peers, and the MA schedules end slightly lower. The District's classified salary schedules, excluding the bus mechanic, all begin at a lower hourly rate than the local peer average, but end at a higher hourly rate.

## Open Enrollment

**Table B-12** shows the District's cost to educate open enrollment students in comparison to the revenue generated by these students in FY 2016-17. This analysis illustrates the net revenue or loss generated by open enrollment.

**Table B-12: Costs and Revenue Attributed to Open Enrollment**

Total Students		2,309
Open Enrollment Students		113
Percentage of Open Enrollment Students		4.9%
<b>Expenditure Type</b>		
	<b>Total Cost</b>	<b>Open Enrollment Cost</b>
Regular Instruction <sup>1</sup>	\$13,383,491	\$83,889
Special Instruction <sup>2</sup>	\$4,031,479	\$27,521
Support Services Pupils	\$1,277,988	\$12,322
Support Services Instructional Staff	\$708,537	\$8,427
Support Services Administrative	\$2,664,217	\$16,215
Operation and Maintenance of Plant Services	\$2,420,886	\$36,710
Support Services Pupil Transportation	\$1,186,964	\$0
Support Services Central	\$5,862,068	\$3,396
Food Service Operation	\$1,254,051	\$61,590
Extracurricular Activities <sup>3</sup>	\$546,538	\$17,455
<b>Total Expenditures</b>	<b>\$33,336,219</b>	<b>\$267,525</b>
	<b>Open Enrollment Revenue</b>	<b>\$749,340</b>
	<b>Net Revenue/(Loss)</b>	<b>\$481,815</b>

Source: NCSD and ODE

<sup>1</sup> Open enrollment did not result in increased staffing levels beyond what was otherwise needed to educate the District's resident student population. Therefore, salaries and benefits expenditures were excluded for regular instruction for the purposes of calculating costs attributable to open enrollment.

<sup>2</sup> Open enrollment special education students account for approximately 2.5 percent of total special education students. However, this percentage was only applied to the Special Instruction expenditures for Category 2 special education, as all special education open enrollment in FY 2016-17 fell into this category alone.

<sup>3</sup> Open enrollment cost is based on the District's net cost of \$546,538 for extracurricular activities multiplied by the percentage of open enrollment students.

As shown in **Table B-12**, NCSD's net gain for educating open enrollment students was \$481,815 in FY 2016-17.

While the District experienced a net positive impact of open enrollment in FY 2016-17, it was not the result of adhering to specific policies and procedures designed to guide open enrollment acceptance rates. As such, the District should develop formal policies and procedures regarding open enrollment limits based on class sizes and available staff resources in order to ensure that open enrollment continues to be beneficial to the District in the future. Hubbard Exempted Village School District (EVSD) in Trumbull County has developed an effective policy to ensure its open enrollment revenue exceeds the cost to educate open enrolled students.

*Sick Leave Severance*

**Table B-13** shows the District’s maximum financial liability for sick leave severance by position, in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payout in line with ORC minimums (see **R.12**). This analysis provides an indication of the District’s maximum sick leave severance exposure compared to the minimum levels required.

**Table B-13: Difference between ORC and NCSD for Severance Liability**

Certificated Employees							
	Final Daily Rate of Pay	CBA Maximum Severance Days	CBA Additional Payout	Maximum Payout	ORC Minimum	Pay Out at ORC	Difference
BA	\$374.65	70	\$10,500.00	\$36,725.50	30	\$11,239.37	\$25,485.13
BA + 15	\$385.15	70	\$10,500.00	\$37,460.50	30	\$11,554.46	\$25,905.04
MA	\$395.66	70	\$10,500.00	\$38,196.20	30	\$11,869.71	\$26,326.49
MA+30	\$406.16	70	\$10,500.00	\$38,931.20	30	\$12,184.80	\$26,746.40
Doctorate	\$411.41	70	\$10,500.00	\$39,298.70	30	\$12,342.34	\$26,956.36
<b>Average Difference</b>							<b>\$26,284.28</b>
Classified Employees							
	Final Daily Rate of Pay	CBA Maximum Severance Days	CBA Additional Payout	Maximum Payout	ORC Minimum	Pay Out at ORC	Difference
Administrative Assistant 1 & 2	\$153.92	70	\$3,200.00	\$13,974.40	30	\$4,617.60	\$9,356.80
Assistant Cook <sup>1</sup>	\$111.28	70	\$3,200.00	\$10,989.60	30	\$3,338.40	\$7,651.20
Assistant Custodian	\$151.92	70	\$3,200.00	\$13,834.40	30	\$4,557.60	\$9,276.80
Bus Driver	\$78.08	70	\$3,200.00	\$8,665.60	30	\$2,342.40	\$6,323.20
Bus Mechanic	\$156.96	70	\$3,200.00	\$14,187.20	30	\$4,708.80	\$9,478.40
Educational Assistant	\$143.92	70	\$3,200.00	\$13,274.40	30	\$4,317.60	\$8,956.80
<b>Average Difference</b>							<b>\$8,507.20</b>

Source: Niles CSD and ORC

<sup>1</sup> Assistant cook is based on 6.5 hours of work daily.

As shown in **Table B-13**, NCSD employees are entitled to receive severance payout for more days at retirement than the ORC minimum. Adjusting payouts to the ORC minimum could decrease the District’s future severance liability.

## Facilities Staffing Efficiency

**Table B-14** shows the District's buildings and grounds staffing for FY 2016-17 compared to industry benchmarks from American School and University Magazine (AS&U) and the National Center for Education Statistics (NCES). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

**Table B-14: Buildings & Grounds Staffing Comparison**

<b>Grounds Staffing</b>	
Grounds FTEs	1.2
Acreage Maintained	160.9
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	4.0
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(2.8)</b>
<b>Custodial Staffing</b>	
Custodial FTEs	14.1
Square Footage Cleaned	399,054
NCES Level 3 Cleaning Benchmark <sup>1</sup> - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	13.5
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>0.6</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	2.0
Square Footage Maintained	399,054
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	4.2
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(2.2)</b>
<b>Total Buildings &amp; Grounds Staffing</b>	
Total FTEs Employed	17.3
Total Benchmarked Staffing Need	21.7
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(4.4)</b>

Source: NCSD, AS&U, and NCES

<sup>1</sup> According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table B-14**, the District is below the national benchmarks for grounds and maintenance staffing. While its custodial staffing level is marginally higher than the NCES benchmark, total buildings and grounds staffing is lower than the benchmarks by 4.4 FTEs.



# Appendix C: Five-Year Forecast

Chart C-1 shows the District's October 2017 five-year forecast.

**Chart C-1: October 2017 Five-Year Forecast**

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	6,272,027	6,267,204	6,291,276	6,160,482	6,396,819	5,836,492	5,344,747	5,354,029
1.020 Tangible Personal Property Tax	189,307	141,049	132,633	114,318	144,044	139,571	134,814	139,048
1.035 Unrestricted Grants-in-Aid	14,732,995	15,890,627	16,098,500	16,528,094	16,522,113	16,500,049	16,477,905	16,455,769
1.040 Restricted Grants-in-Aid	793,179	872,203	914,215	891,698	900,615	909,621	918,717	927,904
1.050 Property Tax Allocation	1,336,871	1,336,699	1,330,110	1,302,216	1,265,832	1,129,140	992,523	953,442
1.060 All Other Operating Revenue	1,249,745	1,198,522	1,111,882	1,073,001	1,033,731	994,068	954,009	913,549
1.070 Total Revenue	24,574,124	25,706,304	25,878,616	26,069,809	26,263,154	25,508,941	24,822,715	24,743,741
2.060 All Other Financial Sources	214,418	127,894	57,796	78,250	16,000	16,000	16,000	16,000
2.070 Total Other Financing Sources	214,418	127,894	57,796	78,250	16,000	16,000	16,000	16,000
2.080 Total Revenues and Other Financing Sources	24,788,542	25,834,198	25,936,412	26,148,059	26,279,154	25,524,941	24,838,715	24,759,741
3.010 Personnel Services	11,811,182	12,204,212	12,450,520	12,770,504	13,214,353	13,477,294	13,744,179	14,015,067
3.020 Employees' Retirement/Insurance Benefits	5,296,068	6,466,252	6,567,780	6,701,618	7,345,384	7,736,511	8,149,708	8,587,491
3.030 Purchased Services	5,777,444	5,981,453	6,028,571	6,143,857	6,297,973	6,456,260	6,618,837	6,785,824
3.040 Supplies and Materials	497,559	465,913	523,231	386,322	606,322	611,322	611,322	611,322
3.050 Capital Outlay	293,416	218,182	201,786	147,250	87,250	87,250	87,250	87,250
4.020 Debt Service: Principal-Notes	144,261	140,844	144,261	110,000				
4.050 Debt Service: Principal - HB 264 Loans	132,000	132,000	132,000	132,000	132,000	132,000		
4.055 Debt Service: Principal - Other				34,261	34,261			
4.060 Debt Service: Interest and Fiscal Charges	45,648	39,809	27,507	28,761	23,261	17,761		
4.300 Other Objects	207,450	203,992	214,783	218,691	222,683	226,762	230,930	235,189
4.500 Total Expenditures	24,205,028	25,852,657	26,290,439	26,673,264	27,963,487	28,745,160	29,442,226	30,322,143
5.010 Operational Transfers - Out	134,505	82,826	3,928					
5.040 Total Other Financing Uses	134,505	82,826	3,928					
5.050 Total Expenditure and Other Financing Uses	24,339,533	25,935,483	26,294,367	26,673,264	27,963,487	28,745,160	29,442,226	30,322,143
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	449,009	(101,285)	(357,955)	(525,205)	(1,684,333)	(3,220,219)	(4,603,511)	(5,562,402)
7.010 Beginning Cash Balance	170,405	619,414	518,129	160,174	(365,031)	(2,049,364)	(5,269,583)	(9,873,094)
7.020 Ending Cash Balance	619,414	518,129	160,174	(365,031)	(2,049,364)	(5,269,583)	(9,873,094)	(15,435,496)
8.010 Outstanding Encumbrances	98,421	186,823						
10.010 Fund Balance June 30 for Certification of Appropriations	520,993	331,306	160,174	(365,031)	(2,049,364)	(5,269,583)	(9,873,094)	(15,435,496)
11.020 Property Tax - Renewal or Replacement						644,536	1,216,105	1,216,105
11.300 Cumulative Balance of Replacement/Renewal Levies						644,536	1,860,641	3,076,746
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	520,993	331,306	160,174	(365,031)	(2,049,364)	(4,625,047)	(8,012,453)	(12,358,750)
13.020 Property Tax - New				1,061,053	2,001,986	2,001,986	2,001,986	2,001,986
13.030 Cumulative Balance of New Levies				1,061,053	3,063,039	5,065,025	7,067,011	9,068,997
15.010 Unreserved Fund Balance June 30	520,993	331,306	160,174	696,022	1,013,675	439,978	(945,442)	(3,289,753)

Source: NCS and ODE

Chart C-2 shows the District's March 2018 five-year forecast.

**Chart C-2: March 2018 Five-Year Forecast**

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	6,272,027	6,267,204	6,291,276	6,159,829	6,423,452	5,890,203	5,410,907	5,429,774
1.020 Tangible Personal Property Tax	189,307	141,049	132,633	121,486	158,840	154,068	148,312	152,293
1.035 Unrestricted Grants-in-Aid	14,732,995	15,890,627	16,098,500	16,040,534	15,798,245	15,585,219	15,571,500	15,557,633
1.040 Restricted Grants-in-Aid	793,179	872,203	914,215	1,359,206	1,372,798	1,386,526	1,400,391	1,414,395
1.050 Property Tax Allocation	1,336,871	1,336,699	1,330,110	1,319,637	1,288,230	1,155,610	1,021,398	985,001
1.060 All Other Operating Revenue	1,249,745	1,198,522	1,111,882	1,073,001	1,083,731	1,094,568	1,105,514	1,116,569
1.070 Total Revenue	24,574,124	25,706,304	25,878,616	26,073,693	26,125,296	25,266,194	24,658,022	24,655,665
2.060 All Other Financial Sources	214,418	127,894	57,796	325,000	70,000	70,000	70,000	70,000
2.070 Total Other Financing Sources	214,418	127,894	57,796	325,000	70,000	70,000	70,000	70,000
2.080 Total Revenues and Other Financing Sources	24,788,542	25,834,198	25,936,412	26,398,693	26,195,296	25,336,194	24,728,022	24,725,665
3.010 Personnel Services	11,811,182	12,204,212	12,450,520	12,770,504	13,214,353	13,477,294	13,744,179	14,015,067
3.020 Employees' Retirement/Insurance Benefits	5,296,068	6,466,252	6,567,780	6,201,618	7,062,884	7,435,648	7,829,289	8,246,245
3.030 Purchased Services	5,777,444	5,981,453	6,028,571	6,143,857	6,297,973	6,456,260	6,618,837	6,785,824
3.040 Supplies and Materials	497,559	465,913	523,231	435,000	635,000	635,000	635,000	635,000
3.050 Capital Outlay	293,416	218,182	201,786	147,250	87,250	87,250	87,250	87,250
4.020 Debt Service: Principal-Notes	144,261	140,844	144,261	110,000				
4.050 Debt Service: Principal - HB 264 Loans	132,000	132,000	132,000		132,000	132,000		
4.055 Debt Service: Principal - Other				34,261	34,261			
4.060 Debt Service: Interest and Fiscal Charges	45,648	39,809	27,507	28,761	23,261	17,761		
4.300 Other Objects	207,450	203,992	214,783	218,691	222,683	226,762	230,930	235,189
4.500 Total Expenditures	24,205,028	25,852,657	26,290,439	26,221,942	27,709,665	28,467,975	29,145,485	30,004,575
5.010 Operational Transfers - Out	134,505	82,826	3,928	250,000	120,000	120,000	120,000	120,000
5.040 Total Other Financing Uses	134,505	82,826	3,928	250,000	120,000	120,000	120,000	120,000
5.050 Total Expenditure and Other Financing Uses	24,339,533	25,935,483	26,294,367	26,471,942	27,829,665	28,587,975	29,265,485	30,124,575
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	449,009	(101,285)	(357,955)	(73,249)	(1,634,369)	(3,251,781)	(4,537,463)	(5,398,910)
7.010 Beginning Cash Balance	170,405	619,411	518,126	160,171	86,922	(1,547,446)	(4,799,227)	(9,336,690)
7.020 Ending Cash Balance	619,411	518,126	160,171	86,922	(1,547,446)	(4,799,227)	(9,336,690)	(14,735,600)
8.010 Outstanding Encumbrances	98,421	186,823		65,000	65,000	65,000	65,000	65,000
10.010 Fund Balance June 30 for Certification of Appropriations	520,990	331,303	160,171	21,922	(1,612,446)	(4,864,227)	(9,401,690)	(14,800,600)
11.020 Property Tax - Renewal or Replacement						674,644	1,272,914	1,272,914
11.300 Cumulative Balance of Replacement/Renewal Levies						674,644	1,947,558	3,220,472
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	520,990	331,303	160,171	21,922	(1,612,446)	(4,189,583)	(7,454,132)	(11,580,128)
13.020 Property Tax - New					690,643	1,303,101	1,303,101	1,303,101
13.030 Cumulative Balance of New Levies					690,643	1,993,744	3,296,845	4,599,946
15.010 Unreserved Fund Balance June 30	520,990	331,303	160,171	21,922	(921,803)	(2,195,839)	(4,157,287)	(6,980,182)

Source: NCSD and ODE

# Client Response

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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.

Ann Marie A. Thigpen  
Superintendent

Lori A. Hudzik  
Treasurer



*Birthplace of William McKinley  
25<sup>th</sup> President of the United States*

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March 21, 2018

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

Dear Auditor Yost,

On behalf of the Niles City School District Board of Education, we would like to thank you and your staff for conducting the recent performance audit for the Niles City School District. Because our central office leadership is relatively new with the Superintendent in her position for just over 2 years and the Treasurer just beginning her position in January 2018, the Niles City School District welcomed the audit. Our leadership team reviewed all recommendations and look to address them as stated below:

**R.1-R.2--Develop long-term strategic, capital and financial plans linked to the budget and enhance financial communication.**

With the hiring of a new Treasurer, and the reorganization of the Treasurer's Department, these items are now being addressed and planned for in a more efficient and effective manner.

**R.3--Record and manage education management information system data accurately.**

Reviewing of staff coding will be conducted annually by the Supervisor of Student Services.

**R.4--Eliminate 10.5 FTE general education teacher positions**

The district is currently in discussions with the Niles Education Association (NEA) to reduce teaching positions through attrition and movement in the workforce. The district plans to reduce 4-5 teaching positions for the 2018-2019 school year and when the negotiated agreement expires in 2019 we will look to reduce an additional 4-5 teaching positions.

**R.5--Eliminate 2.5 FTE other educational positions**

The district has submitted a grant to the Ohio Department of Education to fund 1.0 FTE educational position with Federal funds. Our district will be notified in May 2018 if the position will be funded through the grant for the next 3 fiscal years. Also, according to the audit, the district is found to be 0.9 FTE below the primary peer average for building administrators. Some of the duties classified under other educational positions deal with supporting the principal in regard to overall effectiveness of the building, attendance (HB410) requirements, assisting families with social agencies, and some discipline issues, etc.

**R.6--Eliminate 1.5 FTE nursing positions**

In the near future, the district will explore replacing 1 nursing position with a practical nurse. With the high number of medically fragile students in our district, it would be burdensome for us to reduce the nursing staff at this time.

**R.7--Eliminate 0.5 FTE psychologist positions**

The district will review services provided by our school psychologists. However at this time, the case load is such that we are not be able to reduce 0.5 FTE psychologist.

**R.8--Eliminate 2.0 FTE building clerical positions**

The district plans to eliminate 0.5 FTE building clerical positions beginning with the 2018-2019 school year.

**R.9--Eliminate 1.5 FTE central office clerical positions**

The district plans to reduce 1.5 FTE central office clerical positions beginning with the 2018-2019 school year.

**R.10-R.11--Reduce employer cost of health insurance and vision insurance**

The district will be exploring all cost saving measures with regard to health insurance. A district-wide insurance committee will be formed with members from all groups to review plans, consortium options, and our current self-insured program. As was in last negotiations with both groups in 2016, this will be the main negotiating item.

**R.12--Renegotiate collective bargaining agreement provisions**

All items suggested in this audit under this recommendation will be a part of our negotiation package for August 2019.

**R.13--Reduce 9.5 daily hours from the food service operation**

The district plans to reduce 3 daily hours from the food service operation for the 2018-2019 school year.

**R.14-16--Complete T-1 Forms as prescribed by ODE, develop a data-driven bus replacement plan, develop a formal transportation preventive maintenance program**

These items have been addressed with our Transportation Supervisor and are a part of her evaluation goals for the 2018-2019 school year.

As a leadership team we will make every effort to follow the recommendations and assess the financial gains/reductions. The Board and Leadership Team will use this document to allow us to make informed financial decisions for the future of our district. Thank you again to your staff for the time and effort put forth with regard to the Niles City School District.

Respectfully submitted,



Ann Marie A. Thippen  
Superintendent



Lori A. Hudzik  
Treasurer

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# Dave Yost • Auditor of State

**NILES CITY SCHOOL DISTRICT**

**TRUMBULL COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2018**