



Dave Yost • Auditor of State





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To the residents, Board members, administration, and stakeholders of the Caldwell Exempted Village School District,

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

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

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

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

Sincerely,

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

Dave Yost  
Auditor of State

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# Executive Summary

## Project History

The Ohio Department of Education (ODE) asked the Auditor of State's Ohio Performance Team to conduct a performance audit of the Caldwell Exempted Village School District (CEVSD or the District) to improve the efficiency and effectiveness of operations, and address concerns that declining revenues are creating operating deficits that will eventually deplete cash reserves. ODE placed CEVSD in Fiscal Caution on September 4, 2012 due to projected deficits in its five-year financial forecast.

## Financial Overview

**Table 1** shows CEVSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's October 2012 five-year forecast. **Table 1** also shows the ending fund balance impact of two levies passed by the District's voters on May 7, 2013. The District estimates that these levies will first be collected in January 2014 resulting in \$840,000 additional revenue. This information is an important measure of the financial health of the District and serves as the basis for identification of conditions leading to fiscal status designation by AOS and ODE.

**Table 1: CEVSD Financial Condition Overview (October 2012)**

Projected Financial Condition – October 2012					
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Revenue	\$7,172,238	\$6,596,207	\$6,193,986	\$6,217,955	\$6,246,719
Total Expenditure	\$7,849,846	\$8,210,492	\$8,384,676	\$8,567,502	\$8,863,796
<b>Results of Operations</b>	<b>(\$677,608)</b>	<b>(\$1,614,285)</b>	<b>(\$2,190,690)</b>	<b>(\$2,349,547)</b>	<b>(\$2,617,077)</b>
Beginning Cash Balance	\$907,033	\$229,425	(\$1,384,860)	(\$3,575,549)	(\$5,925,096)
<b>Ending Cash Balance</b>	<b>\$229,425</b>	<b>(\$1,384,860)</b>	<b>(\$3,575,549)</b>	<b>(\$5,925,096)</b>	<b>(\$8,542,173)</b>
Projected Financial Condition – May 2013 Update					
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Revenue	\$7,354,177	\$7,649,947	\$8,107,979	\$8,159,184	\$8,211,085
Total Expenditure	\$7,604,659	\$7,884,312	\$8,257,701	\$8,487,505	\$8,746,769
<b>Results of Operations</b>	<b>(\$250,482)</b>	<b>(\$234,365)</b>	<b>(\$149,722)</b>	<b>(\$328,321)</b>	<b>(\$535,684)</b>
Beginning Cash Balance	\$907,033	\$656,551	\$422,186	\$272,464	(\$55,857)
<b>Ending Cash Balance</b>	<b>\$656,551</b>	<b>\$422,186</b>	<b>\$272,464</b>	<b>(\$55,857)</b>	<b>(\$591,541)</b>

**Source:** CEVSD's October 2012 and May 2013 five-year forecasts as submitted to ODE.

As shown in **Table 1**, CEVSD's October 2012 five-year forecast projected a FY 2013-14 deficit of \$1,384,860. Furthermore, the forecast projected that as expenditures continued to outpace revenues the District would face declining to negative cash balances culminating in a total projected deficit of \$8,542,173 by FY 2016-17.

**Table 1** shows the impact of additional revenue first collected in FY 2013-14. As a result of this new revenue, the May 2013 five-year forecast projected that by FY 2015-16 the ending cash balance would show a deficit of \$55,857, increasing to \$591,541 in FY 2016-17. In order to address the remaining projected deficit condition the District plans to eliminate three FTE teaching positions, five FTE aides, and one FTE bus driver.

## Objectives

Audit objectives define 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. AOS developed objectives designed to identify efficiencies that could be gained from the following operational areas of the District:

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

The following objectives were identified in consultation with the District:

- What is the District's financial state? Are there areas where the District can maximize cost efficiency? What methods are used to communicate with key stakeholders?
- Does the District have financial policies and procedures that meet recommended practices?
- How do staffing levels at the District compare to the peer district average and State standards?
- How do the District's salary schedules for certificated staff compare to the surrounding district average?
- How do the insurance benefits offered by the District compare with state averages and industry benchmarks?
- Do the District's Worker's Compensation risk rating and mitigation practices meet recommended practices?
- How does the District's contribution to the employee's portion of STRS/SERS compare to State minimums?
- Are there contractual provisions within the certificated employee collective bargaining agreements that are costly to the District?
- Does the District's routing system provide the optimal capacity utilization for pupil transportation services?
- Is the District's approach to purchasing fuel and other supplies, such as parts for buses, effective for the District?
- Do building capacities and enrollment projections suggest that the District should change how it plans to use its buildings?
- Does the District have an energy reduction plan and implement best practices?
- Does the District employ appropriate staff to maintain its facilities and grounds?
- Is the District's Food Service Fund self-sufficient?

## **Methodology and Benchmarks**

Applicable 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.

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

AOS conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Data was drawn from FY 2010-11, FY 2011-12, and FY 2012-13, where possible. To complete this report, the auditors conducted interviews with District personnel, and reviewed and assessed information from Caldwell Exempted Village School District, peer school districts, and other relevant sources. The performance audit process involved significant information sharing with CEVSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held during the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations for improving or enhancing operations. Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. Finally, CEVSD provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments and supporting documentation.

AOS used ten school districts as peers for benchmarking purposes: Barnesville Exempted Village (Belmont), Bloom-Vernon Local (Scioto), Fort Frye Local (Washington), Garaway Local (Tuscarawas), Hillsdale Local (Ashland), Newcomerstown Exempted Village (Tuscarawas), Noble Local (Noble), Shadyside Local (Belmont), Union Local (Belmont), and Wolf Creek Local (Washington). These districts were selected based upon demographic and operational data as well as input from the District. External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), the American Schools and Universities (AS&U), Panell Martin, and the National Center for Education Statistics (NCES).

## Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors did not have the time or resources to pursue. The District should further study the following issue:

- **Share JVS transportation with Noble Local:** CEVSD transports juniors and seniors to the Mid-East Ohio Career and Technical Center, a joint vocational school (JVS), with campuses in Zanesville and Senecaville. In the past, the District shared this responsibility with Noble LSD. Due to the financial situation at CEVSD, the District could consider entering into a similar arrangement in the future to defray the costs of JVS transportation.

## Summary of Recommendations

The performance audit identifies potential cost savings of approximately \$613,800 annually, representing 7.8 percent of the total FY 2013-14 expenditures forecasted by the District. The following table summarizes those performance audit recommendations and associated financial implications, if applicable.

### Summary of Recommendations

Recommendations	Savings
<b>R.1 Reduce staffing<sup>1</sup></b>	\$321,300
<b>R.2 Increase employee health insurance contribution</b>	\$152,700
<b>R.3 Eliminate paid lunch breaks</b>	\$50,000
<b>R.4 Renegotiate provisions in collective bargaining agreements</b>	\$29,300
<b>R.5 Reduce supplemental positions and expenditures</b>	\$38,600
<b>R.6 Reduce overtime costs</b>	\$13,500
<b>R.7 Renegotiate the football field contract</b>	N/A
<b>R.8 Reduce transportation service to state minimum requirements</b>	\$6,600
<b>R.9 Mandate use of direct deposit and electronic pay stubs</b>	\$1,800
<b>R.10 Eliminate retirement fringe benefits</b>	N/A
<b>Total Cost Savings from Performance Audit Recommendations</b>	<b>\$613,800</b>

Source: AOS recommendations

<sup>1</sup> R.1 includes a reduction of 3 positions that the District implemented during the course of the audit.

The following table shows the District's ending fund balances as projected in the May 2013 five-year forecast. Included are annual savings identified in the performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

**Table 2: Financial Forecast with Performance Audit Recommendations**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Original Ending Fund Balance	\$531,551	\$297,186	\$147,464	(\$180,857)	(\$716,541)
Performance Audit Total Cost Savings	\$613,800	\$1,227,600	\$1,841,400	\$2,455,200	\$3,069,000
<b>Revised Ending Fund Balance</b>	<b>\$1,145,351</b>	<b>\$1,524,786</b>	<b>\$1,988,864</b>	<b>\$2,274,343</b>	<b>\$2,352,459</b>

Source: CEVSD May 2013 five-year forecast and AOS recommendations

Note: Although the District should seek to implement recommendations as soon as practicable, there may be a reasonable delay in doing so.

Five of the ten recommendations require contract negotiations with the District's collective bargaining units. Implementation of the audit recommendations will greatly depend on the outcome of the negotiations. However, with the increased revenue, decreased expenditures and the implementation of the audit recommendations, the District will likely eliminate deficits in the last two years of the forecasted period.

# Background

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## Financial Systems

In accordance with Ohio Revised Code (ORC) §3316.031, the Ohio Department of Education (ODE) placed CEVSD in a state of fiscal caution on September 4, 2012. The October 2012 update of the District's Five Year Forecast projected a negative cash balance of \$1,384,860 by FY 2014-15. In 2008, the District placed a 12-mil renewable levy on the ballot with the promise of a 7.5-mil levy expiring upon passage. The levy passed and the District let the 7.5-mil levy expire. Since that time, high expenditures, and cuts to education funding at the state level contributed to the District's current financial situation. On May 7, 2013, voters in the District approved a continuing 12-mil replacement/7-mil additional levy measure in order to avoid approximately \$920,000 in cuts. The levy is expected to produce approximately \$840,000 a year in additional revenue, starting in calendar year 2014. Even with the additional revenue, the revised five-year forecast shows that the ending cash balance will reflect a deficit of \$56,000 in FY 2015-16 and increase to \$591,500 in FY 2016-17. The District plans to compensate by eliminating three FTE teaching positions, five FTE aides, and one FTE bus driver starting in FY 2013-14.

**Tables 3 and 4** use the Expenditure Flow Model (EFM) classifications as defined by the ODE. "The purpose of the Expenditure Flow Model (EFM) is to categorize and report expenses related to the education of students. Because districts often handle funds unrelated to the instruction of students, not all expenditures accounted for by a school district are included in the model." *Reporting School District Revenue and Spending Per Pupil* (Ohio Department of Education, 2013). Audited financial statements of revenues, expenditures and fund balances of the District and the peers are available at <http://www.ohioauditor.gov/auditsearch/search.aspx>.

**Table 3** shows the District's historical expenditures from FY 2008-09 through FY 2011-12. During this period, the District's enrollment declined by almost 10 percent.

**Table 3: Historical EFM Expenditures**

	FY 2008-09	FY 2009-10	% Diff.	FY 2010-11	% Diff.	FY 2011-12	% Diff.	Ave.% Diff.
<b>FTE Students</b> <sup>1</sup>	912	897	(1.6%)	861	(4.0%)	820	(4.8%)	(3.5%)
<b>Administrative</b>	\$973,444	\$1,070,915	10.0%	\$1,044,595	(2.5%)	\$1,023,285	(2.0%)	1.8%
<b>Building Operations</b>	\$1,564,512	\$1,513,661	(3.3%)	\$1,601,989	5.8%	\$1,462,738	(8.7%)	(2.0%)
<b>Staff Support</b>	\$120,927	\$279,145	130.8%	\$413,079	48.0%	\$467,570	13.2%	64.0%
<b>Pupil Support</b>	\$839,656	\$1,012,759	20.6%	\$917,602	(9.4%)	\$766,975	(16.4%)	(1.7%)
<b>Instructional</b>	\$3,738,911	\$4,048,429	8.3%	\$4,082,847	0.9%	\$3,879,153	(5.0%)	1.4%
<b>Total EFM Expenditures</b>	<b>\$7,237,450</b>	<b>\$7,924,909</b>	<b>9.5%</b>	<b>\$8,060,112</b>	<b>1.7%</b>	<b>\$7,599,721</b>	<b>(5.7%)</b>	<b>1.8%</b>

Source: Ohio Department of Education

<sup>1</sup> FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As shown in **Table 3**, the District increased EFM expenditures by 1.8 percent over the past four fiscal years with increases between FY 2008/09 and 2010/11 and a decrease in FY 2011/12. Despite cuts made in FY 2011/12, all areas except building operations and pupil support show increases in expenditures. Staff Support showed the largest increase in expenditures, growing by an average of 64 percent. This line item includes several additional one-on-one aides hired through the Educational Service Center (ESC) to serve special needs students, which has contributed to increased expenditures in this area.

**Table 4** shows the District's EFM expenditures per pupil (EPP) compared to the peer average EPP for FY 2011-12.

**Table 4: EFM Expenditures per Pupil (EPP) - Peer Comparison**

	CEVSD	Peer Avg.	Difference	% Difference
<b>FTE Students</b> <sup>1</sup>	820	1,364	(544)	(39.9%)
<b>Administrative</b>	\$1,248	\$1,231	\$17	1.4%
<b>Building Operations</b>	\$1,784	\$1,896	(\$112)	(5.9%)
<b>Staff Support</b>	\$570	\$213	\$357	168.1%
<b>Pupil Support</b>	\$935	\$796	\$139	17.4%
<b>Instructional</b>	\$4,731	\$4,883	(\$153)	(3.1%)

Source: Ohio Department of Education

<sup>1</sup> FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As shown in **Table 4** in the area of staff support, the district spent 168.1 percent more than the peer average; due in part to an increase in the number of aides for special needs students. The District spent 17.4 percent more than the peer average in pupil support. It spent less in building operations and instructional costs.

## Human Resources

CEVSD divides its human resource functions between the Superintendent, Treasurer, Payroll Coordinator and Education Management Information System (EMIS) Coordinator. The Superintendent is responsible for hiring of employees with the Treasurer's input. The Treasurer handles benefit administration, financial duties of the district, and collective bargaining agreement negotiations. The Payroll Coordinator processes payroll and is the Supervisor of the Food Service staff. The EMIS Coordinator enters all EMIS data.

### Staffing

**Table 5** presents the staffing ratios in the District compared to the peers.

**Table 5: Staffing Comparison Summary (in FTEs)**

	Client			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
<b>Administrative</b>	5.0	5.3%	6.9	7.5	(0.7)
<b>Office/Clerical</b>	8.0	8.5%	11.0	8.5	2.4
<b>General Education Teachers</b>	39.8	42.2%	55.0	52.3	2.2
<b>All Other Teachers</b>	6.0	6.4%	8.2	12.1	(3.9)
<b>Education Service Personnel (ESP)</b>	5.0	5.3%	6.9	7.6	(0.8)
<b>Educational Support</b>	0.4	0.4%	0.5	2.9	(2.4)
<b>Non-Certificated Classroom Support</b>	8.0	8.5%	11.0	7.4	3.6
<b>Sub-Total</b>	<b>72.2</b>	<b>76.5%</b>	<b>99.0</b>	<b>98.4</b>	<b>0.4</b>
<b>Operations</b>	21.2	22.5%	29.1	28.8	0.3
<b>All Other Staff</b>	1.0	1.1%	1.4	3.2	(1.9)
<b>Total Staff</b>	<b>94.4</b>	<b>100.0%</b>	<b>129.3</b>	<b>130.4</b>	<b>(1.2)</b>

Source: CEVSD and peer EMIS data for FY 2011-12

Note: see appendix for clarification of position codes in Tables 6 and 7

As shown in **Table 5**, total District staffing was 1.2 FTE per 1,000 students below the peer average. The District has more staff per 1,000 students compared to the peers in the Office/Clerical, General Education Teachers and Non-Certificated Classroom Support classifications. CEVSD was 11.5 FTEs over the state minimum standard General Education staffing requirements (see **R1**).

### Salaries

**Table 6** compares average salaries at CEVSD to comparable data from the peer districts.

**Table 6: Average Salary Comparison Summary**

	Average Salaries			Salaries Per Student Educated		
	CEVSD	Peer District Average	Percent Difference	CEVSD	Peer Salaries per Student	Difference
<b>Administrative</b>	\$72,267	\$68,089	6.2%	\$495	\$510	(2.9%)
<b>Office/Clerical</b>	\$24,233	\$26,346	(8.1%)	\$266	\$222	19.8%
<b>General Education Teachers</b>	\$48,072	\$47,959	0.2%	\$2,620	\$2,499	4.8%
<b>All Other Teachers</b>	\$45,514	\$47,210	(3.6%)	\$374	\$560	(33.2%)
<b>Education Service Personnel (ESP)</b>	\$41,602	\$52,710	(21.1%)	\$285	\$400	(28.8%)
<b>Educational Support</b>	\$49,463	\$45,563	8.6%	\$26	\$141	(81.6%)
<b>Non-Certificated Classroom Support</b>	\$15,983	\$14,405	11.0%	\$175	\$116	50.9%
<b>Operations</b>	\$15,195	\$21,207	(28.4%)	\$441	\$597	(26.1%)
<b>All Other Staff</b>	\$49,870	\$32,622	52.9%	\$68	\$90	(24.4%)
<b>Total Staff</b>	<b>\$36,745</b>	<b>\$39,727</b>	<b>(7.5%)</b>	<b>\$4,750</b>	<b>\$5,140</b>	<b>(7.6%)</b>

Source: CEVSD and peer EMIS data for FY 2011-12

Note: see appendix for clarification of position codes in Tables 6 and 7

The average salary at CEVSD was \$36,745, while the peers had an average salary of \$39,727, for a difference of 7.5 percent in FY 2011-12. General Education teachers were paid 4.8 percent higher in comparison to the peer average for annual salaries. However, a detailed salary analysis showed that general education teachers with bachelor's degrees at CEVSD received 2.9 percent less in salary over the course of a 30 year career when compared to the regional peer average. Teachers with a Master's degree earned 3.4 percent less over the course of a 30 year career in comparison to the regional peer average. The classified employees' salary schedules were lower than the regional peer average for like positions. Overall, the District was below the peer average. As a result, the audit does not further address this area.

### *Collective Bargaining Agreements*

CEVSD has two collective bargaining agreements (CBA) in place. The Caldwell Teacher's Association (CTA) represents certificated staff, such as teachers and other licensed employees. The Ohio Association of Public School Employees (OAPSE) Local #339 represents classified staff, including aides, maintenance personnel, custodians, bus drivers, clerical staff, and food service employees. All full-time certificated personnel and all part-time personnel employed 20 hours or more per week under regular contract are represented by the CTA. The superintendent, principals, special education/federal funds coordinator, other administrative personnel as defined by ORC §4117, and substitute teachers are excluded from the CTA bargaining unit. The transportation supervisor, substitutes, temporary and part-time employees, non-certificated employees employed in the superintendent's or treasurer's offices, and any other confidential, supervisory or management-level employees as defined by ORC §4117 are excluded from the OAPSE bargaining unit.

### *Employee Benefits*

CEVSD purchases insurance coverage through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). The District offers medical, dental, prescription and vision insurance for all full time employees. Classified employees pay \$15 of the single monthly

premium and \$30 of the family monthly premium. Certificated employees pay \$25 of the single monthly premium and \$50 of the family monthly premium. The Board pays 100 percent of the premium for dental and prescription coverage. All employees with vision coverage pay 50 percent of the monthly premium (see **R2**).

## Facilities

In FY 2012-13, CEVSD operated an administrative building that included a maintenance bay and two school buildings. One building serves Pre-kindergarten through grade eight and the other serves grades nine through twelve. In 2013, the District sealed off the old middle school portion of the high school building. The District enrolled 813 children in FY 2012-13, however enrollment has declined by 207 students since FY 2002-03 and is projected to continue to have a steady, yet slower, decline until a small increase in FY 2015-16.

The total facility utilization rate in the District is currently 77 percent. *Defining Capacity* (DeJong, 1999) uses a benchmark utilization rate of 85 percent to define a building as being fully utilized. Even though the District is currently underutilizing its buildings according to the industry benchmark, closing one school and moving the entire student population to the remaining school raises utilization rates to levels well above the benchmark. For instance, closing the high school building would increase the elementary/middle school utilization rate to 119 percent and closing the elementary/middle school would increase the high school utilization rate to 217 percent. As a result of the overutilization that would result from closing an additional school building, closures will not be recommended in this audit.

**Table 7** shows the facility expenditures per square foot at the District in FY 2011-12.

**Table 7: Facilities Expenditures per Square Foot Comparison**

	Client	Peer Average	Difference	% Difference
Square Feet Maintained	180,819	186,767	(5,948)	(3.2%)
<b>Salaries and Wages</b>	<b>\$0.98</b>	<b>\$1.72</b>	<b>(\$0.75)</b>	<b>(43.4%)</b>
<b>Employee Benefits</b>	<b>\$0.58</b>	<b>\$0.94</b>	<b>(\$0.36)</b>	<b>(38.3%)</b>
<b>Utilities</b>	<b>\$0.74</b>	<b>\$1.32</b>	<b>(\$0.57)</b>	<b>(43.6%)</b>
Electric	\$0.44	\$0.83	(\$0.39)	(47.3%)
Gas	\$0.23	\$0.38	(\$0.15)	(39.0%)
<b>Sub-Total Energy</b>	<b>\$0.67</b>	<b>\$1.21</b>	<b>(\$0.54)</b>	<b>(44.7%)</b>
Water & Sewer	\$0.07	\$0.10	(\$0.03)	(31.2%)
<b>Purchased Services (Excluding Utilities)</b>	<b>\$0.24</b>	<b>\$0.51</b>	<b>(\$0.27)</b>	<b>(52.9%)</b>
<b>Supplies and Materials</b>	<b>\$0.23</b>	<b>\$0.45</b>	<b>(\$0.22)</b>	<b>(48.5%)</b>
<b>Capital Outlay</b>	<b>\$0.15</b>	<b>\$0.09</b>	<b>\$0.06</b>	<b>70.3%</b>
<b>Other Objects</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.00)</b>	<b>(100.0%)</b>
<b>Total Expenditures per Square Foot</b>	<b>\$2.93</b>	<b>\$5.04</b>	<b>(\$2.11)</b>	<b>(41.9%)</b>

Source: Ohio Department of Education

**Table 7** shows that the District's spending was significantly below the peer average on its facilities, with total expenditures per square foot 42 percent below peer average. The District

spent 70.3 percent more than the peer average on capital outlay. All of the capital outlay expenditures for FY 2011-12 came from object code 640, which is for equipment. The District installed equipment on its HVAC units to monitor energy usage remotely in that fiscal year, contributing to the difference in expenditures. Utility costs at the District were significantly lower than the peers, with energy costs being 44.7 percent lower than the peers. Total expenditures per square foot at the District were \$2.93 in FY 2011-12 compared to the peer average of \$5.04.

*Staffing and Organizational Structure:*

The District employs five custodians and one maintenance director. The custodians report directly to each building principal. The Maintenance Director, who reports to the Superintendent, does not oversee any employees. See **R7** for a recommendation on reorganizing the span of control in the District's maintenance and operations department.

**Table 8** shows the workload ratios in the District compared to the AS&U and NCES industry benchmarks.

**Table 8: M&O Department Staffing Need**

<b>District Staffing</b>	
Total FTE Maintenance Staffing	1.00
Total FTE Custodian Staffing	5.00
<b>Total FY 2012 Maintenance &amp; Custodial FTE Staffing</b>	<b>6.00</b>
<b>District Statistics</b>	
Square Footage Maintained	180,819
Acreage Maintained	34.6
Square Footage Cleaned	154,192
<b>Maintenance &amp; Groundskeeping Staffing Benchmark</b>	
AS&U Five Year Avg. Sq. Ft. per FTE Maintenance	<b>94,872</b>
<b>Calculated FTE Maintenance Need</b>	<b>1.9</b>
AS&U Five Year Avg. Acres per FTE Groundskeeper	31.0
<b>Calculated FTE Groundskeeping Need</b>	<b>1.1</b>
<b>Total Maintenance &amp; Groundskeeping Staffing Need</b>	<b>3.0</b>
<b>Custodian Staffing Benchmark</b>	
NCES Level 3 Cleaning Median Square Footage per FTE	29,500
<b>Calculated FTE Custodian Need</b>	<b>5.2</b>
<b>Total FY 2012 Maintenance &amp; Custodial FTE Staffing</b>	<b>6.00</b>
<b>Total Calculated M&amp;O Department Staffing Need</b>	<b>8.3</b>
<b>Difference</b>	<b>(2.3)</b>

Source: Caldwell EVSD, NCES, and AS&U

The District's M&O staff clean and maintain more square footage and acreage than the NCES and AS&U benchmarks. Due to the District's lower facilities staffing levels and expenditures per square foot, additional assessments were not warranted. However, overtime will be addressed in R6.

## Transportation

The District encompassed 157 square miles and provided transportation to 517 pupils in FY 2011-12. Of these riders, 513 were regular riders and three were special needs students. There was one student whose family received payment in lieu of transportation. The students were transported using a single tier routing system in which all students were picked up at the same time regardless of age. The District ran 11 regular buses and one special needs bus a day, traveling 161,100 miles annually in FY 2011-12. The District also had seven spare buses, with one used only for parts. Due to the District's financial situation, one bus route will be reduced in FY 2013-14.

**Table 9** compared the District's transportation operating ratios to relevant peer averages.

**Table 9: Key Statistics and Operating Ratios**

FY 2011-12	CEVSD	Peer Average	% Difference vs. Peers
<b>Key Statistics</b>			
Square Miles	157	111.1	41.3%
ODE Enrollment	857.0	1,075.0	(20.3%)
Total Students Transported (All Types)	517	581.9	(11.2%)
Total Yellow Bus Riders (Type I)	516	574.2	(10.1%)
Active Buses	12	11.3	6.2%
Annual Routine Miles	161,100	173,736	(7.3%)
Annual Non-routine Miles	21,507	18,386.6	17.0%
<b>Operating Ratios</b>			
Daily Miles per Rider	1.73	1.69	2.6%
Riders per Square Mile	3.29	5.91	(44.4%)
Enrollment per Square Mile	5.46	12.83	(57.5%)
Public Riders as % of Enrollment	59.86%	51.7%	15.7%
Regular Riders per Regular Bus	46.64	51.31	(9.1%)
Routine Miles per Active Bus	13,425	15,329	(12.4%)

Source: Ohio Department of Education Transportation Reports

**Table 9** shows that the District is 41.3 square miles larger than the peer average while its buses traveled 7.3 percent fewer miles in FY 2011-12. An item to note in the above data is that the District is operating at a greater level of efficiency than the ODE target of 36.3 riders per bus. The District's rating of 1.28 indicates a higher level of efficiency compared to the peer's rating of 1.15. This rating takes into account factors such as square mileage and population density to provide a target number of riders per bus. The District transported 10 more students per bus than the ODE target in FY 2011-12. The District's enrollment per square mile of 5.46 students was significantly lower than the peer average of 12.83. Students spent an average of 68 minutes on a

bus in the morning and 97 minutes in the afternoon, which speaks to the District's low population density and large area.

The District had 0.9 more active buses and one more spare bus than the peers. One of the active buses operates only in the afternoon to transport children who live in the Village of Caldwell to their homes. Another bus takes high school juniors and seniors to the Mid-East Career and Technical Center Vocational School in Zanesville. In the past, CEVSD and Noble LSD, a neighboring district, split the cost of transporting students to the Zanesville campus. However, that partnership ended a decade ago. Both districts are exploring the possibility of reinstating this arrangement in the future.

### *Organizational Structure*

The transportation department has a coordinator who reports to the superintendent. The coordinator handles dispatching and routing. A mechanic and 9.8 FTE bus drivers report to the coordinator. In addition, the coordinator completes the T-1 reports using the driver count sheets. When completed, the T reports are submitted to the treasurer and superintendent for verification. The treasurer is responsible for the completion of the T-2 reports, as well as the approval of any purchases made by the transportation department. In addition to the regular staff, there are several substitutes on call as needed to help with extracurricular trips and call offs.

## **Food Service**

The Food Service Department at CEVSD consists of six staff members, including two head cooks and four cooks. Collectively, they work 33.5 labor hours per day. The staff prepares and serves breakfast and lunch in each of the District's instructional facilities. The District utilizes cooperatives and consortiums to ensure that it is receiving the best prices for its food.

**Table 10** below shows the Food Service Fund's financial history since FY 2009-10.

**Table 10: Food Service Fund**

	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>% Change</b>	<b>FY 2011- 12</b>	<b>% Change</b>	<b>3 Year Change</b>
<b>Beginning Fund Balance</b>	\$12,435	\$2,687	(78.4%)	\$8,820	228.2%	(29.1%)
<b>Total Revenue</b>	\$313,207	\$371,666	18.7%	\$354,347	(4.7%)	13.1%
<b>Total Expenditures</b>	\$374,728	\$410,533	9.6%	\$353,349	(13.9%)	(5.7%)
<b>Revenues Over (Under) Expenses</b>	<b>(\$61,521)</b>	<b>(\$38,867)</b>	<b>(36.8%)</b>	<b>\$998</b>	<b>(102.6%)</b>	<b>(101.6%)</b>
<b>Transfers in</b>	<b>\$50,000</b>	<b>\$45,000</b>	<b>(10.0%)</b>	<b>\$0</b>	<b>(100.0%)</b>	<b>(100.0%)</b>
<b>Ending Fund Balance</b>	\$2,687 <sup>1</sup>	\$8,820	228.2%	\$9,818	11.3%	265.4%

**Source:** CEVSD Audited Financial Statements FY 2009-10 through FY 2011-12.

<sup>1</sup>FY 2009-10 Ending Fund balance includes \$1,773 from prior year appropriations.

**Table 10** shows that the District's Food Service Fund operated at a deficit in FY 2009-10 and FY 2010-11 and then had a small surplus in FY 2011-12. Due to the deficits, the Food Service Fund required transfers from the General Fund in order to stay solvent and the District anticipates additional transfers in the future. According to the CEVSD, the deficits are largely

due to the health insurance costs; since the consortium had premium holidays in FY 2011-12 and FY 2012-13, the fund did not require general fund transfers. (See **R2** for health insurance discussion).

Industry leading practices, as established by the National Food Service Management Institute, set a production benchmark of 20 meals per labor hour. The District produced 26.1 meals per labor hour in FY 2011-12, exceeding the benchmark by 6.1 meals. The number of meals produced by the District requires 43.7 labor hours per day according to the benchmark, which the District exceeded by using 10.2 fewer labor hours. Since the District is running efficiently in terms of meals per labor hour, food costs, meals served, and the meal process were comparable, no further analysis will be conducted.

# Recommendations

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## R1 Reduce staffing

**Due to its financial situation, the District should reduce its General Education staffing to within 20 percent of state minimum standards and Educational Service Personnel to the state minimum standards. Before making the reductions, the District should review the potential impact it would have on the quality of education.**

*Financial implication:* Reducing regular education staff levels to within 20 percent of state minimum standards would require the elimination of six FTE positions. By using the starting salary step for a teacher with a bachelor's degree (\$27,644 in FY 2013-14) and the 55 percent benefits to salary ratio at the District, a reduction of six FTEs would save the District approximately \$257,000. Reducing Educational Service Personnel (ESP) staff levels to state minimum standards would require the elimination of 1.5 FTE positions. By using the same starting salary step for a teacher with a bachelor's degree (\$27,644 in FY 2013-14) and the 55 percent benefits to salary ratio at the District, a reduction of 1.5 FTEs would result in additional savings of approximately \$64,300. **Total financial implication:** Assuming the elimination of six general education FTEs and 1.5 educational service personnel FTEs the District could save **\$321,300** in salaries and benefits.

In FY 2011-12, CEVSD employed 39.8 general education FTEs, for a regular student to teacher ratio of 18:1. When compared to the peer average, staffing levels were lower by 11.7 FTEs and the District had a higher student to teacher ratio. However, due to the worsening financial situation, the District should consider reducing staffing levels in this area to 20 percent above the minimum ratios established by the Ohio Administrative Code. OAC §3301-35-05 mandates at least one FTE classroom teacher for every 25 regular education students on a District-wide basis. Declining enrollment at CEVSD has led to a lower student to teacher ratio that has brought it well above the standards stated in OAC. If the financial condition continues to decline, further reductions may need to be considered. However, additional reductions could adversely affect student achievement.

In FY 2011-12, CEVSD employed five ESP FTEs. ESP personnel include art and music teachers, librarians, counselors, and nurses. Due to the worsening financial situation, the District should consider reducing staffing levels in this area to the minimum ratios established by the Ohio Administrative Code. The Code mandates at least five FTE Educational Service Personnel for every 1,000 regular education students on a District-wide basis. District enrollment has fallen to fewer than 1,000 students, resulting in staffing levels that exceed OAC standards. If the financial condition continues to decline, further staffing reductions may be necessary.

**Update:** During the course of this audit, the District decided to reduce staffing by three general education FTEs for FY 2013-14. The reduction will save the District approximately \$128,500 in salaries and benefits. Implementation of this recommendation will save the District an additional \$128,500 in salaries and benefits.

## **R2 Increase employee health insurance contribution**

**In order to help control the costs of health insurance, the District should increase employee health insurance contributions to 15 percent of the monthly premium. Doing so will provide direct cost savings to the District while offering quality health insurance to its employees at a reasonable cost.**

*Financial implication:* In FY 2012-13, the District would have saved approximately **\$152,700** if employee contributions were set at 15 percent of premium costs.

CEVSD offers health, dental and vision insurance coverage to its employees. Classified employees pay \$15 of the single monthly premium and \$30 of the family monthly premium. Certificated employees pay \$25 of the single monthly premium and \$50 of the family monthly premium. The District pays 100 percent of all employees' dental coverage and 50 percent of vision coverage.

The Kaiser Family Foundation reported in its 2012 annual survey that nationwide, the average single and family plan contribution rates for governments offering a similar health insurance plan are 16 percent and 35 percent, respectively. The State Employment Relations Board (SERB 2012) reported that in Southeast Ohio, the average single and family plan contribution rates for schools offering a similar health insurance plan are 12.5 percent and 13.9 percent. SERB reported average employee contributions for dental insurance at 12.9 percent for single plans and 17.8 percent for family plans.

Although the Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010, local governments with collective bargaining agreements such as CEVSD can maintain prior agreement plans by not making significant changes to reduce benefits or increase costs to consumers. The U.S. Department of Health and Human Services ([www.healthcare.gov](http://www.healthcare.gov)) indicates that the new plan will require provisions, such as preventive care coverage with no cost sharing under any new agreement. According to a survey conducted by Mercer Consulting in July 2010, 63 percent of respondents indicated that it would be more cost effective to make changes and lose grandfathered status. In addition, organizations that employ fewer than 500 employees predict that costs will increase by 3 percent in 2011 because of PPACA provisions. One of the nation's leading insurance broker's estimates that providing full coverage for preventive care, represents a cost increase of approximately 2 percent for employers. Reviewing the PPACA legislation and understanding the requirements before enacting significant changes to the District's healthcare program will ensure that CEVSD achieves the intended results.

CEVSD's contributions toward its premiums for health insurance exceed those paid by other levels of government as identified by the Kaiser Family Foundation Survey and SERB. Increasing employee contributions to their monthly premiums can assist the District in providing reasonable but cost-effective health care benefits.

## **R3 Eliminate paid lunch breaks**

**The District should negotiate to eliminate paid lunch breaks for its classified staff.**

*Financial implication:* Eliminating paid lunches could save the District approximately **\$50,000** per year. To determine this possible cost savings, AOS used each qualifying staff person's hourly rate, which then was divided by two to determine the cost of a paid 30 minute lunch break. This cost was multiplied by the number of days worked per year by each affected staff member and then multiplied by the total number of employees affected.

The classified staff is represented by the Ohio Association of Public School Employees (OAPSE). According to the collective bargaining agreement, full-time classified staff members are entitled to a paid lunch break of one-half hour. Neither federal nor state law requires employers to provide a paid lunch break. While it is common practice to provide a lunch break for employees working seven or more hours in a shift, there is no mandate for it to be a paid break.

#### **R4 Renegotiate provisions in collective bargaining agreements**

**In future contract negotiations the District should renegotiate those items identified as costly. These provisions include paid holidays for classified staff, sick leave severance at retirement, and compensation for Local Professional Development Committee members. If able to renegotiate these items to reflect peer practices or ORC standards, the District could realize significant future savings.**

*Financial implication:* Negotiating to make the provisions listed below more consistent with peer practices or state standards will save the District approximately **\$29,300** per year.

In an analysis of CEVSD's classified and certificated collective bargaining agreements (CBA), several provisions were determined to be more generous than the selected neighboring peer districts. The three peer districts used for comparison were Noble Local, Fort Frye Local, and Wolf Creek Local. In addition to the peer comparison, the provisions were compared to applicable provisions within the ORC.

**Paid Holidays:** The District's classified CBA provides eight paid holidays per year for 11-12 month employees and seven paid holidays for 9-10 month employees. ORC §3319.087 entitles non-teaching employees to seven paid holidays for 11-12 month employees and six paid holidays for 9-10 month employees. If the District reduced the number of paid holidays to the minimum required by the ORC, it could save approximately \$6,500 a year.

**Sick Leave Severance Payout:** The District's certificated and classified contracts permit employees who are eligible for retirement to receive payment of unused sick leave. Certificated employees are eligible for a maximum pay out of 50 days plus an extra day for every three years of service with no limit. Classified employees receive 36 days plus an extra day and a half of additional severance for every three years of continuous employment with no limit. ORC §124.39 entitles public employees to a maximum sick leave severance payout of 30 days at retirement. If the District had followed the ORC in providing severance in FY 2012, it would have saved \$9,300.

**Local Professional Development Committee (LPDC):** As specified by ORC §3319.22 and OAC §3301-24, the LPDC reviews and approves individual professional development plans and activities. The LPDC at CEVSD consists of seven members, four Caldwell Teacher Association (CTA) members and three administrators. Members are compensated at seven percent of their salary for each year of service. State law, while it provides for the creation and use of LPDC's, does not require compensation for members. In FY 2012, it is estimated that the members of CEVSD's LPDC each received \$1,935 per year for their service, based on the base salary of the certificated salary schedule, for a total cost of approximately \$13,500. For FY 2013-14, administrative members of the committee will no longer receive compensation, but the four CTA members will still receive a stipend.

## **R5 Reduce supplemental positions and expenditures**

**During future negotiations, the District should attempt to eliminate four positions and/or activities to be more in line with the neighboring districts. The District should also realign its stipends for the remaining positions to be consistent with the neighboring districts' contracts.**

*Financial implication:* Negotiating supplemental positions and expenditures that are consistent with the peer average will save the District approximately **\$38,600** a year.

In FY 2011-12, CEVSD's expenditure per pupil (EPP) for extracurriculars was \$165, or six percent higher than the peer average of \$154. The extracurricular sports EPP were \$145 for CEVSD, 20.4 percent higher than the peer average of \$120. The non-sport extracurricular EPP was \$20 for CEVSD, 41 percent below the peer average of \$34. Three peers (Fort Frye LSD, Noble LSD, and Wolf Creek LSD) who neighbor CEVSD were selected for an in depth analysis of positions and salary schedules. The audit determined that CEVSD filled 59 of 62 possible positions, whereas the peer average offered only 55 positions. For 52 of the 59 positions filled, CEVSD paid a higher percentage of the base salary than the peer average stipend amount. The differences ranged from a minimum of 0.25 percent to a maximum of 4.3 percent above the respective peer average.

Because the supplemental positions are included in the CBA, changes will need to be negotiated. By reducing the number of positions and possibly reducing the number of programs offered, the District would be able to focus these expenditures on extracurricular activities that have the highest participation rates. After reducing the number of programs and positions, reducing the stipend amount for the remaining positions will also help the District direct more funding to instruction.

## R6 Reduce overtime costs

**The District should take steps to reduce its overtime costs. Due to the District's financial and staffing situation, hiring more staff is not a viable solution to the issue. The District can take other steps, such as altering work schedules, closing buildings in the evening to events, moving certain employees to management (salaried positions), and adjusting work hours to a standard 40 hour work week. The District may have to renegotiate contract provisions in the collective bargaining agreement in order to achieve this goal.**

*Financial implication:* Reducing overtime to the peer average will save the District approximately **\$13,500** in personnel costs.

CEVSD paid \$16,472 in overtime wages in FY 2012. The peers paid an average of \$5,413 in overtime for that same year. As a percentage of salaries and wages, overtime represented 14 percent of salaries and wages at CEVSD while the peers averaged 2.4 percent. Two employees currently work 45 hours a week by contract, with 5 of those hours paid at the overtime rate. These employees account for approximately \$10,000 of the overtime accrued. The District appears to be understaffed when compared to industry benchmarks (see **Table 7**), contributing to the need for overtime. In addition, the current CBA specifies that the work week consists of eight hours per day, five days a week, Monday through Friday. If the school buildings are opened on the weekend due to a rental or sporting event, the custodial staff is paid time and one-half on Saturdays and double time on Sundays. Currently, custodians do not perform light maintenance work.

The article *Best Practices: Maximizing Maintenance* from Building Operating Management (2003) recommends that maintenance department overtime not exceed 2 percent of total maintenance time. Both CEVSD and the peers are exceeding this benchmark. In addition, the Bureau of Labor Studies (BLS 2013) reported a nationwide overtime rate of 1.2% for public workers employed in the service-providing industries, including education. The District can take several steps to reduce its use of overtime. Hagel and Company (2012), a human resources consulting firm, recommends the use of part-time or temporary employees to complete tasks. However, due to the District's financial situation, the hiring of additional employees may not be possible. Other strategies for reducing overtime include:

- Scheduling employees on a Tuesday-Saturday or Wednesday-Sunday schedule to cover cleanup resulting from weekend activities
- Closing the school buildings on certain days of the week to activities
- Moving employees to a managerial, salaried position
- Job-sharing of certain duties
- Renegotiating the fairgrounds football contract to stop mowing the grounds and maintaining the grandstand (see **R7**)

Doing the above may require renegotiation of provisions in the CBA, but should be considered in order to reduce the use of overtime.

Moving the Maintenance and Grounds Director into a supervisory role would eliminate his overtime costs by making him overtime exempt. In addition, having one employee responsible for direct supervision of both maintenance and custodial employees will lead to a more effective operation with a clear chain of command, especially during the summer months when the building principals are away from their buildings. Reorganizing the department to have custodians perform light maintenance will also help to alleviate overtime needs at the District.

#### **R7 Renegotiate the football field contract**

**CEVSD should renegotiate its contract with the Noble County Agricultural Society, Inc. to be more equitable to the District's needs. If the District cannot come to a new agreement with the Fair Board, it should seek alternate arrangements to meet its football needs. Such arrangements include converting a practice field into a home football field or contracting with a neighboring district.**

CEVSD has a contract with the Noble County Agricultural Society, Inc. (henceforth, Fair Board) to play its home football games on a field located at the Noble County fairgrounds. In exchange for the use of the field and the grandstand, the District was required to install and maintain floodlights, which then become the property of the Fair Board. It was also required to pay \$200 per school event for electricity, mow the field as well as the land on either side of the grandstand during the mowing season (approximately April-October), and clean the site within 24 hours of the end of an event or pay \$200. The District is also obligated to pay either a \$1,500 yearly rental fee or allow the fair board to keep the gate receipts for one home football game, every other year. Keeping one game's receipts results in a loss of revenue of approximately \$4,500-\$5,000. In addition, the District is responsible for the replacement of seats/bleachers and the maintenance and painting of the grandstand. The District must also list the Fair Board as an "additional insured" on its insurance coverage, increasing the overall insurance cost. As a result of this contract, the District paid approximately \$12,000 in salary, benefits, fuel, and lost gate receipts as well as \$1,000 for the use of electricity for five home games, for a total expenditure of \$13,000 in FY 2012-13. At a minimum, the District should seek to reduce the grounds keeping duties required, which contributes to higher overtime costs for the Maintenance and Grounds Director.

The National State Auditors Association (NSAA, 2003) recommends the use of performance measures and proper planning before entering a contract. Entities should analyze their needs to ensure whatever contract they enter into provides the needed goods and services. NSAA also recommends the use of contract provisions that stipulate contract renegotiation and termination if the contract becomes too costly for the entity. CEVSD and the fair board entered into the agreement several years ago for use of the football field on Fair Board property.

#### **R8 Reduce transportation service to state minimum requirements**

**If CEVSD's financial situation continues to erode, the District should consider reducing transportation service to State minimum levels. The District should weigh the costs and benefits of going to state minimum service levels, as it will have an effect on State funding.**

*Financial Implication:* The afternoon town route bus is currently operated by a custodian. As a result, the cost of running that bus is significantly lower than the cost of running other active buses in the fleet. Personnel costs would not be included, due to the affected employee being employed full time in another classification. Eliminating the bus would save the District approximately **\$6,600** in fuel, maintenance, and insurance costs. The District can save more if it eliminates other routes, as the cost of running an active bus is approximately \$34,700 per year. If the District sells a bus, it could receive one-time revenue of approximately \$1,757 per bus based on the average price of a used bus at auction. However, the District should weigh the impact such reductions would have on its funding levels.

According to CEVSD's School Board policies, the District provides transportation to all students, kindergarten through twelfth grades (K-12), who live more than one mile from their assigned school. Exceptions are made for disabled students and adverse safety conditions. However, in practice, no high school student who lives within the village limits of Caldwell receives transportation. Elementary, middle, and high school students who live outside village limits all ride together on the same buses and are picked up on the same route. In addition, any non-public pupil receives transportation as long as they attend a school within thirty minutes of the pupil's otherwise assigned school building. As a result of the established Board policies, the District is operating a town route that services only elementary school children living within village limits which results in the maintenance and fuel costs for an additional bus

The service levels provided by CEVSD exceed those proscribed by state code. Specifically, ORC § 3327.01 sets the following minimum standards:

- Transportation for students in grades K-8
- Transportation for students living more than two miles from the assigned school

The District does not provide transportation for students in grades 9-12 who live within the village limits even though Board policy states that they are entitled to such service. However, if the financial situation warrants it, the District can also eliminate service for elementary school students living within the village limits as well, since those students live within two miles of the elementary school, reducing an active bus as a result.

Due to the location of the elementary and high schools, the District picks up elementary school children by doing a route around the village after dropping off high school students in the morning. However, it uses a separate bus in the afternoon that runs only that route. As a result, the District is paying for an active bus that could be eliminated if service levels were reduced to state minimum standards. This would result in service to only those students living two miles or more from the student's assigned school.

**Update:** During the course of this audit, the District decided to eliminate a route for FY 2013-14. Even with that reduction, the District could consider further reductions to state minimum service levels if its financial situation warrants.

**R9 Mandate use of direct deposit and electronic pay stubs**

**During future contract negotiations, the District should require direct deposit and electronic pay stubs for all staff members. Doing so will improve efficiency in the District's payroll operations while reducing the possible risk of fraud and providing savings for the District.**

*Financial implication:* Making direct deposit mandatory for all staff members will reduce the administrative costs associated with payroll. The District prints an estimated 1,350 paychecks per year. At \$1.33 per paycheck the District can save approximately **\$1,800** a year on payroll costs. This recommendation may be subject to collective bargaining.

CEVSD offers direct deposit for its staff members, but it is not required. In FY 2012-13, 36 staff members received paper pay checks. In addition, five School Board members receive paper checks once a month and approximately 20 substitutes receive about 18 paper paychecks each per year. The treasurer estimates that the District prints 1,350 pay checks a year.

There are several estimates on the cost of printing paychecks. FirstView Financial (2011) estimates the cost to be \$3.00 per paycheck. The US Treasury Department (2005) estimates the cost to be between \$1.00 and \$2.00 per check. Finally, the National Automated Clearing House Association (NACHA 1999) estimates the costs to be \$1.20 per check. The costs include check stock, printing, burst/sort/review, envelopes, stuffing/handling, and postage. The NACHA figure is used for this audit with the postage costs updated to reflect May 2013 postage rates, bringing the cost to \$1.33 per paper paycheck.

Even though there is disagreement on the costs of using paper paychecks, the benefits identified in using direct deposit are uniform. The benefits include:

- Ease of access for employees;
- Reduced risk of identity theft;
- Lower instances of payroll fraud; and
- Higher payroll efficiency.

The District could realize the above benefits if mandatory direct deposit and electronic pay stubs were implemented.

**R10 Eliminate retirement fringe benefits**

**To increase transparency into administrative staff total compensation, CEVSD should evaluate its options when negotiating administrative staff contracts and the equity of paying an optional fringe benefit. Options include: A.) reduce the number of positions that receive District paid retirement fringe benefits; B.) cease paying the employee's share of retirement contributions for all administrative positions and bring compensation levels in line with the peer averages for each position; and C.) cease paying the employee's share of the retirement contribution, which could be phased in to help employees adjust.**

**Any changes require re-negotiation of administrator contracts.**

School districts in Ohio are required to administer payments into two retirement plans: the State Teachers Retirement System (STRS) for teachers and other certificated staff, and the School Employees Retirement System (SERS) for classified positions. Employers are required to contribute 14 percent of each employee's annual salary to the appropriate retirement fund. Employees are responsible for contributing 10 percent. CEVSD pays the entire 10 percent employee share (known as "pickup") for five administrative employees. In 2012, the District also paid an additional fringe benefit of the employee portion (one percent of salary) for two of those administrative employees.

Reported compensation at CEVSD does not include the additional fringe benefit of picking up employee's contributions to the respective pension plans. The District was 2.9 percent above peer average salaries for the five administrative positions receiving retirement fringe benefits in FY 2011-12. When pick-up was added to the reported average salaries of the five positions, the District rose to 13.4 percent above its peers.

Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits in lieu of a higher salary. However, offering this benefit to employees can be costly as it is rarely factored into total compensation calculations.

# Appendix

The following descriptions are for the position classifications used in Tables 4 and 5.

Staff Classification	Description of Staff Included in Classification
Administrative	Central office and building level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.
Office/Clerical	All 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).
Teachers	General Education teaching assignment. It does not include ESP Teachers.
All Other Teachers	Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficiency teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.
Education Service Personnel	K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).
Educational Support	Remedial Specialists and Tutors/Small Group Instructors.
Other Certificated	Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.
Non-Certificated Classroom Support	Teaching Aides, Paraprofessional Instructors, and Attendants.
All Other Staff	Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

## **Client Response**

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The letter that follows is the official response of CEVSD to the performance audit. Throughout the audit process, the District was afforded the opportunity to provide input and feedback on the factual basis for the analyses. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report. In addition, the District was also asked to provide comments on the report itself.

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT**

516 FAIRGROUND ST. \* CALDWELL, OHIO 43724 \* 740-732-5637

**Darren Cook**  
Superintendent

**Jeffrey Croucher**  
Treasurer/CFO

October 7, 2013

David Yost  
Auditor of State  
88 East Broad St., 5<sup>th</sup> Floor  
Columbus, OH 43215

Dear Auditor Yost

On behalf of the Board of Education of the Caldwell Exempted Village School District, I would like to thank Martha Lowe and her Performance Audit team for all of their hard work and commitment in preparing this report for our district. Her staff was exceptionally thorough and professional throughout the entire process, and Ms. Lowe, herself, guided me through this oftentimes overwhelming project and maintained close communications with my office.

We appreciate each of the report's findings and recommendations in our continuing efforts to provide an excellent education on a meager budget. It should be noted that the audit was commissioned at a time when the district was operating in Fiscal Caution and facing the possibility of a Fiscal Emergency designation. As a result, many of the report's recommendations – including those for reducing teaching and transportation staffing to State minimums – were provided as ways to keep the district afloat with declining State and Federal revenues.

However, in May, 2013, the district passed a 19-mill continuing levy –replacing an expiring 12 mill levy, with 7 additional mills. While this levy will most likely enable the district to emerge from Fiscal Caution, the district will continue to operate with very little “extra” personnel. The Performance Audit recommendations regarding employee health insurance contributions, supplemental positions, and overtime expenses were invaluable, and will be discussed through the negotiations process with both unions at the expiration of the current negotiated agreements.

Lastly, the Superintendent and Treasurer recently met with the Ohio Department of Education Area Coordinators Dr. Thomas Gumpf and Dr. Jacalyn Osborne, who provided additional areas of potential reductions to ensure the district's expenditures stay within its annual revenue collections, thus preventing future trips to the polls.

The Caldwell Exempted School District will continue to utilize the information and data provided through this extensive audit in the coming years. Please accept our sincerest thanks for providing us with such a valuable tool.

Sincerely,



Jeffrey Croucher  
Treasurer



# Dave Yost • Auditor of State

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT**

**NOBLE 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  
OCTOBER 22, 2013**