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STATE OF OHIO

SOUTHERN LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

APRIL 20, 2000

EXECUTIVE SUMMARY

Project History

Pursuant to Ohio Revised Code Section 3316.042, the Auditor of State's Office may conduct a performance audit of a school district in a state of fiscal watch or fiscal emergency, and review any programs or areas of operations in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved.

The Southern Local School District (SLSD or the District) was placed in fiscal watch on October 11, 1999. On October 11, 1999, the Board of SLSD requested the State Superintendent to place the District in fiscal emergency. The Board resolution gave the following reasons for the request:

! The District may not be able to meet its financial obligations for FY 2000.

! The Auditor of State has determined that a deficit exists for FY 2000.

In addition, the Board resolution resolved that, once placed in fiscal emergency, the Ohio Department of Education would be requested to secure an advancement from the Solvency Assistance Fund on behalf of the District. The Auditor of State placed SLSD in fiscal emergency on November 8, 1999.

Pursuant to Ohio Revised Code Section 3316.041, the Auditor of State's Office initiated a performance audit of SLSD. Based upon a review of District information and discussions with the Superintendent and the Ohio Department of Education, the following four functional areas were selected for the performance audit:

! Financial Systems

! Human Resources

! Facilities

! Transportation

Planning for the performance audit began in November 1999, and the actual performance audit was conducted primarily during the months of December 1999 through February 2000.

The goal of the performance audit process is to assist the District and the Financial Planning and Supervision Commission (the Commission) in making decisions with the objective of eliminating the conditions which brought about the declaration of fiscal emergency. The performance audit is

designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. Another objective of the performance audit is to perform an independent assessment of the District's financial situation, including development of a framework of a financial recovery plan. The recommendations contained within the performance audit will provide one major resource to the District and Commission in developing a financial recovery plan. However, the District and Commission are encouraged to assess overall District operations and to develop other recommendations not contained within the performance audit.

Financial Planning and Supervision Commission

As a result of the Auditor of State declaring SLSD in a state of fiscal emergency, and in accordance with Ohio Revised Code Section 3316.05, a Financial Planning and Supervision Commission was created. This Commission, by law, has broad fiscal and management authority to deal with SLSD's financial problems. Commission membership includes the following:

- ! The Superintendent of Public Instruction or designee
- ! The Director of Budget and Management or designee
- ! An appointment of the County Auditor
- ! An appointment of the Governor
- ! An appointment of the Superintendent of Public Instruction who shall be a parent of a child attending a school in the district

Ohio Revised Code Section 3316.06 requires the Financial Planning and Supervision Commission to adopt a financial recovery plan within 120 days of its first meeting. The fiscal emergency legislation stipulates that the plan must contain the following provisions:

- ! Eliminate the emergency fiscal conditions that prompted the Auditor of State's declaration of fiscal emergency
- ! Satisfy judgements and any past due payables and/or payroll and fringe benefits
- ! Eliminate deficits in applicable funds
- ! Restore to special funds any amounts borrowed or improperly used
- ! Balance the budget
- ! Avoid future deficits
- ! Stay current in all accounts
- ! Avoid future fiscal emergency conditions
- ! Restore the school district's ability to market long-term obligations

The Commission has the following powers, duties and functions:

- ! Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan
- ! Inspect and secure pertinent documents
- ! Review, revise and approve determinations and certifications affecting SLSD made by the County Budget Commission or the County Auditor
- ! Bring civil actions to enforce fiscal emergency provisions
- ! Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State’s rules
- ! Assume responsibility for all debt issues
- ! Make and enter into all contracts necessary or incidental to the performance of its duties
- ! Implement cost reductions and revenue increases to achieve balanced budgets and carry out the financial recovery plan

The Financial Planning and Supervision Commission is currently reviewing all monthly financial reports, and is monitoring the processes followed by SLSD for all expenditures. The Commission will continue in existence until the Auditor of State determines that the following conditions have been met:

- ! An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years
- ! All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- ! The objectives of the financial recovery plan are being met
- ! The SLSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State’s opinion, “nonadverse”

District Overview

The Southern Local School District (SLSD or the District) is located in Meigs County. SLSD's boundaries cover approximately 85 square miles and include the Village of Racine and the Village of Syracuse. The Village of Racine and the Village of Syracuse have populations of approximately 754 and 853, respectively. The District's average daily membership (ADM) for FY 1997-98 was 792 compared to the previous fiscal year's ADM of 831. Since FY 1994-95, SLSD's enrollment has decreased by approximately seven percent. The Ohio Department of Education projects enrollment to continue to decline to approximately 600 students by FY 2008-09.

SLSD's student attendance rate was 94.7 percent for FY 1997-98, which was slightly greater than the peer group average of 93.9 percent and the statewide average of 93.6 percent. SLSD's ninth grade proficiency test passage rate was 60 percent for FY 1997-98, which was substantially higher than the peer group average of 46 percent and slightly higher than the state average of 56 percent. SLSD met 10 of the 18 standards on the district report card issued in 1999 for the 1997-98 school year, but met 10 of 27 standards on the 2000 report card issued recently for the 1998-99 school year. As a result, this level of attainment currently places the District in the academic watch category.

The District's current financial condition is due, in part, to various factors. Despite historically generous salary schedules for certificated and classified personnel, the District negotiated an additional step to the certificated salary schedule, effective FY 1998-99, which required the District to also provide classified employees with a salary increase. The high salary structure, combined with a significant number of supplemental contracts and the establishment of a costly benefit package which does not require employees to contribute toward monthly premiums, has depleted the District's fund balances. A decline in ADM over the past several years and devaluation of tangible property within District boundaries have negatively impacted state and local revenue levels.

The Auditor of State, Local Government Services (LGS) office has certified a deficit of \$627,000 in FY 1999-00. The District borrowed that amount from the State Solvency Assistance Fund during the current fiscal year and will be required to repay one-half during each of the next two fiscal years, FYs 2000-01 and 2001-02. The financial forecast provided in **Table 2-1** of the **Financial Systems** section of this report shows a zero ending fund balance in FY 1999-00, followed by significant operating deficits from FY 2000-01 through FY 2003-04. The projected deficits start at \$608,000 for FY 2000-01 and are projected to reach \$1,796,000 by FY 2003-04. This forecast assumes the renewal of a 4.0 mill operating levy that will expire in FY 2001-02. Non-renewal of this levy will significantly worsen SLSD's financial condition.

SLSD received revenues totaling \$5,500 per pupil in FY 1997-98, placing it slightly above the peer district average of \$5,406 and below the state average of \$6,418. However, in the previous two years, the District's per pupil revenues were significantly less at \$4,449 in FY 1995-96 and \$4,775 in FY 1996-97. The increase in FY 1997-98 was due primarily to increases in state foundation

revenue. Per pupil expenditures in FY 1997-98 totaled \$5,498, an amount almost equal to revenues. However, in each of the two previous fiscal years, per pupil expenditures exceeded per pupil revenues by approximately eight percent, as reported by EMIS.

As a labor intensive organization, SLSD expends approximately 81.3 percent of its operating budget to fund payroll and fringe benefit costs. In FY 1998-99, SLSD's average teacher salary was \$33,281, which is greater than each of the peer districts as well as another local school district. Analysis of the District's average teacher salary for the past ten years indicates the District has historically had the highest average teacher salary within Meigs County and among the peer districts. Although the District and the teachers' union have not negotiated a cost of living increase since 1992, an additional step to the salary schedule was negotiated effective FY 1998-99. Because of a clause in the classified union agreement, the District was also required to provide classified employees with a comparable salary increase effective FY 1998-99. In addition, SLSD has the highest number of supplemental contracts and the highest amount paid for supplemental contracts when compared to the peer districts. It appears that SLSD's higher salary structure within Meigs County contributes to teachers choosing to work through retirement, which causes the District to continually incur higher salaries. As a result, SLSD is encouraged to continue wage freezes for all employees, reassess the supplemental contract schedule and consider eliminating certain supplemental contracts to improve the District's financial condition.

SLSD's annual benefit cost per employee for FY 1998-99 is the highest among the peer districts at \$7,903. The higher costs can be attributed, in part, to SLSD not requiring its employees to contribute toward premium costs. Additionally, all employees, regardless of hours worked per week, are eligible for full benefits; the District has a high claims experience rate; the medical plan requires minimal employee annual deductibles; the District offers a costly prescription plan which does not require employees to co-pay for generic prescriptions and the medical plan provides for a generous lifetime maximum benefit. Because of the higher salary structure and high claims experience rate, it is reasonable to consider employee contributions that represent a larger percentage toward health insurance premiums than the peers.

For FY 1999-00, the District has approximately 95.5 employees, including approximately 53.5 teachers. During the past eight years, the District's staffing levels reached a high of 97.0 FTEs (FY 1992-93) to a low of 88.5 FTEs (FY 1995-96). Although enrollment has been declining, the District's current staffing levels are approximately equal to the higher staffing levels in FY 1992-93. For FY 1998-99, the staffing levels in conjunction with enrollment resulted in a 20.8:1 student teacher ratio in elementary schools, a 21.5:1 student teacher ratio in the middle schools and a 19.3:1 ratio in the high school. Prior to the opening of the new K-8 building in FY 2001-02, the District should complete a comprehensive staffing analysis to determine which classified positions may be reduced due to the economies of scale achieved by the consolidation of buildings and projected declining enrollment. The District should consider reducing 2.5 FTE secretarial positions and one food service position once the new building opens.

SLSD has negotiated collective bargaining agreements which provide management with the ability to evaluate all employees a minimum of once a year. However, the District indicated that tenured teachers and classified employees are not evaluated annually. SLSD is encouraged to evaluate all employees on an annual basis. The classified contract contains two clauses which could potentially result in increased salaries for classified employees. The District should negotiate the removal of any clause which guarantees salary increases. In addition to the higher salaries and the generous medical benefits provided to all employees, the District's severance payout policy is in excess of the minimum policy required by the Ohio Revised Code (ORC). Severance pay is granted to retiring employees, regardless of the number of years of service with the District. The District should consider renegotiating the severance payout policy to be more in line with the ORC. Renegotiation of these certain provisions is necessary to reduce operating expenditures.

There are currently three elementary schools, one middle school, one high school, one stadium and one transportation facility. The average age of the five school buildings is approximately 58 years and deferred maintenance has created significant capital needs. The District is part of the Ohio School Facilities Commission (OSFC) Classroom Assistance Program (the program) which is providing SLSD with approximately \$5.8 million for the construction of a new K-8 building and renovations to the high school. The program requires school districts to match a certain portion of the total cost of the construction. SLSD was required to pass a \$4.0 million bond levy for its portion of the facilities costs. The program also requires the District to set aside one-half mill for capital maintenance of the new facility. The new building will replace the three elementary buildings and the one middle school and is expected to be open for the 2001-02 school year.

The District does not prepare enrollment projections, which are critical to effective capital planning. Additionally, enrollment projections do not appear to have been used when the size of the new K-8 building was determined. Based on enrollment projections prepared by the Ohio Department of Education (ODE), SLSD's enrollment is expected to be at 737 by FY 2001-02 and is expected to decrease by 149 students by FY 2008-09. While total square footage will increase by 29,021 square feet in FY 2001-02, the increase in square footage does not appear to correlate with the District's future enrollment needs as projected by ODE. In order to appropriately address educational needs and space availability, the District should formally adopt methodologies for projecting enrollments and functional capacity utilization. Enrollment projections and capacity analyses should be updated on a regular basis.

The average square footage per custodian is 19,056 for FY 1998-99, which is the second lowest of the peer districts and lower than the peer average. Custodial salaries and benefits are significantly higher per square foot than the peer districts. This is largely due to the District's higher salary structure and generous benefits package. Although the new K-8 building and additions to the high school will result in an increase in total square footage, the District should be able to reduce one custodial position based on economies of scale achieved with the building consolidation. Although the District's FY 1998-99 utility costs are the second lowest per square foot when compared to the

peers, the new building will ultimately increase the District's utility costs. Because SLSD has not developed an energy conservation program, the implementation of such a program is important to controlling and minimizing utility costs.

For FY 1998-99, approximately 633 students were eligible for transportation and the District operated 10 buses and three spares. In the area of transportation, SLSD's FY 1998-99 operating ratios for regular and special needs students appear high when compared to the peer districts. The regular per student transportation cost of \$461 exceeded the peer district average by approximately 34 percent. The special needs per student transportation cost of \$5,724 exceeded the peer district average by 38 percent.

Significant factors contributing toward the District's higher operating ratios include establishing a generous salary structure, offering a costly benefit package at no cost to employees and providing supplemental contracts to drivers. Bus drivers are guaranteed four hours of pay per day although, on average, each bus driver only works two hours and 39 minutes per day. Additionally, a substantial portion of the special needs transportation costs is due to a contract to transport a special needs student to Athens, Ohio. The contract reimburses the driver at a rate of \$0.50 per mile for an annual cost of approximately \$14,000. Reductions in transportation costs can be achieved by reducing the number of supplemental contracts offered to bus drivers, decreasing the number of guaranteed hours provided to bus drivers and reducing the contracted mileage reimbursement rate to be in line with the federal reimbursement rate.

In order to achieve and maintain financial stability, SLSD faces several difficult challenges including the reduction of staff, curbing payroll and benefit costs and meeting statutory requirements established by House Bill 412 financial set-asides, while maintaining high standards for the education of its students. The District's negotiated agreements with both bargaining units expire on June 30, 2000 and prudent bargaining with the unions will help to ensure future financial stability. At a minimum, the District must examine its benefit structure and maintain wage freezes for all employee classifications. In addition, staffing levels should be examined in light of the consolidation of four existing buildings due to the new K-8 building.

The performance audit provides a series of recommendations, many of which include associated cost reductions, redirected services or efficiency improvements. Management should carefully consider these recommendations when making the important decisions necessary to establish financial stability while improving on the educational standards SLSD is providing.

Summary Result

The summary result of the performance audit is contained within pages 1-9 through 1-20. The summary result is followed by overall performance audit information including a definition of performance audits, the objective and methodology of performance audits and peer district comparisons of key information.

The performance audit addresses four major areas of SLSD operations. The financial systems area is further segregated into financial planning as well as revenues and expenditures. A summary of background information, major findings, major commendations, major recommendations and financial implications is provided for each area. However, a thorough analysis of each of the four areas, including detailed findings and recommendations, is contained within the corresponding section of the report. All interested parties are encouraged to read the entire report.

The results of this performance audit should not be construed as criticisms of SLSD management. The performance audit should be used as a management tool by the Commission, SLSD and the community to improve operations within the District thereby aiding in the preparation of the District's financial recovery plan.

A table representing a summary of the financial implications of the recommendations is presented on pages 1-19 through 1-20. However, the performance audit also contains a number of recommendations which may not generate estimable cost savings but will result in enhanced service delivery within district operations. If implemented, these recommendations would improve the operational efficiency of the SLSD and its effectiveness in achieving its educational mission.

The performance audit is not a financial audit. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of SLSD's fiscal records and past financial transactions. However, copies of the financial audits are available through the Auditor of State's Office.

Financial Systems

This section focuses on the financial systems within SLSD. The objective is to analyze the current financial condition of the District, including an evaluation of the internal controls, and develop recommendations for improvements and efficiencies. Within this section, a forecast is presented representing the Auditor of State's assessment of SLSD's financial condition.

Background: Because the District was facing a \$627,000 operating deficit in FY 1999-00 that met all the conditions identified in ORC § 3316.03, the Auditor of State placed SLSD in fiscal watch. ORC § 3316.03 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district's board of education fails to submit an acceptable financial recovery plan to the state superintendent within 120 days of being placed in fiscal watch. After being placed in fiscal watch, the Board adopted a resolution stating that it would be unable to submit an acceptable plan within the statutory period. As a result, on November 8 1999, the Auditor of State declared SLSD to be in a state of fiscal emergency. While in fiscal emergency, a financial planning and supervision commission has been formed and given broad oversight authority to balance the District's budget.

Forecast: A financial forecast was prepared by the District in January 1999 to fulfill requirements of H.B. 412. The forecast was revised in January 2000. The revised forecast projects the District encountering a negative ending cash balance of \$2.2 million by FY 2003-04. However, the forecast contains several mathematical errors which creates an inaccurate picture of SLSD's financial condition. Similarly, the forecast lacks adequate assumptions and several categories are not projected based on historical data.

Table 2-1 presents a forecast for the District assuming no material changes in operating expenditures or revenues. This forecast projects an operating fund deficit of \$1.8 million by FY 2003-04. Differences between **Table 2-1** and SLSD's forecast include **the assumptions of renewal** of the 4.0 mill emergency levy beginning in FY 2001, increasing state foundation revenue, anticipated increased costs the District will likely incur to fund the spending requirements of H.B. 412, and the inclusion a \$627,000 Solvency Fund loan. A second forecast is presented in **Table 2-1A** which incorporates the performance audit recommendations, including savings and implementation costs, that could serve as a framework for the District's Financial Planning and Supervision Commission as it develops the financial recovery plan.

Findings: SLSD's current financial difficulties appear to be the long term result of high salaries and generous fringe benefits. The District has encountered serious financial difficulties in the past and borrowed approximately \$533,000 in state operating loans in FY 1993-94 and FY 1994-95 to avoid year end deficits. SLSD's salaries remain the highest of the peers and neighboring districts in four of eight staffing categories. Support services costs are high in proportion to instructional spending while discretionary spending makes up approximately 14 percent of total General Fund expenditures. Some of these decisions were due, in part, to a lack of financial planning and management by District

administrators.

Approximately 39.5 percent of the District's total revenues are derived from local sources. State foundation revenues account for approximately 52 percent of district revenues. In total, SLSD receives revenues of approximately \$4,791 per pupil which ranks 354th among the 611 school districts in Ohio.

Many areas of the District's fiscal operations were determined to contain significant internal control weaknesses and/or were noncompliant with various sections of the ORC. Examples of these situations include the inability to reconcile cash, not adopting formal budgets, not filing "412" certificates, and not using encumbrances to identify liabilities.

Because school districts have limited resources, the allocation of funds between the functions of a district is an important aspect of the budgeting process. An analysis of expenditures posted to various USAS function codes indicated that SLSD allocated approximately 42.7 percent of its total costs toward support services and 54.9 percent toward instruction. The peer averages for costs relating to support services and instruction were approximately 40.1 and 53.2 respectively.

Recommendations: The District should develop detailed five-year forecasts with accompanying assumptions and notes for major operating, capital, and debt funds. A detailed financial forecast will allow the Board, the Commission, the administration and the public to better understand SLSD's financial condition.

The treasurer and his assistant should begin to use the technology available to the District through the data acquisition site (DAS) and should eliminate computation errors from the forecast and other reports. In addition, the treasurer should begin to encumber funds to show a more realistic projection of District liabilities. Also, an annual budget should be developed and should be used to control expenditures and better manage District funds. Finally, the treasurer should ensure that all District financial statements are prepared according to generally accepted accounting principles. H.B. 412 expenditures and set asides should be presented in a manner to convey an accurate estimate of the District's financial reserves and required set asides.

Other significant recommendations include the following:

- ! Discontinue borrowing to cover operating debt and, instead, realign expenditures to fall within the funds available to the District
- ! Develop a coordinated grant program to include all teachers and administrators in the grant search and application process
- ! Ensure that all appropriation adjustments are approved at the legal level of control

Human Resources

Background: The human resources section evaluates the number, makeup and compensation of SLSD employees, substitute utilization and costs, benefits administration, contractual issues and other employment and organizational issues. The District does not have an individual human resources department. The individuals performing human resources functions include the superintendent, treasurer, assistant treasurer and the administrative assistant. The primary purposes of the individuals performing human resources functions are recruiting and selecting employees, complying with state and federal employment laws, negotiating labor contracts, administering salaries and benefits and administering employee performance and discipline policies.

Findings: A review of EMIS staffing data shows numerous errors and data miscodings, primarily because SLSD does not verify staff demographic information entered into EMIS on a regular basis. An analysis of corrected EMIS staffing data indicated staffing levels have fluctuated over the past several years. Staffing levels have increased since FY 1997-97 while total ADM has decreased. Because the District will consolidate three elementary buildings and one middle school building effective FY 2001-02, the District may be able to reduce some classified positions due to the economies of scale achieved by the new building.

A review of SLSD's high school teaching schedule indicates that 39 regular education periods have 15 or less students enrolled in the class. Further analysis indicates the District has five high school teachers who teach various English and Math courses. The English classes average a student/teacher ratio of 17.0:1 and the Introduction to Math classes average a student/teacher ratio of 13.8:1.

When compared to the peer districts, SLSD has the highest average salaries in the professional/education, transportation, custodian/maintenance and food service areas. Although the average salary for teachers is the highest when compared to the peer districts, SLSD has not negotiated a cost-of-living increase to the teachers salary schedule since 1992. However, an additional step to the certificated salary schedule was negotiated effective FY 1998-99 which resulted in an increase of approximately 2.3 percent for certificated salaries to the District. In addition, the District was required to provide classified employees with a salary increase due to a "me too" clause in the OAPSE contract, which consisted of an increase in the salary schedule and an addition of two steps to the salary schedule. This resulted in an increase of approximately 4.6 percent for classified salaries.

SLSD spent \$53,525 on substitute services for FY 1998-99 including \$31,500 in teacher substitute costs. An analysis of substitute teaching days shows that approximately seven percent of available teaching days were taught by substitute teachers. SLSD's average sick days per teacher was the second highest when compared to the peer districts and SLSD's average sick days per classified employee was the second lowest when compared to the peer districts. SLSD uses the Athens-Meigs county ESC to secure their substitute teachers. The District's total supplemental contract payment

schedule is approximately 37 percent greater than the peer district average and has the highest number of positions requiring a supplemental contact among the peers.

With regard to total insurance costs, SLSD has the highest estimated annual cost per employee among the peer districts at \$7,903 which is significantly higher than the annual cost of health care of \$5,680 per covered employee in 1999 as estimated by SERB. Factors contributing to SLSD's high annual insurance costs include the following:

- ! Employees are not required to contribute towards the monthly premiums for medical or dental insurance
- ! All employees, regardless of hours worked per week, are eligible for full benefits
- ! The District has a high claims experience rate
- ! The medical plan requires minimal employee annual deductibles
- ! The District offers a costly prescription plan which does not require employees to co-pay for generic prescriptions
- ! The medical plan provides for a generous lifetime maximum benefit

When compared to the peer districts, the District has the second lowest experience modifier and the lowest premium cost per employee for workers' compensation for 1998. Along with Bridgeport Local Schools, SLSD has the lowest number of medical claims and lost time claims filed per employee.

Severance pay is granted to SLSD employees who are eligible to retire under the state retirement system regardless of years of service with the District, forcing the District to grant severance packages to employees who have not served the District for an extended period of time. Also, the maximum number of days SLSD can be liable for in terms of severance payout is 60 days. Assessment of the SLEA agreement indicated that the District and union have established a labor-management committee, teachers have 30 days to file a grievance and limited contract and tenured teachers are to be evaluated a minimum of once a year. However, the superintendent indicated tenured teachers are not always evaluated on an annual basis. The OAPSE contract does not provide for a probationary period and contains a clause which requires the District to re-negotiate wages if the District receives additional state funding monies in excess of \$4,500 per pupil. In addition, the contract contains a "me too" clause which guarantees OAPSE members the same salary increase provided to SLEA members. SLSD's overtime calculation policy is more than required by the Fair Labor Standards Act because the District includes paid sick leave as time worked when calculating overtime. The OAPSE contract also provides all classified employees with the highest number of paid holidays per employee among the peer districts. Additionally, the District provides classified employees called into work for an emergency with a minimum of two hours pay. However, employees are not required to work for the entire two hours.

Commendations: Based on the peer comparison of experience modifiers and premium costs per employee as well as the four-year claim history, SLSD is successfully managing its workers compensation program. The periodic meeting of labor and management creates an avenue of open communication between staff and management which has a positive effect on the general morale of the District. Evaluating limited contract teachers a minimum of once per year provides the District with an effective assessment of a teacher’s job performance.

Recommendations: Because SLSD receives funding based upon EMIS information provided by the District and because EMIS information is provided to the public and is used to make assessments about the effectiveness of SLSD as a whole, the District should routinely review EMIS staff demographic information to determine accuracy and completeness. The performance audit identified areas where staff could possibly be reduced. The following table summarizes areas where staffing levels should be reviewed when evaluating alternatives to deal with the current financial situation. Procedures should be developed to monitor and improve productivity to offset the operational impact of staff reductions.

Staff Reductions by Position				
Classification of Position	Basis	Section Number	Number Reduced	Estimated Annual Savings
Secretarial and Food Service	Based on achieved economies of scale when the K-8 building opens in FY 2001-02, the District will be able to reduce 2.5 secretarial positions and one food service position to align staffing with new building configuration.	3	3.5	\$58,360
Teaching	Consolidating commonly offered high school classes could potentially reduce 1 high school teaching position.	3	1.0	\$43,200
Custodian	Based on current square footage/custodian statistics and achieved economies of scale when the K-8 building opens, the District should reduce 1 custodial position effective FY 2000-01.	4	1.0	\$24,775
		Totals	5.5	\$126,335

Because of the District’s current financial situation, the District and the unions should continue to negotiate wage freezes until the District recovers from its current financial difficulties. Also, management should negotiate the removal of the “me too” clause from the OAPSE contract.

The District should reduce the number of sick leave days taken per teacher to reduce the overall substitute costs. In addition, the District should consider implementing additional strategies to increase the substitute pool. SLSD should examine the supplemental contract payment schedule during the next round of negotiations and consider shifting responsibilities to other areas. SLSD should require full-time employees to contribute toward monthly premium costs.

SLSD should consider requiring ten years of service for all employees to be eligible for severance packages, and should renegotiate its severance policy to standards identified by the ORC. The District should consider requiring all grievances to be filed within five to ten days of the act or condition which is the basis of the grievance. SLSD should conduct annual evaluations for all employees and the District should establish a probationary period to be more in line with the peer districts. The District should review its current overtime policy and consider negotiating it to be more in line with guidelines set forth by the Fair Labor and Standards Act and Ohio law and the District should consider eliminating three paid holidays.

Other significant recommendations include the following:

- ! Management should negotiate the remove of any clauses that guarantee salary increases.
- ! Management should consider negotiating the OAPSE contract so that employees are required to work the entire two hours in emergency call-in situations.
- ! Management should consider establishing a policy which limits the amount of sick leave that can be transferred into the District and paid out at severance.

Financial Implications: It is estimated that the recommendations in this section of the report would result in approximately \$273,500 - \$345,400 in annual savings and with an additional cost avoidance of approximately \$195,600.

Facilities

Background: The facilities support staff is responsible for maintaining Southern Local School District's (SLSD or the District) facilities. The District consists of three elementary schools, one middle school, one high school, one stadium and one bus garage. The transportation personnel are responsible for cleaning the bus garage, while the coaches are responsible for the upkeep of the stadium. The bus garage and the stadium have been excluded from custodial square footage calculations as the custodians are not responsible for cleaning these areas. The five facilities, which are the focus of this report, have a combined square footage of 104,810. The average age of the school buildings is approximately 58 years old. The District is currently constructing an all inclusive K-8 building. The new building will be located next to the high school and is scheduled for completion in the 2001 academic year. Additionally, the high school will be expanded and renovations will be undertaken. The facilities support staff consists of 5.5 full-time equivalent (FTE) custodians and one FTE maintenance employee and has an annual budget of approximately \$350,000.

Findings: The average square footage per custodial employee is 19,056 which is the second lowest of the peer districts. The consolidation of the three elementary schools and one middle school as well as the proposed reduction in staff will bring the total square footage coverage of the custodians closer to the square footage ratio of some of its peers. SLSD's custodial employee base salary is the highest of the peer districts. The maintenance employee is responsible for maintaining approximately 104,810 square feet, which is 25,498 less square feet per person than the peer district average, but 29,810 more square feet per person than the AS&U Region 5 average. Additionally, SLSD's maintenance employee base salary is the highest of the four peer districts. SLSD's custodians work only 7.5 hours a day or 37.5 hours in a work week while receiving the highest average base salary of \$19,058 in FY 1998-99. In addition, SLSD's custodians cover the second lowest square footage of its peers.

The District does not have a written preventive maintenance schedule detailing when each task is to be performed, nor does it have a log book to record when the preventive maintenance tasks are completed. Although a final decision has not been made yet, the District is considering selling the existing elementary school buildings and maintaining the middle school building for additional storage space. At this point, the District cannot estimate the market value of the various properties.

In the last 10 years, SLSD's student population has decreased by 176 students. The student population decreased annually from the 1990-1991 school year through the 1999-00 school year, where it is currently 781 students. According to the most recent ODE enrollment projections, the student population is going to decrease to 588 students by 2008-09. According to ODE's enrollment projections and the future school building configurations, SLSD will be operating at 78 percent of its functional capacity in 2001-02. The District has not developed student enrollment projections.

While SLSD has conducted some analysis of their facilities, the District has not developed a comprehensive facilities master plan (FMP) to address facility needs, including new schools, building closures, additions, renovations and preventive maintenance. Even though the District has taken some steps to reduce energy costs, the District has not developed an energy management/conservation program which details specific steps that all employees can follow on a day-to-day basis.

Commendations: It appears that SLSD is effectively managing its custodial/maintenance overtime expenditures. In FY 1998-99, the District spent \$415 in custodial overtime and \$0 in maintenance overtime. By effectively and efficiently managing overtime costs, the District is able to spend more money in instructional related areas.

Recommendations: The District should be able to reduce its custodial staff by one FTE, while effectively maintaining all future facilities. The reduction would be possible with the consolidation of the middle school and the three elementary schools into one new building and the resulting economies of scale. A planned preventive maintenance program should be developed and

implemented to help maintain the District's facilities. The District should develop preventive maintenance schedules and log books for each facility.

During the next round of union contract negotiations, the District should try to increase the length of the custodial work week from 37.5 hours to 40 hours in an effort to increase efficiency and productivity. This is also important considering SLSD's custodians are paid approximately 12 percent more in base salary than its peers, while covering less square footage.

SLSD should reconsider its decision to maintain the middle school building for additional storage space purposes. Given the District's negative financial condition, it should dispose of all buildings for which there is no future need. Allocating resources to maintain a building that will not directly support instructional activities or key operational functions represents unnecessary expenditure of the District's limited resources.

The District should start developing enrollment projections as part of the comprehensive FMP. Because enrollment projections are a valuable planning tool, they should be completed annually. The District should develop a comprehensive FMP which contains historical information about the District's demographics and community characteristics; educational programs, goals, and practices; enrollment projections; facility evaluations and capital improvement needs; capacity and space utilization analyses; an implementation plan and budget which includes funding sources; and an evaluation process. The District should implement an energy management/conservation program to lower utility costs in each school building. This is especially important because the new building will have additional electrical features that the current buildings do not have, which could result in increased electrical consumption.

Other significant recommendations include the following:

- ! The District should start developing enrollment projections as part of the comprehensive FMP
- ! The District should investigate ways to take advantage of the purchase of deregulated gas.

Financial Implications: It is estimated that the recommendations in this section of the report would result in approximately \$34,775 in annual savings.

Transportation

Background: In FY 1998-99, Southern Local School District (SLSD or the District) provided transportation services to approximately 633 students daily using various methods. The transportation department employed 11 individuals during FY 1998-99 with operating expenditures of approximately \$361,000. On a daily basis, District buses transported 627 regular education students and 4 special needs students. In addition, one special need student was transported using a parent/guardian contract and one special need student was transported using a contracted other vehicle. During FY 1998-99, District buses traveled approximately 166,140 miles to transport regular and special needs students.

Findings: State law requires school districts to provide transportation for resident students in grades kindergarten through eight who reside two or more miles from their designated school of attendance. SLSD transports all students in grades kindergarten through twelve who live one mile or more from their school of attendance as well as all students who live less than one mile from their school of attendance provided that their residence is on a regular bus route.

SLSD does not use routing software. Routes are manually designed based upon previous bus routes and are adjusted yearly. Based upon FY 1998-99 bus rider information provided by the transportation supervisor, SLSD's bus fleet is operating at approximately 99 percent of capacity. The District operates on a one-tier bell schedule which provides maximum efficiency for SLSD based upon the District layout.

The District's average cost to transport a regular transportation student is \$461. In comparison, the District's average cost to transport a special needs students is \$5,724. Peer district averages for regular and special needs transportation are \$345 and \$4,151 respectively. SLSD's regular needs transportation cost per bus is \$32,114 and the peer district average is \$27,101. For special needs transportation, SLSD has the highest cost per student on District buses (\$4,995), contracted other vehicles (\$14,000) and all modes of transportation (\$5,724). Peer district averages are \$3,150, \$9,712 and \$4,151 respectively. Factors which contribute to the higher operating costs for regular transportation include paying bus drivers at a higher average hourly rate and average yearly rate than the corresponding rates of the peer districts, paying bus drivers for hours which they do not work, paying supplemental contracts to four driver for routes driven in addition to their regular routes and giving a full benefits package to all employees regardless of the number of hours that they work. The negotiated union agreement does not require an employee to provide a physician's medical certificate and a return to duty release form if absent for an extended period of time. In addition, the District includes approximately 85 square miles which is covered by nine active regular transportation buses.

SLSD's bus fleet has an average age of 12.0 years. Nine buses exceed the age guidelines for bus replacement. At the beginning of the school year, the District bids several items (diesel fuel, gasoline, engine oil and grease) which the transportation department uses consistently.

Commendations: During FY 1998-99, the district's transportation department transported 627 regular transportation students on nine regular transportation buses which is the equivalent of one bus for every 70 students. By setting the hourly rate for extra trips lower than the hourly rate for their regular routes, the District is able to expend more money on education rather than on salaries and benefits. Hiring a part-time mechanic to help with an older bus fleet helps keep down costs associated with paying overtime to the full-time bus driver. The development of specifications and selection of vendors via contracts or competitive bidding helps ensure that the District is receiving the best possible rates for all services and assists the District in identifying available vendors. The control procedures that are in place to monitor fuel usage prevent the use of fuel for activities which are not related to the District.

Recommendations: SLSD should adopt a transportation policy for the District explaining why students are being transported, how students will be transported, what students will be transported, mile limitations for eligibility to receive transportation, hazard exceptions and transportation of non-public students. The District should implement and develop procedures to ensure that accurate reports are prepared and that they reconcile to the 4502 Report. SLSD should reduce the mileage reimbursement rate to the federal rate of \$0.325 per mile.

SLSD should consider the length of the bus routes and actual time spent working before setting the bus driver's salaries in contract negotiations. During contract negotiations between the board of education and Local 453, the District should lower the number of guaranteed hours given to bus drivers from four hours per day to three hours per day. SLSD should perform an analysis on the salaries paid to bus drivers to determine if they are paid an appropriate hourly and yearly amount based upon job descriptions and responsibilities. SLSD should eliminate the supplemental salaries for the additional routes during the next contract negotiations.

Other significant recommendations include the following:

- ! SLSD should consider implementing a policy requiring a medical certificate from a physician after an extended absence due to illness.
- ! SLSD should prepare a formal bus replacement plan which should include the number of buses to be replaced each fiscal year along with the estimated cost of replacement.

Financial Implications: It is estimated that the recommendations in this section of the report would result in approximately \$4,560 in additional revenue and \$36,715 in annual savings.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which SLSD and the Financial Planning and Supervision Commission should consider. Certain of the recommendations are dependent on labor negotiations or community approval. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit report.

Estimated Revenue Enhancements, Cost Savings and Cost Avoidance				
Ref. No.	Recommendations From All Sections	Additional Revenue	Cost Savings	Cost Avoidance
	<i>Human Resources</i>			
R3.2	Reduce 2.5 secretarial positions and one food service position upon the opening of the new K-8 building		\$58,360 (annual)	
R3.3	Replace one high school teaching position by consolidating commonly offered courses		\$43,200 (annual)	
R3.5	Eliminate computer coordinator, lunchroom supervisor and three Title program supplemental contracts		\$11,794 (annual)	
R3.6	Reduce sick leave usage among certificated staff		\$3,480 - \$10,440 (annual)	
R3.7	Reduce sick leave usage among classified staff		\$2,637 - \$5,276 (annual)	
R3.10	Increase employee contributions toward health care premiums		\$148,809 - \$208,203 (annual)	
R3.13	Implement reduced payout of sick leave for certificated and classified staff			\$195,638 (one-time)
R3.18	Reduce the number of paid holidays for classified employees by three holidays		\$5,000 - \$7,900 (annual)	
R3.22	Discontinue practice of granting compensatory time to classified employees who work calamity days		\$227 for every calamity day	
	<i>Facilities</i>			
R4.9	Implement an energy savings program.		\$10,000 (annual)	

Estimated Revenue Enhancements, Cost Savings and Cost Avoidance				
Ref. No.	Recommendations From All Sections	Additional Revenue	Cost Savings	Cost Avoidance
R4.4	Reduce one custodian position upon the opening of the new K-8 building (FY 2001-02)		\$24,775 (annual)	
	<i>Transportation</i>			
R5.2	Under reimbursement of special needs transportation expenditures for FY 1998-99	\$4,562 (one-time)		
R5.5	Reduce the number of guaranteed hours for bus drivers from four hours to three hours		\$27,265 (annual)	
R5.6	Discontinue supplemental contracts for additional bus routes		\$9,450 (annual)	
	Total	\$4,562 (one-time)	\$344,770 - \$416,663 (annual) (plus \$227 per calamity day)	\$195,638 (one-time)

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

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences.

Program audits normally are designed to determine if the entity's activities or programs are effective, if they are reaching their goals and if the goals are proper, suitable or relevant. Program audits often focus on the relationship of the program goals with the actual program outputs or outcomes. Program audits attempt to determine if the actual outputs match, exceed or fall short of the intended outputs. This audit was primarily designed as an economy and efficiency audit.

The objectives of performance audits may vary. The Auditor of State's Office has designed this performance audit with the objective of reviewing systems, organizational structures, finances and operating procedures to develop recommendations for reducing operating costs, increasing revenues or improving efficiency. Specific objectives of this performance audit are the following:

- ! Identify opportunities for improving district effectiveness, responsiveness and quality of service delivery which is cost beneficial
- ! Identify opportunities for improving district procedures, work methods and capital asset utilization which should result in higher quality and/or reduced costs
- ! Determine if the current district organization is flexible and effectively structured to meet future demands
- ! Evaluate financial policies and procedures and provide recommendations for enhanced revenue flows, expenditure reduction ideas or alternative financing techniques
- ! Assure administrative activities are performed efficiently and effectively without unnecessary duplication
- ! Determine if support activities are sufficient to meet educational objectives
- ! Ensure education goals and objectives are supported by the administrative organization
- ! Ensure the administrative hierarchy does not diminish teacher effectiveness
- ! Perform an independent assessment of the district's financial situation including developing a framework of a financial recovery plan

The performance audit topics focus primarily on the system/business side of school district operations. By focusing on systems, the audit provides the districts with alternative recommendations intended to enable the district to operate more efficiently and economically. Enhancements to these

systems will assist in improving the delivery of educational services to students.

The performance audit on SLSD covers the following areas of operations:

- ! Financial Systems
- ! Human Resources
- ! Facilities
- ! Transportation

These particular areas were selected pursuant to discussions with the district and the Department of Education. Within district operations, these areas are important to assess because they typically are major cost centers and have the potential to create a significant financial or operational risk.

Methodology

To complete the performance audit, the auditors gathered and assessed a significant amount of data pertaining to SLSD, conducted interviews with various groups associated with SLSD and conducted interviews and assessed information from the peer districts along with another nearby school district. The methodology is further explained below.

Studies, reports and other data sources

In assessing the various performance audit areas, SLSD was asked to provide any previous studies or analyses already prepared on the subject areas. In addition to assessing this information, the auditors spent a significant amount of time gathering and assessing other pertinent documents or information. Examples of the studies, reports and other data sources which were studied include the following:

- ! Financial forecasts
- ! SLSD financial and budgetary reports
- ! Board policy manual and board minutes, including appropriation resolutions and amendments
- ! Negotiated union contracts
- ! Organizational charts and position descriptions
- ! Various reports from the Education Management Information System (EMIS)
- ! Cost of Health Insurance in Ohio's Public Sector Report from the State Employee Relations Board (SERB)
- ! Data from the Bureau of Workers' Compensation
- ! Various Ohio Department of Education transportation forms
- ! American School and University's 1998 Annual Maintenance and Operating Cost Study
- ! Reports regarding the State Emergency Loan Program and State Solvency Assistance Fund
- ! Ohio Revised Code and Ohio Administrative Code

Interviews, Discussions and Surveys

Numerous interviews and discussions were held with many levels and groups of individuals involved internally and externally with SLSD. These interviews were invaluable in developing an overall understanding of district operations and in some cases, were useful sources in identifying concerns with SLSD's operations and in providing recommendations to address these concerns. Examples of the organizations and individuals that were interviewed include the following:

- ! Administrators, teachers, and support staff
- ! Union representatives
- ! The Ohio Department of Education
- ! The Ohio Schools Facilities Commission (OSFC)
- ! Representatives from the Meigs County Auditor's Office
- ! Representatives from other school districts including Bridgeport Exempted Village, Eastern Local, Green Local and Meigs Local.

Benchmark Comparisons with Other Districts

Three other school districts, Bridgeport Exempted Village, Eastern Local and Green Local, were selected to provide benchmark comparisons with the SLSD. Performance indicators were established for the various performance audit areas to develop a mechanism for determining how effectively and efficiently SLSD is providing necessary functions. The information was gathered primarily through information contained within the Department of Education's Education Management Information System (EMIS) and information provided by the selected peer districts named above.

Certain other performance audits had information or suggested procedures which were used where applicable. These suggested procedures were selected to provide certain benchmark comparisons with SLSD regarding facilities operations.

Comparative Districts

One important component of a performance audit is the selection of peer districts. The peer groups provide an ability to compare information and statistics while providing benchmarking data. The peer group selected for this performance audit includes Bridgeport Exempted Village School District, Eastern Local School District and Green Local School District. These districts were selected as peer districts because of similar demographic statistics. The peer average includes Southern Local School District, unless otherwise noted. The statewide average includes all school districts located within the state of Ohio. Certain information contained within this executive summary may differ from the individual areas due to the timing of the data from the Department of Education.

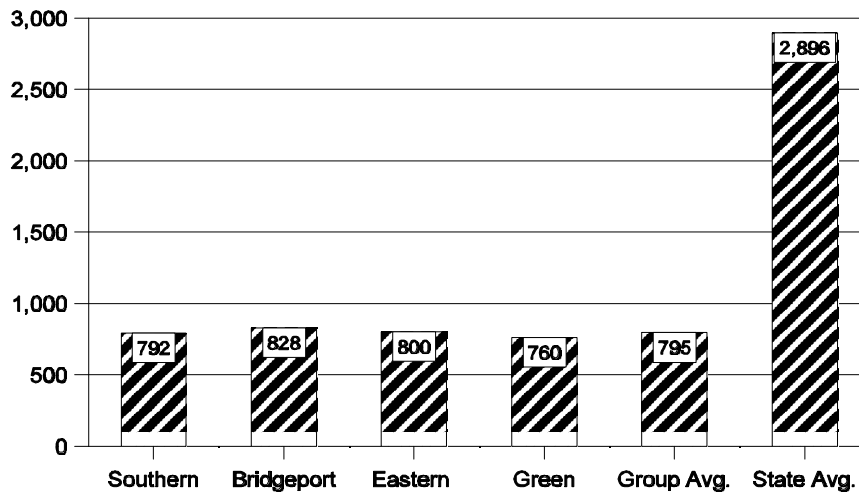
Average daily membership (ADM) differs from standard enrollment in that it makes adjustments for kindergarten, special and vocational education students. Over the last ten years, Southern’s ADM has been steadily declining. The District’s ADM was 792 in FY 1997-98. This was the second lowest among the peer districts and about the same as the group average for FY 1997-98. Over the four year trend, Southern’s ADM declined by the greatest percentage among the peer districts. According to Ohio Department of Education estimates, the District’s ADM is projected to continue to decline over the next nine years.

Average Daily Membership					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	852	847	831	792	(7.04)%
Bridgeport EVSD	878	841	847	828	(5.69)%
Eastern LSD	783	786	794	800	2.17%
Green LSD	795	746	747	760	(4.40)%
Group Average	827	805	805	795	(3.86)%
State Average	2,870	2,876	2,901	2,896	0.91%

Source: Educational Management Information System (EMIS)

Average Daily Membership

Fiscal Year 1997-1998

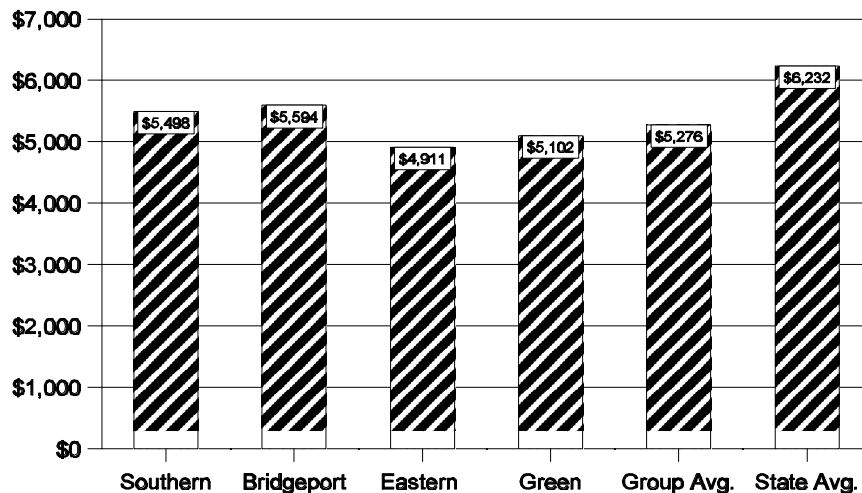


Southern’s expenditures per pupil was the second highest among the peer districts in FY 1997-98. The District’s higher salary level structure compared to the peer districts contributes to the higher expenditures per pupil amount. At \$5,498, Southern’s per pupil spending was four percent higher than the group average but 12 percent lower than the state average for FY 1997-98. Over the four year trend, Southern’s 4 percent increase was the lowest of the comparison group and lower than the state average.

Expenditures Per Pupil					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	\$5,285	\$4,797	\$5,137	\$5,498	4.03%
Bridgeport EVSD	\$4,820	\$5,158	\$5,135	\$5,594	16.05%
Eastern LSD	\$4,546	\$4,326	\$5,073	\$4,911	8.03%
Green LSD	\$4,554	\$4,825	\$5,237	\$5,102	12.03%
Group Average	\$4,801	\$4,777	\$5,146	\$5,276	9.90%
State Average	\$5,391	\$5,466	\$5,939	\$6,232	15.60%

Source: Educational Management Information System (EMIS)

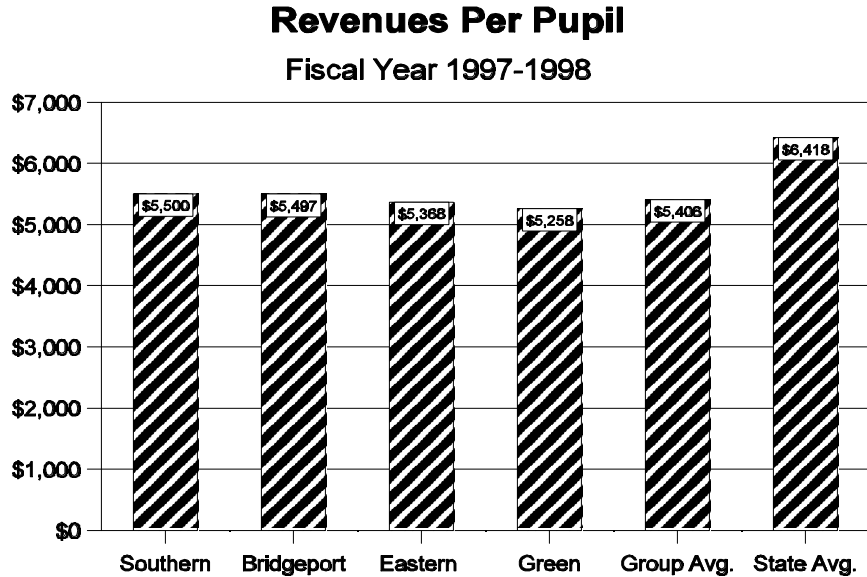
Expenditures Per Pupil
Fiscal Year 1997-1998



Southern’s average revenues per pupil was approximately equal to its corresponding expenditures per pupil. The District had the highest revenues per pupil among the peer districts in FY 1997-98 but, over the four year trend period, had the lowest rate of increase at 4.5 percent. The 4.5 percent increase was significantly lower than the group average and state average.

Revenues Per Pupil					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	\$5,263	\$4,449	\$4,775	\$5,500	4.50%
Bridgeport EVSD	\$3,696	\$4,251	\$5,201	\$5,497	48.73%
Eastern LSD	\$4,670	\$4,866	\$5,075	\$5,368	14.95%
Green LSD	\$4,365	\$4,905	\$5,218	\$5,258	20.46%
Group Average	\$4,499	\$4,618	\$5,067	\$5,406	20.16%
State Average	\$5,403	\$5,612	\$5,995	\$6,418	18.79%

Source: Educational Management Information System (EMIS)

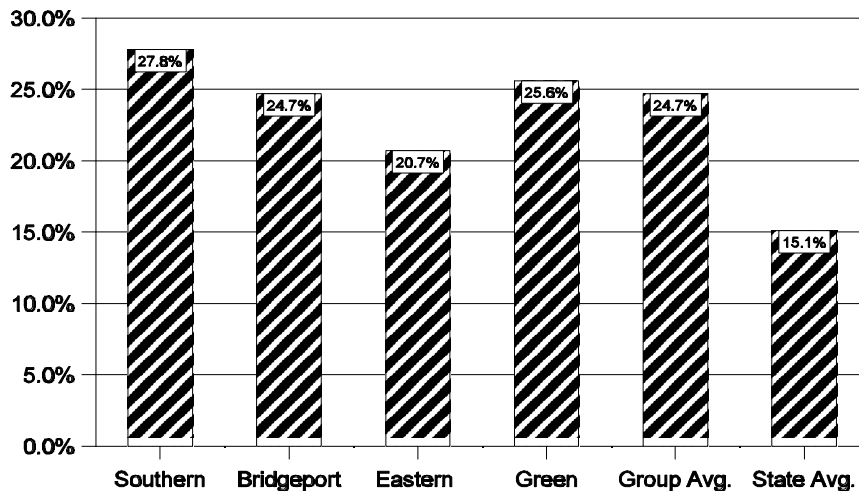


Southern had the highest percentage of students receiving Temporary Assistance for Needy Families (TANF) among the four peer districts in FY 1997-98. The District’s TANF rate of 27.8 percent of students was 13 percent higher than the group average and almost double the state average for FY 1997-98. Over the four year trend period, Southern’s percentage of students receiving TANF declined at a slower rate than the group as a whole or statewide.

Percentage of Students Receiving Temporary Assistance for Needy Families (TANF)						
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	Increase/ Decrease 1995-98	% Change 1995-98
Southern LSD	28.8%	28.2%	27.2%	27.8%	1.0%	(3.47)%
Bridgeport EVSD	27.5%	28.8%	26.7%	24.7%	2.8%	(10.18)%
Eastern LSD	21.9%	22.1%	22.0%	20.7%	1.2%	5.48%
Green LSD	26.8%	26.4%	26.7%	25.6%	1.2%	(4.48)%
Group Average	26.3%	26.4%	25.7%	24.7%	1.6%	(6.08)%
State Average	16.6%	16.6%	15.9%	15.1%	1.5%	(9.04)%

Source: Educational Management Information System (EMIS)

Percentage of TANF Students
Fiscal Year 1997-1998

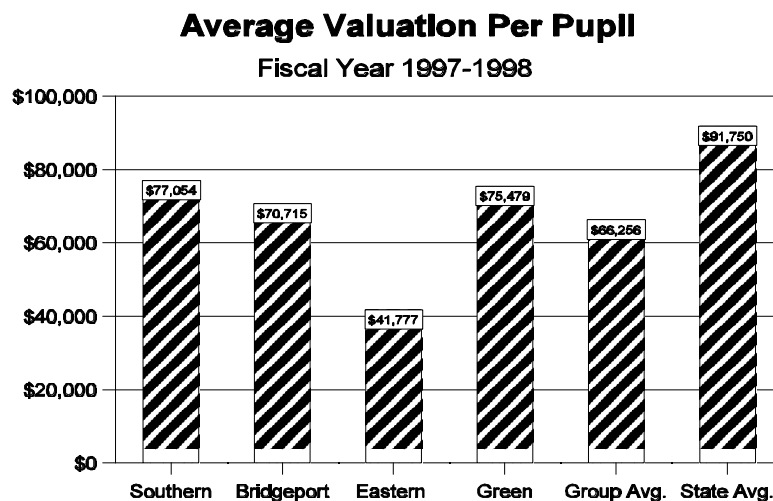


The assessed average property valuation per pupil is an important component in a school district’s funding. Average property valuation is a significant factor in determining the ability of the school district to remain financially viable. The higher the average property valuation, the greater the potential income source to the district due to the fact that school district funding in the state of Ohio is primarily local property tax driven. Therefore, a higher valuation per pupil has the potential to generate greater amounts of local property taxes, everything else being equal.

Southern’s average property valuation per pupil was \$77,054 in FY 1997-98, the highest among the peer districts. This is about 16 percent higher than the group average but about 16 percent lower than the state average for FY 1997-98. Southern’s average property valuation increase of almost 14 percent over the four year trend period was the second highest among the peer districts and is consistent with the group average and state average.

Average Valuation Per Pupil					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Southern LSD	\$67,858	\$69,048	\$70,037	\$77,054	13.55%
Bridgeport EVSD	\$54,300	\$58,715	\$59,130	\$70,715	30.23%
Eastern LSD	\$39,351	\$38,227	\$38,424	\$41,777	6.17%
Green LSD	\$71,007	\$71,886	\$71,613	\$75,479	6.68%
Group Average	\$58,129	\$59,469	\$59,801	\$66,256	13.98%
State Average	\$79,845	\$83,414	\$85,628	\$91,750	14.91%

Source: Educational Management Information System (EMIS)

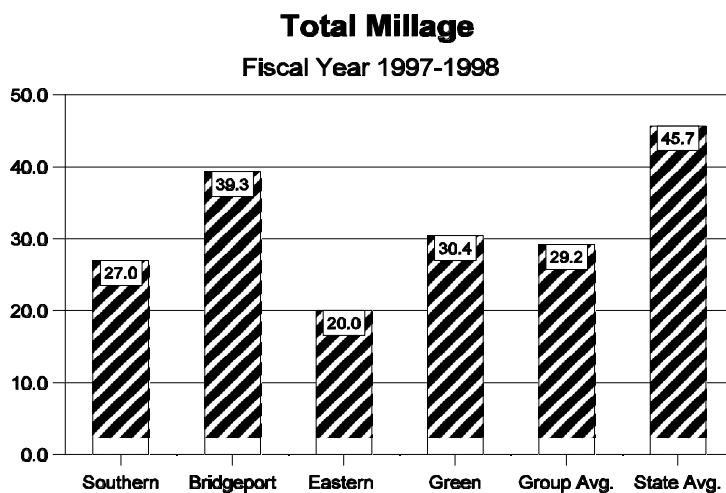


Effective millage and total millage are the measurement units of assessed local property taxes. A mill will raise \$1.00 of tax revenue for every \$1,000 of taxable property value it is levied against. Total millage is the voted rate assessed to the entire local tax base, while effective mills are the rates applied to real property in each school district after the application of the tax reduction factor.

Southern had the second lowest total millage figure of the peer districts. The District’s total millage of 27.0 in FY 1997-98 was eight percent lower than the group average and over 40 percent lower than the state average for the same year. Southern’s total millage remained flat over the four year trend period, in contrast to Bridgeport and Eastern’s increases of 17 percent and 20 percent, respectively. The lack of change in Southern’s total millage was consistent with the trend in the state average over the same time period.

Total Millage					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	27.0	27.0	27.0	27.0	0.00%
Bridgeport EVSD	33.6	33.6	39.3	39.3	16.96%
Eastern LSD	25.0	24.9	25.0	20.0	20.00%
Green LSD	29.9	30.2	30.4	30.4	1.67%
Group Average	28.9	28.9	30.4	29.2	1.04%
State Average	45.9	44.5	45.0	45.7	(0.44)%

Source: Educational Management and Information System (EMIS)

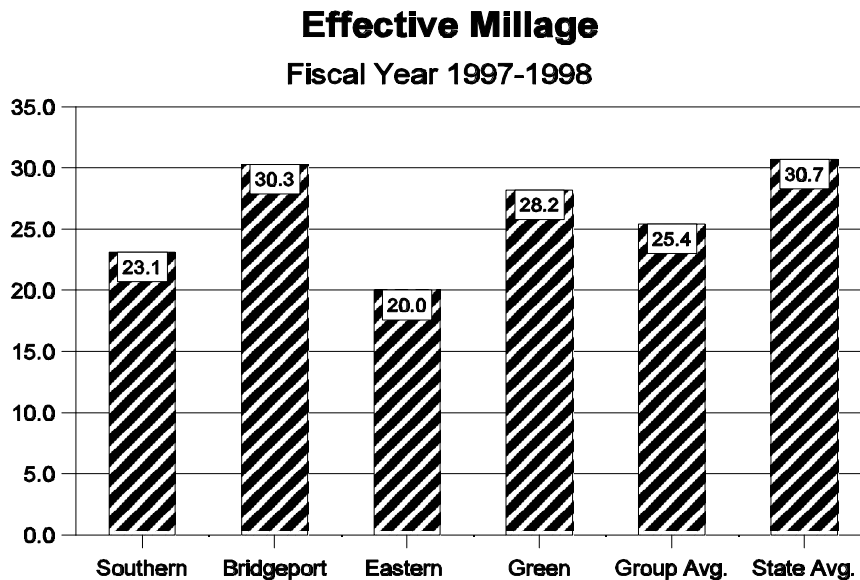


Because of the impact of H.B. 920, effective millage is a more accurate gauge in assessing the amount of revenues school districts generate from property taxes.

Southern’s effective millage was 23.1 in FY 1997-98, the second lowest of the peer districts. Southern and Eastern were the only districts in the comparison group to show decreases in effective millage over the four year trend period at 0.9 and 20.0 percent, respectively. For FY 1997-98, Southern’s effective millage was nine percent lower than the group average and 25 percent lower than the state average. While Southern’s effective millage decreased over the four year trend period, the state average increased over one percent.

Effective Millage					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Southern LSD	23.3	23.2	23.2	23.1	(0.90)%
Bridgeport EVSD	26.3	24.5	30.3	30.3	15.20%
Eastern LSD	25.0	24.9	25.0	20.0	(20.00)%
Green LSD	27.8	28.0	28.2	28.2	1.44%
Group Average	25.6	25.2	26.7	25.4	(0.78)%
State Average	30.2	34.0	30.7	30.7	1.66%

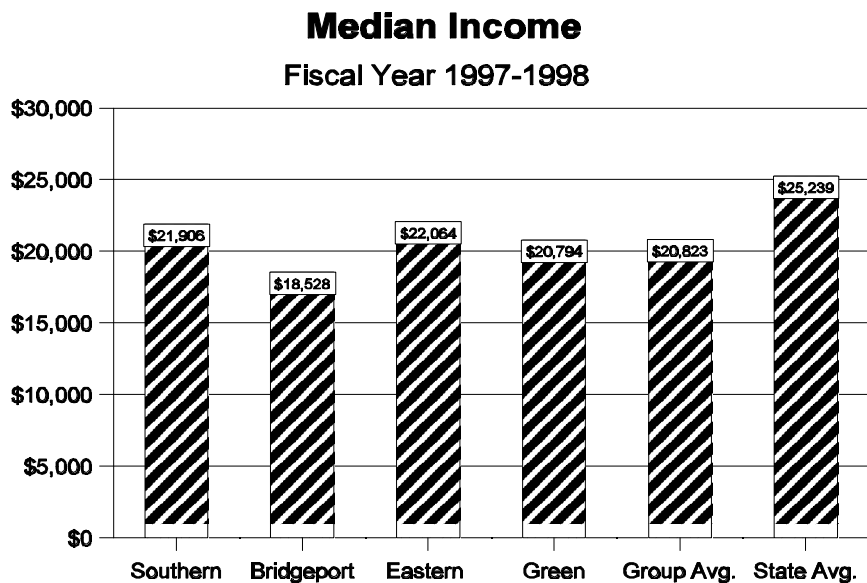
Source: Educational Management Information System (EMIS)



Southern’s median income of \$21,906 in FY 1997-98 was the second highest of the peer districts. Over the four year trend period, Southern’s median income also increased at the second highest rate among the peer districts. The District’s median income was five percent higher than the group average but was 13 percent lower than the state average. Over the four year trend period, both Southern’s median income and the group average median income increased at a rate lower than the state average.

Median Income					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	\$20,621	\$20,850	\$20,671	\$21,906	6.23%
Bridgeport EVSD	\$17,324	\$17,723	\$17,782	\$18,528	6.95%
Eastern LSD	\$20,884	\$20,783	\$21,228	\$22,064	5.65%
Green LSD	\$20,413	\$20,486	\$21,257	\$20,794	1.87%
Group Average	\$19,811	\$19,961	\$20,235	\$20,823	5.11%
State Average	\$23,361	\$23,478	\$24,588	\$25,239	8.04%

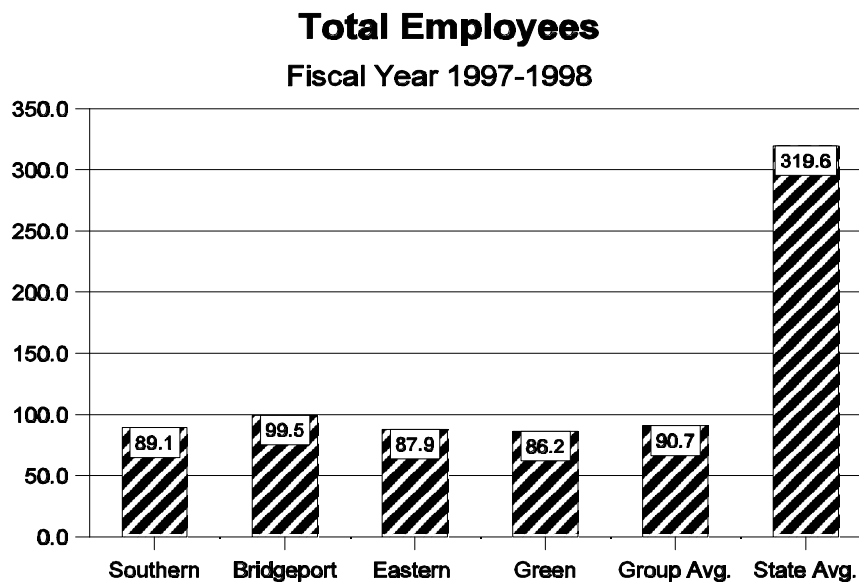
Source: Educational Management and Information System (EMIS)



In FY 1997-98, Southern’s total number of employees of 89.1 was the second highest among the peer districts. The District’s total number of employees was consistent with the group average but was significantly lower than the state average in FY 1997-98. Over the four year trend period, Southern’s total number of employees declined about 6 percent. This decrease is consistent with the group average but is in contrast to the trend in the state average for the same time period, which increased by four percent. Although staffing levels decreased overall during the four year trend period, total staffing levels increased for FY 1998-99 and FY 1999-00, while total enrollment declined in this two year time frame.

Total Employees					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Southern LSD	94.5	88.6	87.7	89.1	(5.71)%
Bridgeport EVSD	102.5	100.8	95.8	99.5	(2.93)%
Eastern LSD	97.8	85.4	90.3	87.9	(10.12)%
Green LSD	92.6	89.6	87.6	86.2	(6.91)%
Group Average	96.9	91.1	90.4	90.7	(6.40)%
State Average	306.9	306.6	310.8	319.6	4.14%

Source: Educational Management Information System (EMIS)

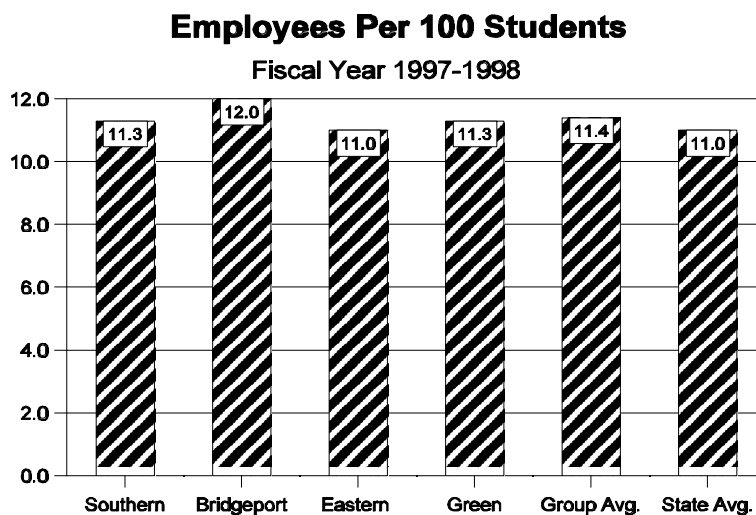


Southern had 11.3 employees per 100 students in FY 1997-98, which was the second highest ratio among the peers and equal to Green’s ratio. This ratio was consistent with the group average and was three percent higher than the state average.

Over the four year trend period, Southern’s ratio of employees per 100 students increased 1.8 percent while the group average declined by 2.6 percent. The state average increased 2.8 percent over the same time period. The fluctuations in Southern’s ratio of employees per 100 students is attributable to changes in ADM and total employees. Southern’s ADM declined during this time period. The number of total employees also declined from FY 1994-95 through FY 1996-97 but increased in FY 1997-98, which explains the increase from the 10.6 to 11.3 ratio. The additional personnel hired were certificated and classified staff.

Employees per 100 Students					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	11.1	10.5	10.6	11.3	1.80%
Bridgeport EVSD	11.7	12.0	11.3	12.0	2.60%
Eastern LSD	12.5	10.9	11.4	11.0	(12.00)%
Green LSD	11.7	12.0	11.7	11.3	(3.40)%
Group Average	11.7	11.3	11.2	11.4	(2.60)%
State Average	10.7	10.7	10.7	11.0	2.80%

Source: Educational Management Information System (EMIS)



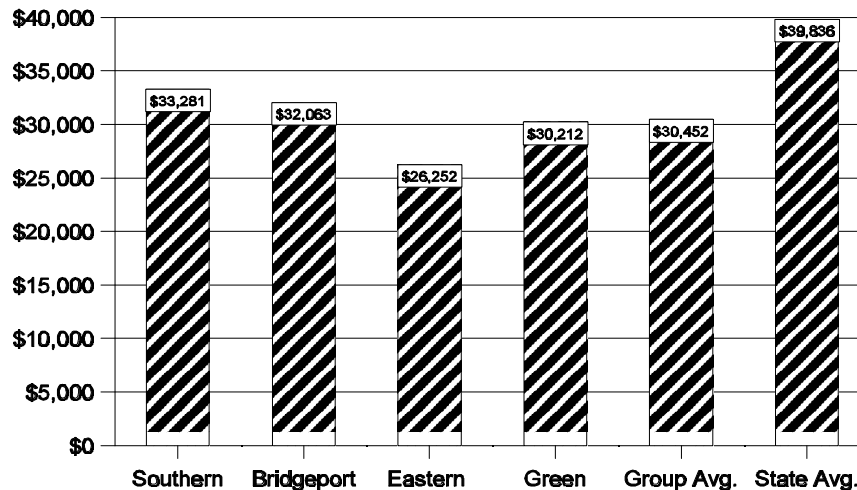
Southern’s average teacher salary of \$33,281 in FY 1997-98 was the highest among the peer districts. The District’s salary of \$33,281 was nine percent higher than the group average but over 16 percent lower than the state average. Over the four year trend period, the increase in Southern’s average teacher salary was the second lowest rate of increase and was lower than both the group average and state average increases. A comparison of Southern’s average teacher salary to those of two local school districts, however, shows that Southern had the highest average teacher salary for FY 1997-98. A detailed analysis of teacher salaries is provided in the **Human Resources** section.

Average Teacher Salary					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	% Change 1995-98
Southern LSD	\$32,071	\$32,216	\$33,639	\$33,281	3.77%
Bridgeport EVSD	\$31,574	\$31,277	\$31,580	\$32,063	1.55%
Eastern LSD	\$24,640	\$25,299	\$25,344	\$26,252	6.54%
Green LSD	\$26,842	\$28,863	\$27,646	\$30,212	12.55%
Group Average	\$28,782	\$29,414	\$29,552	\$30,452	5.80%
State Average	\$36,973	\$38,064	\$38,913	\$39,836	7.74%

Source: Educational Management Information System (EMIS)

Average Teacher Salary

Fiscal Year 1997-1998



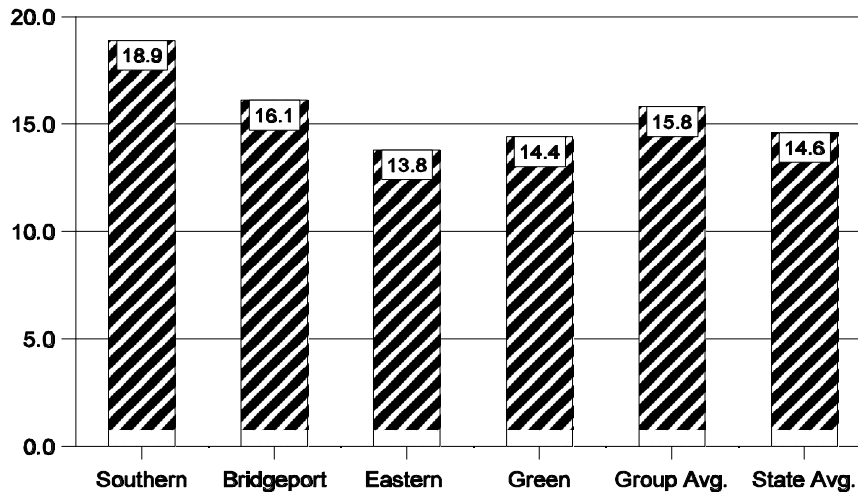
Average teacher experience normally correlates to average teacher salary. In general, the greater the number of years a teacher has taught in the District, the higher on the pay scale that teacher will be. Southern’s average teacher experience was 18.9 years for FY 1997-98. The 18.9 years was the highest among the peer districts and was greater than the group and state averages by 20 and almost 30 percent, respectively. This is consistent with the District’s average teacher salary being the highest for that year. Over the four year trend period, Southern experienced the greatest increase in years of teacher experience. The increase of 13 percent was significantly higher than group average increase and was in contrast to the trend in the state average, which decreased slightly.

Average Teacher Experience (in years)					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Southern LSD	16.7	17.9	19.2	18.9	13.17%
Bridgeport EVSD	16.2	14.7	16.7	16.1	(0.62)%
Eastern LSD	13.3	14.0	14.1	13.8	3.76%
Green LSD	13.6	14.6	13.7	14.4	5.88%
Group Average	15.0	15.3	20.7	15.8	5.33%
State Average	14.8	14.8	15.0	14.6	(1.35)%

Source: Educational Management Information System (EMIS)

Average Teacher Experience (in years)

Fiscal Year 1997-1998



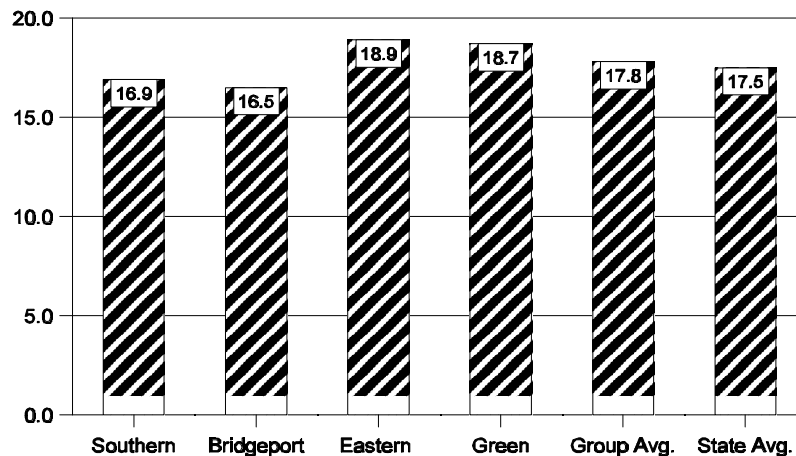
Southern’s average pupil/teacher ratio (class size) was 16.9 for FY 1997-98, the second lowest among the peer districts. The District’s average class size was five percent smaller than the group average and about three percent smaller than the state average. Over the four year trend period, Southern’s average class size has remained constant while the group average increased by over five percent and the state average declined by almost three percent. The lack of overall change in the ratio during the four years can be attributed to somewhat equivalent percentage declines in Southern’s ADM and the total number of employees. Analyses in the **Human Resources** section shows that both certificated and classified staffing levels declined over the four year period, indicating there was not a significant shift in personnel resources between instructional activities and support functions during this time.

K-12 Pupil/Teacher Ratio					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Southern LSD	16.9	17.7	17.5	16.9	0.00%
Bridgeport EVSD	16.8	16.6	17.7	16.5	(1.80)%
Eastern LSD	15.7	18.8	16.6	18.9	20.40%
Green LSD	18.3	18.0	17.7	18.7	2.20%
Group Average	16.9	17.8	17.4	17.8	5.30%
State Average	18.0	18.1	18.0	17.5	(2.77)%

Source: Educational Management Information System (EMIS)

K to 12 Pupil to Teacher Ratio

Fiscal Year 1997-1998



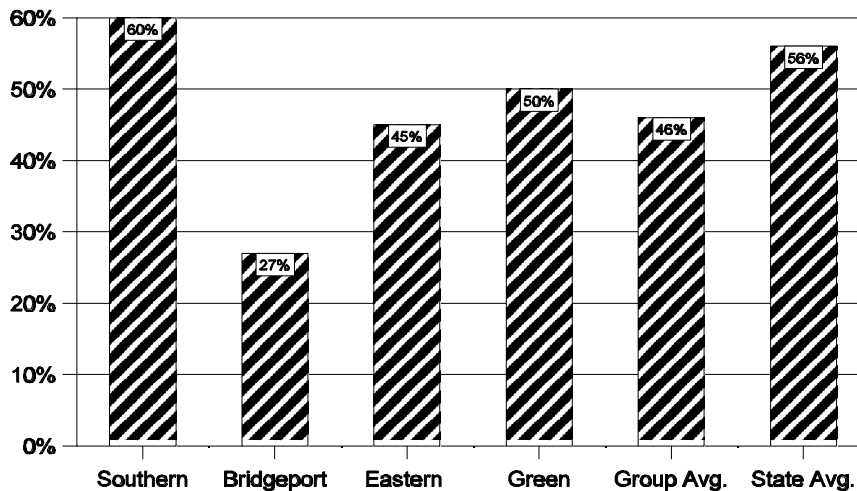
For FY 1997-98, Southern’s ninth grade proficiency passage rate was the highest among the peer districts. The passage rate of 60 percent was 30 percent greater than the group average and seven percent greater than the state average. Over the four year trend period, Southern’s increase in passage rate of about 18 percent was lower than that for Eastern and Green but was significantly higher than the state average increase of 1.8 percent.

Ninth Grade Proficiency Test Passage Rate (All Subjects)						
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	Increase/ Decrease 1995-98	% Change 1995-98
Southern LSD	51%	58%	64%	60%	9.0%	17.70%
Bridgeport EVSD	54%	51%	45%	27%	(27.0)%	(50.00)%
Eastern LSD	29%	34%	38%	45%	16.0%	55.17%
Green LSD	39%	45%	42%	50%	11.0%	28.21%
Group Average	43.0%	47.0%	47.0%	46.0%	3.0%	6.98%
State Average	55.0%	54.0%	56.0%	56.0%	1.8%	1.82%

Source: Educational Management Information System (EMIS)

Ninth Grade Proficiency Test Pass Rate

Fiscal Year 1997-1998



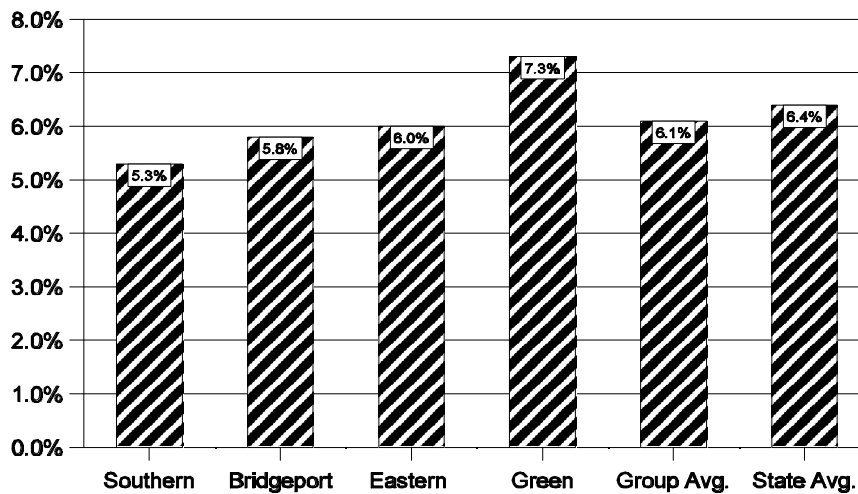
For FY 1997-98, Southern’s student absentee rate was 5.3 percent, the lowest of the peer districts. The District’s student absentee rate was 13 percent lower than the group average and 17 percent lower than the state average for the same year. However, over the four year trend period, Southern’s student absentee rate increased over 12 percent, which is greater than the five percent group average increase and in contrast to the 3 percent decline in the state average rate.

Student Absentee Rate						
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	Increase/Decrease 1995-98	% Change 1995-98
Southern LSD	4.7%	5.0%	4.8%	5.3%	(0.6)%	12.77%
Bridgeport EVSD	5.4%	5.1%	5.9%	5.8%	0.4%	(7.41)%
Eastern LSD	5.1%	6.2%	6.6%	6.0%	0.9%	17.65%
Green LSD	7.8%	7.5%	7.5%	7.3%	(0.5)%	(6.41)%
Group Average	5.8%	6.0%	6.2%	6.1%	0.3%	5.17%
State Average	6.6%	6.9%	6.7%	6.4%	(0.2)%	(3.03)%

Source: Educational Management Information System (EMIS)

Student Absentee Rate

Fiscal Year 1997-1998



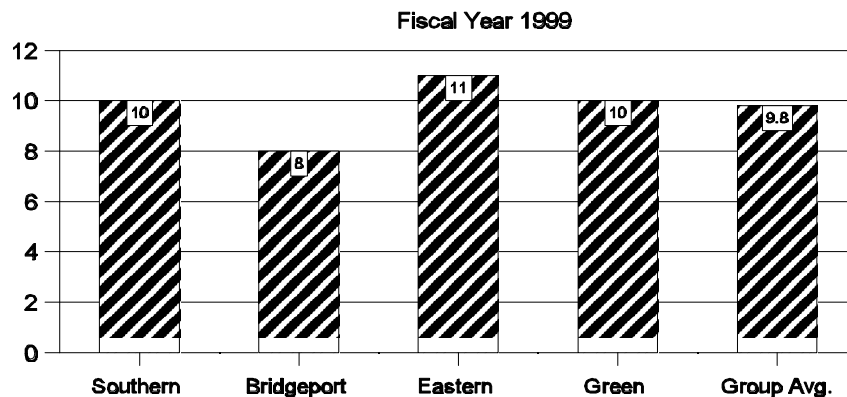
The Ohio Department of Education annually issues school district report cards which measure attainment of statewide performance standards. These report cards reflect data for the school year prior to the one in which the report card is issued (for example, the 2000 report cards reflect data for the 1998-99 school year). It is important to note that the number of standards increased from 18 in 1999 to 27 in 2000.

Southern’s performance has generally been above those of the peer districts and the peer average since 1998. However, the most recent data places the District in the academic watch category.

Report Card Standards Met			
District	1997-1998	1998-1999	1999-2000
Southern LSD	9	10	10
Bridgeport EVSD	6	5	8
Eastern LSD	4	6	11
Green LSD	4	8	10
Group Avg.	5.8	7.3	9.8
Total Standards Possible	18	18	27

Source: Educational Management Information Systems (EMIS), Ohio Department of Education.

Report Card Standards Met



Of the four peer districts, Southern had the second lowest percentage of revenues from local and state sources and the highest percentage of revenues from federal sources for FY 1997-98. Southern's percentage of revenue from local sources is lower than the state average while its percentages of revenue from state and federal sources are both higher than the state average.

The lower percentage from local sources can be attributed to low total millage and effective millage rates, which are both the second lowest of the peer districts and lower than state averages. Southern's average property valuation per pupil is the highest of the peer districts but also lower than the state average; a substantial portion of local property tax revenues is derived from a hydro-electrical plant. Although property valuation is high, deregulation may negatively affect local tax revenue from this source. Additionally, the District's 4.0 mill operating levy will expire in FY 2001-02; non-passage of this levy will significantly affect Southern's financial condition and operations.

Percent of Revenue - Local					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Percent Change 1995- 1998
Southern LSD	33.6%	37.7%	37.8%	35.9%	6.8
Bridgeport EVSD	42.1%	42.9%	41.1%	36.6%	(13.1%)
Eastern LSD	22.2%	20.4%	19.1%	18.1%	(18.5%)
Green LSD	37.5%	36.4%	39.2%	36.6%	(2.4%)
Group Avg.	33.9%	34.4%	34.3%	31.8%	(6.2%)
State Avg.	51.2%	50.2%	51.2%	51.4%	0.4%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

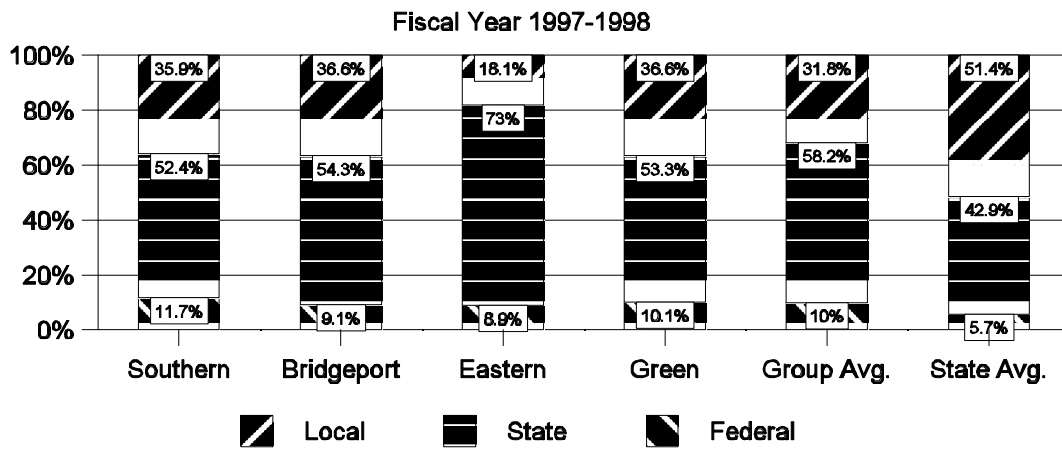
Percent of Revenue - State					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Percent Change 1996- 1999
Southern LSD	50.9%	50.7%	49.3%	52.4%	2.9%
Bridgeport EVSD	45.9%	48.0%	48.5%	54.3%	18.3%
Eastern LSD	70.4%	71.7%	72.1%	73.0%	3.7%
Green LSD	52.2%	51.4%	49.5%	53.3%	2.1%
Group Avg.	54.9%	55.5%	54.9%	58.3%	6.2%
State Avg.	42.5%	43.3%	42.3%	42.9%	0.9%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percent of Revenue - Federal					
	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Percent Change 1996-1999
Southern LSD	15.4%	11.6%	12.9%	11.7%	(24.0%)
Bridgeport EVSD	12.0%	9.1%	10.4%	9.1%	(24.2%)
Eastern LSD	7.4%	7.9%	8.8%	8.9%	20.3%
Green LSD	10.4%	12.2%	11.4%	10.1%	(2.9%)
Group Avg.	11.3%	10.2%	10.9%	10.0%	(11.5%)
State Avg.	6.3%	6.1%	6.0%	5.7%	(9.5%)

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percentage of Revenue by Source



Note: The top section represents local revenue, the middle section represents state revenue and the bottom section represents federal revenue. For example, Southern has 35.9 percent from local sources, 52.4 percent from state sources and 11.7 percent from federal sources.

Financial Systems

Introduction

This section focuses on financial systems within Southern Local School District (SLSD or the District). The objective is to analyze the current financial condition of the District, including an evaluation of the internal controls, and develop recommendations for improvements and efficiencies. Within this section, an additional forecast is presented representing the Auditor of State’s assessment of the District’s financial condition. Recommendations with financial implications are incorporated in this forecast to aide the Financial Planning and Supervision Commission (the Commission) in their duty to produce a financial recovery plan for the District.

This section focuses on the General Fund, which accounts for approximately 41.2 percent of the revenues collected by the District. The General Fund is the District’s general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The General Fund is available for any purpose, provided the expenditure or transfer is made according to the laws of Ohio.

A. Financial Planning

Background

In accordance with Ohio Revised Code (ORC) § 3316.03, the Auditor of State is required to declare a school district to be in a state of fiscal watch if the following conditions are met:

- ! The district has an operating deficit which exceeds eight percent of the preceding year’s General Fund revenues.
- ! The district’s unencumbered cash balance in the preceding year was less than eight percent of the General Fund expenditures.
- ! A levy has not been passed which will raise sufficient revenues to eliminate these conditions.

ORC § 3316.04 requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district’s board of education fails to submit an acceptable financial recovery plan to the State Superintendent of Public Instruction within 60 days of being placed in fiscal watch. Furthermore, the failure to submit an acceptable update of that financial recovery plan to the State

Superintendent of Public Instruction on an annual basis will also result in a declaration of fiscal emergency.

In September 1999, the Local Government Services Division (LGS) performed an examination of the financial forecast of the General Fund of the District as required under Ohio Rev. Code § 3316.03. Based on the District's financial forecast, LGS determined that the District would be unable to meet its financial obligations for FY 1999-00. The LGS forecast projected a deficit of \$627,000 at the close of FY 1999-00.

On October 11, 1999, the Southern Local School District Board of Education requested the State Superintendent place the District in fiscal emergency status. The Board of Education resolution did not address the submission of a financial plan to the Superintendent of Public Instruction. Accordingly, on November 8, 1999, the Auditor of State declared Southern Local School District to be in a state of fiscal emergency.

A commission has been formed and given broad oversight authority to balance the District's budget and eliminate the conditions that caused the declaration of fiscal emergency. To accomplish this, the Commission will develop and adopt a formal fiscal recovery plan which details the expenditure reductions and operational changes necessary to eliminate the deficit. The Commission consists of a designee of the State Superintendent of Public Instruction, a designee of the Director of Budget and Management, a member appointed by the County Auditor, a member appointed by the Governor, and a member appointed by the State Superintendent of Public Instruction who shall be a parent of a child attending school in the District. The Commission will continue in existence until the Auditor of State determines the following:

- ! An effective financial accounting and reporting system is in place
- ! All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- ! The objectives of the financial recovery plan are being met
- ! The SLSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse"

The District's current financial condition is attributed to expenditures exceeding revenues beginning in FY 1999-00 and the District's inability to increase revenues. Prior District decisions have also contributed to SLSD's financial condition. High salaries and generous benefits packages provided to employees over the past two decades have depleted reserves. Past spending increases were based on anticipated increases in revenues generated by a hydro-electric plant in the District. However, while real property receipts generated by the plant have increased, the devaluation of tangible property and corresponding drop in revenues is causing slow growth in overall District revenues which have been exceeded by the spending increases. Though the District has been successful in reducing costs in some areas, SLSD's salaries remain the highest of the peers and neighboring districts in four of eight

staffing categories. Support services costs are high in proportion to instructional spending while discretionary spending makes up approximately 14 percent of total General Fund expenditures. Although funds existed in the past to support high salaries and benefits, and generous discretionary spending, these conditions no longer exist. In order to recover from its current financial condition, SLSD should consider reducing salary and benefit costs and discretionary spending.

During the 1990's, SLSD entered into a cycle of borrowing from the state emergency fund to cover operating debt. SLSD used state operating loans in FY 1993-94 and FY 1994-95 to avoid year-end deficits. In total, the District borrowed approximately \$533,000. These debt instruments required repayment and the District redeemed the notes within two years of the note issue date. These repayment requirements contributed to the District's financial distress.

Financial Forecast

The financial forecast presented in **Table 2-1** represents the Auditor of State's projection of SLSD's present and future financial condition assuming no material changes in operating expenditures or revenues occur. The detailed assumptions and projections developed in the notes to the financial forecast were used to determine the projected revenues and expenditures presented. This table projects the financial condition the District is likely to encounter without significant changes in revenues or reductions in expenditures. The results indicate that the District is likely to incur a negative ending balance beginning in FY 1999-00 that continues throughout the projected period. The Auditor of States's projected ending balance for FY 2003-04 is expected to be a deficit of approximately \$1.8 million, as compared to the \$2.2 million negative ending balance reported by the District in the most recent District forecast. The results of the performance audit are not included in this forecast, but are presented for consideration following the forecast and notes in **Table 2-1A**.

The Commission adopted a five-year forecast that differs from **Table 2-1** on January 24, 2000. The forecast adopted by the Commission is the District's original five year forecast showing a deficit of \$2.2 million in FY 2003-04. The difference between the two forecasts can be attributed to the following:

- ! The forecast in **Table 2-1** assumes the renewal of the 4.0 mill emergency levy beginning in FY 2001 whereas the District's forecast reduces property taxes by this amount and does not include a levy renewal.
- ! The District's forecast shows State foundation revenue at a fixed amount instead of accounting for increases in per pupil amounts projected by ODE, which is reflected in **Table 2-1**.
- ! The forecast presented in **Table 2-1** includes the anticipated increased costs the District will likely incur to fund the spending requirements of H.B. 412.
- ! **Table 2-1** includes a \$627,000 Solvency Assistance Fund loan to help balance the FY 1999-00 deficit. Although future year deficits are forecasted for SLSD, no additional borrowing from the State Solvency Assistance Fund beyond FY 1999-00 has been incorporated into the forecast. As **R2.4** indicates, long term District plans must include an effort to withdraw the District from State Solvency Assistance Fund borrowing. The District's forecast does not include any borrowing.

Auditor of State support for the forecast shown in **Table 2-1** is presented on pages 2-5 to 2-20 and in **Table 2-2** through **Table 2-15**.

**Table 2-1: Five-Year Forecast with Three Years' Historical Data
(amounts in thousands)**

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04
Local Property Taxes	1,434	1,422	1,460	1,474	1,489	1,504	1,519	1,534
Personal Property Taxes	38	47	42	42	42	42	42	42
Other Local Revenue	44	65	56	45	42	42	43	44
State Foundation	2,051	2,101	2,327	2,474	2,637	2,723	2,813	2,905
Homestead & Rollback	114	114	115	115	116	117	119	120
Other State Revenue	22	38	38	22	22	22	22	22
Total Operating Revenues	3,703	3,787	4,038	4,172	4,348	4,450	4,558	4,667
Salaries & Wages	2,270	2,307	2,486	2,584	2,607	2,615	2,675	2,663
Fringe Benefits	779	755	910	1,000	998	1,049	1,107	1,168
Purchased Services	248	222	250	265	273	274	284	296
Material, Supply, & Textbooks	133	136	132	156	160	167	173	176
Capital Outlays	0	55	72	248	131	136	142	147
Other	95	99	227	375	392	402	413	425
Total Operating Expenditures	3,525	3,574	4,077	4,628	4,561	4,643	4,794	4,875
Other Financing Sources:								
Solvency Assistance Fund Loan	0	0	0	627	0	0	0	0
Transfers In	60	0	0	0	0	0	0	0
Advances In	0	0	146	0	0	0	0	0
Other Financing (Uses):								
Debt Service:								
Principal	(387)	(144)	(52)	(52)	(371)	(371)	(62)	(62)
Interest	(40)	(24)	(19)	(16)	(14)	(11)	(9)	(6)
Transfers Out	0	(2)	(5)	(10)	(10)	(10)	(10)	(10)
Advances Out	0	0	(33)	(146)	0	0	0	0
Net Financing	(367)	(170)	37	403	(395)	(392)	(81)	(78)
Results of Operations (Net)	(189)	43	(2)	(53)	(608)	(585)	(317)	(286)
Beginning Cash Balance	256	67	110	108	55	(553)	(1,138)	(1,455)
Ending Cash Balance	67	110	108	55	(553)	(1,138)	(1,455)	(1,741)
Textbook Set-a-side Reserve	0	0	12	0	0	0	0	0
"412" Instructional / Capital	0	0	37	0	0	0	0	0
"412" Budget Reserve	0	0	25	25	25	25	25	25
Outstanding Encumbrances	0	0	0	30	30	30	30	30
Ending Fund Balance	67	110	45	0	(608)	(1,193)	(1,510)	(1,796)

Source: District records, performance audit projections and estimates, and District estimates.

Notes to Financial Forecast

I. Nature and Purpose of Presentation

This financial forecast presents the expected revenues, expenditures and fund balances of the General, Disadvantaged Pupil Impact Aid (DPIA) and Textbook Subsidy funds of Southern Local School District for each of the fiscal years including June 30, 2000 through June 30, 2004, with historical (unaudited) information presented for the fiscal years ending June 30, 1997, 1998 and 1999. In addition, the District has operating debt which is paid out of the debt service fund. The revenues and expenditures related to operating debt have been included in the General Fund activity for the financial forecast.

The assumptions disclosed herein are based on information obtained from the District, the Meigs County Auditor, and the Ohio Department of Education (ODE). Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

II. Description of the School District

Under normal circumstances, the District operates under a locally-elected five-member board form of government. Each member is elected to a four-year term. The District provides educational services as authorized by State statute and/or Federal guidelines.

Annually, the District serves approximately 800 students, who are enrolled in three elementary schools, one middle school and one high school. In addition, SLSD also operates a bus garage. A new kindergarten through grade eight building will be opened at the beginning of the 2001-02 school year and will replace four of the current five school buildings within the District. The staffing levels and expenditures shown in the forecast in **Table 2-1** have been developed to reflect the superintendent's expectations of no reductions once the new building is operational. Possible staffing reductions, as discussed in the **human resources** section of this report, are included in **Table 2-1A**

A. Financial Planning and Supervision Commission

On November 8, 1999, the Auditor of State declared the District to be in a state of fiscal emergency as defined by Ohio Rev. Code § 3316.03 (B), and accordingly, the District was subject to the oversight of the Financial Planning and Supervision Commission (the Commission).

In accordance with the legislation, the Commission must adopt a Financial Recovery Plan within 120 days of being placed in fiscal emergency. Such a plan, which is continuously amendable based on changes in facts and circumstances, requires a five-year financial projection delineating the District's return to financial stability. The Commission first met on January 24, 2000 and has not yet adopted a financial recovery plan.

B. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis of accounting (non-GAAP), which is the required basis of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

C. Fund Accounting

The District maintains its accounts in accordance with the principles of fund accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities. The transactions of each fund are reflected in a self-balancing group of accounts, which represents an accounting entity that stands separate from the activities reported in other funds.

The accompanying projections are presented for the District's General, DPIA and Textbook Subsidy funds only, as well as a portion of the debt service fund's activity related to General Fund operating debt. The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The DPIA fund is used to account for State aid received for and restricted to certain programs aimed at helping disadvantaged pupils. The Textbook Subsidy Fund is a fund used to account for State aid received for and restricted to textbook purchases.

III. General Assumptions

Summarized below are the significant general assumptions underlying the financial projection. See sections IV through VII for further detail on the assumptions.

A. Average Daily Membership (ADM):

Based on the October counts, formula ADM has decreased from FY 1995-96 to FY 1999-00 by an average of 3.0 percent annually as summarized below:

Table 2-2: Formula ADM Counts

	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00
ADM	884	864	839	758	788

Source: EMIS District Profiles; October EMIS Report for FY 1998 and FY 1999 and FY 2000.

Formula ADM counts, which include kindergarten students at 50 percent, are used by the ODE to determine SLSD’s State foundation allocation and have substantial impact on long-term State revenue amounts. In FY 1998-99, the District implemented all-day kindergarten. While kindergarten students are counted at only 50 percent in formula ADM, the remaining 50 percent of time is shown as DPIA funds in State formula revenue receipts. Under H.B. 650’s DPIA provision, additional State foundation funding is provided to school districts with above-average levels of poverty which provide full-day kindergarten. The District expects to continue the all-day, every-day kindergarten program.

For the purpose of the forecasts shown in **Tables 2-1** and **2-1A**, formula ADM is held constant at 803 students with kindergarten students expressed at 50 percent, based on the January 2000 ADM total provided by the District Education Management Information System (EMIS) coordinator. This figure was used because it represents a more recent ADM count than that reported in the October 1999 EMIS report. Although the District does not develop formal enrollment projections, SLSD anticipates a slight increase in enrollment once the new building is opened. ODE and District enrollment projections diverge during the forecast period. A constant ADM of 803 students is used in the forecast formula projections to mitigate the differences between District and ODE projections.

B. Staffing

Table 2-3 shows the District’s staffing levels for FY 1997-98, FY 1998-99 and FY 1999-00. The staffing levels for each category are shown in full-time equivalents (FTE). From FY 1997-98 to FY 1998-99, FTE staffing levels increased approximately 6 percent. The majority of the increases from FY 1997-98 to FY 1998-99 were in classified employees under the categories of Clerical and Bus Drivers/Mechanic, as well as certificated employees in the Teachers category. The superintendent has stated that no staffing reductions or increases are planned during the forecast period.

Table 2-3: Staffing

Position	FY 1997-98	FY 1998-99	FY 1999-00
Administrators/Directors/Supervisors	5.0	5.0	5.0
Clerical/Support	4.1	4.0	4.0
Teachers	50.2	53.3	53.5
Professional	5.7	8.0	8.0
Custodial/Maintenance	6.5	6.5	6.5
Bus Drivers/Mechanic	12.0	12.0	12.0
Food Service	6.3	6.5	6.5
Total Full-Time Equivalent Employees	89.8	95.3	95.5

Source: Treasurer's Office; Performance Audit Recommendations, and Am. Sub. S.B. 55 Educational Enhancements.

Administrative Staff: While the District is considering adding a full-time technology coordinator, funds are not currently available to fill the position.

Teaching Staff: SLSD added teachers in art and music during the historical period who travel between schools. An additional special education teacher was hired in January 2000 to meet State requirements. The superintendent stated that funds for the position were made available through the mid-year retirement of a 30-year teacher. Also, the District replaced an English teacher with a high school English/math teacher. During FY 1997-98, the District added special education aide to assist a student during school hours. SLSD expressed a desire to add additional teachers to meet new State student-teacher ratio requirements, but funds are not currently available to support additional new hires.

Bus Drivers/Mechanic: In FY 1997-98, SLSD hired a special education bus driver to accommodate an increase in special education students requiring transportation.

C. **Inflation**

Inflation is assumed to remain at a low level consistent with that of recent years which has ranged from two to three percent. Certain items were projected based on a combination of historical data and inflationary increases.

IV. **Revenues - Local, State and Federal**

SLSD's primary sources of revenue are from the State of Ohio through the State Foundation Program and through the levying of property taxes on real and personal property located within the District boundaries.

A. Local Sources

(1) Real Estate Taxes and Tangible Personal Property Taxes: Property taxes, which are levied and assessed on a calendar year basis, include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Assessed values for real property taxes are established by state law at 35 percent of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six year period. Because of the limitation imposed on the growth of voted millage by House Bill 920, a property tax reduction measure passed by the legislature in 1976, property tax levies are needed about every three years to match cost of living increases. Over 40 percent of SLSD’s local tax revenues are derived from a hydro-electric plant within the District boundaries. Although local tax revenues from the hydro-electric plant will decrease under deregulation, the forecast assumes the District will be held revenue neutral through the implementation of a one-half cent kilowatt hour tax. Other local taxes property taxes consist of revenues from house trailers.

Table 2-4: Local Property Taxes

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Real Estate ¹	1,409,000	1,397,000	1,431,000	1,444,000	1,459,000	1,473,000	1,487,000	1,502,000
Other Local Taxes	25,000	25,000	29,000	30,000	30,000	31,000	32,000	32,000
Real Estate Taxes	1,434,000	1,422,000	1,460,000	1,474,000	1,489,000	1,504,000	1,519,000	1,534,000

¹ Included in real estate taxes is the portion allocated to the debt service fund to service the General Fund operating debt.

The forecasted amounts for real estate taxes (residential, agricultural and public utility tangible) and tangible personal property taxes are based on the following assumptions:

- ! Based on an average of past increases, real estate and other property are forecasted to increase at one percent through the forecast period.
- ! Personal Property forecasted for FY 1999-00 is based on estimates by the Meigs County Auditor’s Office. The amount of personal property tax revenue received from the hydro-electric plant located in the District has been declining slightly in recent years due to the depreciation of the equipment located within the plant. As the hydro-electric plant represents a significant portion of the total personal property tax base, the decline in revenue from the plant is expected to offset any other modest increases from other sources during the forecast period. Therefore, the forecasted amounts for personal property tax revenue are held flat at FY 1998-99 amounts.

(2)Other Local: The main components of Other Local Revenue and a detail projection by component are as follows:

Table 2-5: Other Local Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Interest Earnings	16,000	17,000	13,000	14,000	10,000	10,000	10,000	10,000
Activity Fees	5,000	12,000	6,000	6,000	6,000	6,000	6,000	6,000
Sports Fees	7,000	5,000	8,000	7,000	7,000	7,000	7,000	7,000
Special Ed Grant	0	0	11,000	0	0	0	0	0
Miscellaneous	16,000	31,000	18,000	18,000	19,000	19,000	20,000	21,000
Total Other Local	44,000	65,000	56,000	45,000	42,000	42,000	43,000	44,000

Interest Earnings: Interest is earned based on the cash maintained within the District's accounts and represent the earnings on cash balances maintained throughout the year. Interest Earnings are forecasted to increase slightly in FY 1999-00 due to the District receiving the \$627,000 State Solvency Assistance Fund loan. In the remaining years, interest earnings are forecasted to be flat.

Special Education Grant: The special education grant received by SLSD in FY 1998-99 was a one-time grant. The District does not anticipate that it will receive this grant in the future.

Activity and Sports Fees: Activity and sports fees are projected to remain constant throughout the forecasted period due to the fact that no increases in these fees are anticipated by the District.

B. State Sources

(1) Foundation Program: Under the ORC, State foundation payments are calculated by the ODE on the basis of pupil enrollment and classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. On March 24, 1997, the Ohio Supreme Court (the Supreme Court) rendered a decision declaring certain portions of the Ohio school funding plan, including the foundation program, unconstitutional. The Supreme Court stayed the effect of its ruling for one year to allow the State Legislature to design a plan to remedy the perceived defects in the system.

Since the ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the court. The Court of Common Pleas in Perry County (the Court of Common Pleas) has reviewed the new legislation and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Supreme Court, which has not yet rendered an opinion on this issue. The decision of the Court of Common Pleas has been stayed by the Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional. Therefore, State foundation revenue is projected under current laws and regulations in place.

The main components of Foundation Program revenue and the projection by component are as follows:

Table 2-6: State Foundation Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Basic Aid	1,305,000	1,293,000	1,739,000	1,895,000	2,045,000	2,128,000	2,213,000	2,302,000
Special Education	267,000	290,000	84,000	82,000	87,000	89,000	92,000	94,000
Vocational Ed	107,000	116,000	34,000	38,000	40,000	41,000	43,000	44,000
Transportation	81,000	101,000	127,000	121,000	125,000	125,000	125,000	125,000
DPIA	291,000	301,000	343,000	338,000	340,000	340,000	340,000	340,000
Total Foundation	2,051,000	2,101,000	2,327,000	2,474,000	2,637,000	2,723,000	2,813,000	2,905,000

Basic Aid: Amounts forecasted for Basic State Aid are based on the following factors:

- ! Per pupil amounts established by H.B. 282 were used for FY 1999-00 and 2000-01 and are \$4,052 and \$4,294, respectively. For periods after FY 2000-01, the per pupil funding amounts are equal to the predicted base-cost of educating a student in the State of Ohio. The predicted base cost per student is \$4,414 in FY 2001-02 and \$4,538 in FY 2002-03 and thereafter.
- ! In FY 1999-00, the District’s ADM used in calculating state aide was 803 students. Therefore, an ADM of 803 students was used in the calculation of projected basic aid and held constant throughout the forecast period.
- ! The cost of doing business factor amounts established by H.B. 282 were used to adjust the forecasted Basic Aid amount.

- ! The 23 mill equalization factor was calculated by taking the adjusted recognized property value for FY 1999-00 and adjusting it for the expected one percent growth in property values for the District.

Special and Vocational Education: These funding sources provide additional revenue to Districts for special education and vocational education students. The special education revenue is based on several classifications of disabilities. These payments are weighted to provide the state share of the additional costs. As both sources are tied directly to the per pupil funding amount, the amounts forecasted for these sources are based on the percentage increase in the per pupil funding amount. The forecasted amounts also assume that the number of special education and vocational education students remain constant. The forecasted amounts for FY 1999-00 were obtained from the January SF-3 report prepared by ODE. The forecasted increases are 6.0 percent for FY 2000-01 and 2.8 percent thereafter.

Transportation and DPIA: These funding sources are not related to the per pupil fund amount. DPIA provides additional revenue to districts for students receiving public assistance. For this forecast, it was assumed the state would not change the funding formula per student and that the percentage of students receiving public assistance at SLSD would remain constant with FY 1999-00 numbers. Therefore, forecasted DPIA funding for the last four years of the forecast increases slightly based on the increases in the per pupil amount. Transportation funding is now calculated using a regression formula based on the most efficient manner in which students can be transported. For this forecast, it is assumed the District has maximized funding available. Transportation funding amounts are forecasted to increase slightly to accommodate the effects of inflation.

(2) Rollback and Homestead Exemptions: State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a basic 2.5 percent rollback is granted on residential property taxes and additional relief is granted to qualified elderly and disabled homeowners based on income. The State reimburses the school district for the loss of real property taxes as a result of the above. Homestead and Rollback reimbursements have been projected at 7.7 percent of real and tangible property tax revenues.

(3) Other State: The main components of Other State Revenue and a detailed projection by component are as follows:

Table 2-7: Other State Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Bus Purchase Allowance	19,000	22,000	21,000	22,000	22,000	22,000	22,000	22,000
Driver's Education Reimb.	3,000	4,000	5,000	0	0	0	0	0
Textbook Subsidy Payment	0	12,000	12,000	0	0	0	0	0
Other State Revenue	22,000	38,000	38,000	22,000	22,000	22,000	22,000	22,000

Drivers Education and Textbook Subsidy: These two funding sources were eliminated beginning in FY 1999-00. Therefore, no revenue from these two sources has been forecasted for FY 2000-01 through FY 2003-04

Bus Purchase Subsidy: The Bus Purchase Subsidy projected revenues for FY 1999-00 through FY 2003-04 are \$22,000 per year. This projection is based on an average of the historical trend of the subsidy portion for the purchase of regular buses.

V. Expenditures

A. Operating Expenditures

(1) Salaries and Wages: The main components of Salaries and Wages and a detailed projection by component are as follows:

Table 2-8: Salaries and Wages

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Certificated Salaries	1,735,000	1,752,000	1,850,000	1,943,000	1,963,000	1,982,000	2,040,000	2,026,000
Classified Salaries	447,000	453,000	510,000	530,000	532,000	534,000	535,000	536,000
Board Salaries	4,000	6,000	6,000	7,000	7,000	7,000	7,000	7,000
Supplementals	40,000	50,000	45,000	59,000	59,000	45,000	45,000	45,000
Overtime	5,000	6,000	5,000	5,000	5,000	5,000	5,000	5,000
Substitutes	39,000	40,000	70,000	40,000	41,000	42,000	43,000	44,000
Total Salaries/Wages	2,270,000	2,307,000	2,486,000	2,584,000	2,607,000	2,615,000	2,675,000	2,663,000

Certificated and Classified Salaries: The forecasted amounts for certificated and classified salaries are based on the salary schedules contained within the current union agreements with both classes of employees. Forecasted salary amounts were derived by placing all employees on the appropriate step of the salary schedule and extending the employee’s salary for the next five fiscal years. Although District employees have accepted zero percent cost-of-living adjustments on a regular basis in the past, SLSD’s teachers, bus drivers, custodial and food service workers have been and remain the highest paid when compared to the peer and neighboring districts. An additional step, added to the step schedule in FY 1997-98, increased District wages overall by 2.3 percent for certificated employees and 4.6 percent for classified employees in FY 1998-99. In addition, classified employees received a \$0.25 per hour raise. The average increase in salary as a result of the additional step and wage increase was approximately \$2000 per employee. **Table 2-9** shows the effect of the additional step during the forecast period. District management contends that no cost-of-living adjustment will be granted while SLSD is encountering financial difficulty. Appropriate adjustments were made for staff turnover based on the treasurer’s assessment of which staff members may retire during the period. Certificated salaries for FY 1999-00 are slightly inflated to accommodate \$18,000 in severance pay.

The following table shows the percent increase in total salaries for certificated and classified employees for the forecast period.

Table 2-9: Forecasted Salary Increase Percentages

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Certificated Employees	3.50%	2.50%	1.00%	1.10%	1.10%
Classified Employees	3.80%	0.40%	0.30%	0.25%	0.20%

Supplementals: Supplementals have been increased for FY 1999-00 and FY 2000-01 to reflect District estimates. Upon opening the new kindergarten through grade 8 building, at least two principal supplementals will be unnecessary. Therefore, supplementals are reduced by \$14,000 for the final three years of the forecast.

Overtime: Overtime payments have been forecasted based on historical trends.

Substitutes: Payments for substitutes have been forecasted based on historical trends. In FY 1998-99, the District experienced high substitute costs due to extended illnesses of two staff members.

(2) **Fringe Benefits:** The main components of Fringe Benefits and a detailed projection by component are as follows:

Table 2-10: Fringe Benefits

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Retirement Pmts	326,000	323,000	341,000	355,000	362,000	365,000	369,000	372,000
Health Care Ins.	367,000	353,000	484,000	554,000	540,000	583,000	630,000	680,000
Vision Insurance	11,000	11,000	12,000	13,000	14,000	14,000	15,000	16,000
Dental Insurance	34,000	38,000	40,000	44,000	48,000	52,000	57,000	63,000
Workers Comp.	25,000	14,000	15,000	15,000	15,000	15,000	15,000	15,000
Medicare Tax	8,000	9,000	10,000	11,000	11,000	12,000	13,000	14,000
Life Insurance	8,000	7,000	8,000	8,000	8,000	8,000	8,000	8,000
Total Benefits	779,000	755,000	910,000	1,000,000	998,000	1,049,000	1,107,000	1,168,000

Retirement Payments: Retirement payments represent the District's portion of the required retirement payment to the State retirement systems. These payments have historically averaged approximately 14 percent of total salaries and wages expenditures for SLSD. Therefore, the forecasted retirement payments were calculated as 14 percent of the expected salary and wage expenditure for the respective period. SLSD does not pay the employee portion of retirement payments for certificated or classified staff.

Health Care Insurance: Health care insurance is the District's portion of the health care coverage provided to employees. In FY 1998-99, the District was self-insured for health care purposes. The resulting costs were higher than expected, therefore, the District enrolled in a fully insured plan in FY 1999-00. While the basic cost of the premiums were lower than the costs incurred in FY 1998-99, the District was required to make approximately \$140,000 in payments related to the self-insured program in FY 1999-00 to cover expended incurred in FY 1998-99. The company, which is providing the health care plan to the District in FY 1999-00, has indicated they will no longer offer such a plan as of June 30, 2000. Therefore, SLSD is currently seeking another provider for FY 2000-01. Forecasted health care insurance costs were calculated using an 8 percent annual increase in cost using FY 1999-00 less the \$140,000 payment as a base.

Other Fringe Benefits: All other components of fringe benefits have been forecasted using historical trends.

(3) Purchased Services: The main components of Purchased Services and a detail projection by component are as follows:

Table 2-11: Purchased Services

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Contracted Svcs.	79,000	59,000	67,000	73,000	75,000	77,000	80,000	82,000
Maint. Services	8,000	13,000	17,000	18,000	18,000	19,000	19,000	20,000
Property/Vehicle Insurance	17,000	16,000	14,000	14,000	14,000	15,000	15,000	16,000
Travel/Mileage	5,000	8,000	10,000	12,000	12,000	5,000	5,000	5,000
Telephone	10,000	10,000	11,000	11,000	12,000	12,000	13,000	13,000
Electric	33,000	33,000	35,000	36,000	36,000	38,000	40,000	42,000
Gas/Heating	61,000	46,000	53,000	53,000	53,000	50,000	50,000	50,000
Water/Sewer	13,000	14,000	15,000	15,000	16,000	16,000	16,000	17,000
Tuition	6,000	7,000	12,000	16,000	20,000	24,000	28,000	32,000
Transportation	13,000	13,000	13,000	14,000	14,000	15,000	15,000	16,000
Miscellaneous	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Purchased Services	248,000	222,000	250,000	265,000	273,000	274,000	284,000	296,000

With the exception of those explained below, the forecasted amounts for FY 1999-00 through FY 2003-04 assumes all components of purchased services will increase at three percent per year for inflation.

Contracted Services: Contracted services are forecasted to increase approximately 9 percent in FY 1999-00 to accommodate increased costs related to instructional and specialized services, particularly those related to special education and the fulfillment of educational enhancements, as required in recent legislation. In FY 2000-01 through FY 2003-04, costs are forecasted to increase at the rate of inflation.

Travel/Mileage: Expenditures for FY 1996-97 through FY 1998-99 increased 31 to 49 percent due to the addition of a traveling teacher. SLSD employs a total of three traveling teachers who teach band, art and physical education throughout the District. Travel costs have been projected for FY 1999-00 through FY 2000-01 at the FY 1998-99 level. Travel/Mileage costs are projected to decrease after the opening of the new building. Therefore, costs have been projected at FY 1996-97 levels for FYs 2001-02 through 2003-04.

Electric: Electricity costs have remained low in the District with historical cost increases averaging 1.3 percent. With the anticipated opening of the new school building in FY 2001-02, the cost of electricity should increase due to the inclusion of air conditioning and an expanded computer lab in the new building. For FY 2001-02 and beyond, electricity costs are forecasted to increase by five percent per year.

Gas/Heating: Gas and heating costs are forecasted to remain constant through FY 2000-01. With the opening of the new school building and the closure of several older schools, a slight decrease in costs of 6.5 percent is forecasted for FY 2001-02. The FY 2001-02 rate is held constant through the remaining two years of the forecast.

Tuition: District tuition expenditures for special needs students who attend alternative or specialized schools have historically increased by approximately \$4,000 annually. Tuition costs are expected to continue to increase at the same rate through the forecast period.

Water/Sewer: SLSD has experienced cost increases in this category at rates below inflation. A 2.5 percent increase is used through the forecast period.

Transportation: Transportation costs increased at a rate slightly above inflation at 3.5 percent. This figure has been applied throughout the forecast period.

(4) Materials, Supplies and Textbooks: The main components of Materials, Supplies and Textbooks and a detailed projection by component are as follows:

Table 2-12: Materials, Supplies and Textbooks

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Office/General Supplies	11,000	15,000	17,000	17,000	18,000	18,000	19,000	19,000
Educational Supplies	23,000	9,000	15,000	16,000	16,000	17,000	17,000	18,000
Textbooks	15,000	7,000	44,000	45,000	47,000	50,000	52,000	54,000
Library Books	5,000	5,000	2,000	2,000	2,000	2,000	3,000	3,000
Newspapers/Periodicals	1,000	1,000	2,000	2,000	3,000	3,000	3,000	3,000
Maintenance Supplies	23,000	39,000	10,000	10,000	10,000	11,000	11,000	11,000
Transportation Parts/Supplies	26,000	32,000	20,000	21,000	21,000	22,000	23,000	23,000
Transportation Fuel	25,000	23,000	19,000	20,000	20,000	21,000	22,000	22,000
Transportation Tires/Tubes	4,000	5,000	3,000	3,000	3,000	3,000	3,000	3,000
Additional HB 412 Spending	0	0	0	20,000	20,000	20,000	20,000	20,000
Total Materials, Supplies & Textbooks	133,000	136,000	132,000	156,000	160,000	167,000	173,000	176,000

The forecasted materials and supplies expenditures for FY 1999-00 through FY 2003-04 assumes all components of Materials, Supplies and Textbooks will increase three percent per year based on inflation. In addition, this forecast includes another component, additional H.B. 412 spending, which reflects the difference between the spending requirements for textbooks and instructional materials contained within H.B. 412 and the qualifying expenditures identified in the table above.

(5) Capital Outlay: SLSD expects capital outlay expenditures for FY 2000-01 through FY 2003-04 to range from \$131,000 to \$147,000 based on inflation and increases in H.B. 412 requirements. Costs are inflated in FY 1999-00 as a result of boiler replacement in the high school and spending to meet FY 1998-99 H.B. 412 set-aside requirements. Qualifying expenditures under H.B. 412, Capital Improvements and Maintenance Set-Aside, are expected to be made from salaries and wages, fringe benefits, and purchased services in addition to the capital outlay line in the General Fund. The District will need to identify additional spending as indicated by H.B. 412 to meet the required capital outlay expenditures.

Table 2-13: Capital Outlay

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Equipment	0	2,000	18,000	37,000	37,000	37,000	37,000	37,000
H.B. 412 Repairs	0	0	0	155,000	38,000	43,000	49,000	54,000
Buses	0	53,000	54,000	56,000	56,000	56,000	56,000	56,000
Total Capital Outlay	0	55,000	72,000	248,000	131,000	136,000	142,000	147,000

(6) Other Expenditures: The main components of Other Expenditures and a detailed projection by component are as follows:

Table 2-14: Other Expenditures

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Audit Charges	10,000	16,000	11,000	12,000	12,000	12,000	13,000	13,000
County ESC Contributions	28,000	26,000	157,000	162,000	167,000	172,000	177,000	182,000
Cnty. Auditor/Treasurer Fees	52,000	52,000	54,000	55,000	56,000	57,000	58,000	60,000
County ESC Dues/Fees	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000
Liability Insurance/Bonds	3,000	3,000	3,000	4,000	4,000	4,000	4,000	5,000
Bank Charges	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Open Enrollment/Other Adj.	0	0	0	140,000	150,000	154,000	158,000	162,000
Total Other Expenditures	95,000	99,000	227,000	375,000	392,000	402,000	413,000	425,000

With the exception of those explained below, the projections from FY 1999-00 through FY 2003-04 assume all components of other expenditures will increase three percent per year based on inflation. As shown in the table, County ESC Contributions increased greatly in FY 1998-99 due to a change in the State funding system. Beginning in FY 1998-99, State Foundation funds used to pay county ESC expenditures were included in district foundation settlements and were no longer paid directly to the county ESC. The direct expenditure to the County ESC on the part of the District is reflected in the large cost increase.

County Auditor/Treasurer Fees: Based on the average of historical amounts, the county auditor and treasurer fees are projected to increase at 2.15 percent annually.

Liability Insurance/Bonds: These costs are projected to increase at an average of past increases, or 6.8 percent annually.

Open Enrollment/Other Adjustments: This account is used to record open enrollment and vocational education deductions from the District's foundation settlement. Previously, these costs were not included in the resident district's foundation settlements. These costs are expected to increase at the same rate as the per pupil funding formula amount in future years. Open enrollment costs for FY 1999-00 represent 16.5 students or approximately \$68,000 which, based on the per-pupil funding increases, will rise to approximately \$75,000 in FY 2003-04. Other adjustments include vocational school fees, forecasted at approximately \$72,000 in FY 1999-00. Vocational school fees also are tied to the per pupil foundation allotment and are forecasted to increase at the same rate as the per pupil funding formula amount in future years, or approximately \$87,000 by FY 2003-04.

VI. Debt Service

Outstanding debt balances as of June 30, 1999 are presented in **Table 2-15**. The table below shows the annual debt service requirement in each issue for the forecasted period. The forecast assumes the District will pay debt obligations as they come due.

Table 2-15: General Fund - Debt Service Requirements

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
State Emergency Loan	340,000	97,000	0	0	0	0	0	0
State Solvency Fund Loan ¹	0	0	0	0	314,000	314,000	0	0
Energy Conservation	35,000	35,000	40,000	40,000	45,000	45,000	50,000	50,000
EPA - Asbestos Removal ¹	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total Principal	387,000	144,000	52,000	52,000	371,000	371,000	62,000	62,000
State Emergency Loan	17,000	3,000	0	0	0	0	0	0
Energy Conservation	23,000	21,000	19,000	16,000	14,000	11,000	9,000	6,000
Total Interest	40,000	24,000	19,000	16,000	14,000	11,000	9,000	6,000
Total Debt Service	427,000	168,000	71,000	68,000	385,000	382,000	71,000	68,000

Source: District debt schedules.

¹ Interest free debt

H.B. 412 eliminates the State Emergency Loan Fund and replaces it with the Solvency Assistance Fund. After March 24, 1998, school districts are no longer being approved for borrowing under the State Emergency Loan Fund and must borrow from the State Solvency Assistance Fund. Although future year deficits are forecasted for SLSD, no additional borrowing from the State Solvency Assistance Fund beyond FY 1999-00 has been incorporated into the forecast. As **R2.4** indicates, long term District plans must include an effort to withdraw the District from State Solvency Assistance Fund borrowing.

VII. Other**A. Transfers and Advances In/Out**

The forecast includes an advance out of \$146,000 in FY 1999-00 to repay various funds for monies advanced into the General Fund in FY 1998-99 to avoid a cash deficit in the General Fund at year-end. Transfers out have been forecasted at an estimated \$10,000 per year to cover cash deficits arising in various funds due to timing differences.

B. Encumbrances

Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid by year-end. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payment. While the District uses the encumbrance method for budget management and control in Federally funded accounts, the treasurer indicated that encumbrances are not used in the General Fund as using the encumbrance method would create a larger deficit. As retirement payments to the state retirement systems are deducted directly from the District's foundation settlement, an estimated year-end encumbrance amount of \$30,000 has been forecasted each period to account for the July and August retirement payments. The treasurer was unable to provide an estimate of other costs not currently encumbered at year-end.

C. Budget Reserve

Under H.B. 412, if the revenue received for current expenses for the preceding fiscal year is at least three percent greater than the revenue received for current expenses for the second preceding fiscal year, the District is required to set-aside as a budget reserve not less than one percent of the revenue received for current expenses for the preceding fiscal year. The minimum one percent set-aside continues each year until the budget reserve equals or exceeds five percent of the revenue received for current expenses for the preceding fiscal year.

In addition, State law requires districts to credit the budget reserve account for any rebate received by the Bureau of Workers' Compensation. Accordingly, the District credited the budget reserve account in FY 1998-99 for the \$25,000 Workers' Compensation rebate received in FY 1997-98. The District's defined revenues did not increase by the specified percentage to require a contribution in FY 1998-99. As the District was placed in fiscal emergency in FY 1999-00, no additional contributions are forecasted for the period as districts in fiscal emergency are not required to make their annual contribution to the budget reserve account.

D. H.B. 412 Spending Requirements

State law requires districts to spend a certain percentage of their defined revenues on textbooks and instructional materials, as well as capital improvements. In FY 1998-99, the District did not spend the required two percent of their defined revenues for either of the two classifications of expenditures. Therefore, a reserve of \$12,000 and \$37,000 are shown for FY 1998-99 related to textbooks and instructional materials and capital improvements, respectively.

For the forecasted years, the capital expenditures are at a level which would allow the District to meet its spending requirement, thereby eliminating the need for additional reserves. In FY 1999-00, the forecasted capital expenditures include a boiler replacement at the high school. This expenditure, when added to the additional anticipated expenditures, eliminates the reserve established in FY 1998-99. The forecasted textbook and instructional materials are not at a level to cover the spending requirement. Instead of establishing a reserve account, the forecast includes the additional H.B. 412 spending as a separate component of the materials and supplies expenditure line. As it is anticipated SLSD will spend the required amount rather than establishing a reserve, the additional spending necessary to meet the requirement was added to the expenditures of the District.

Summary of Performance Audit Recommendations

Table 2-1A is being presented as a potential financial forecast for District management and the Commission. It is a management tool to be used to assess the impact the implementation of the various performance audit recommendations will have on the District's financial condition. The forecast presented contains the same financial projections as presented in **Table 2-1** with additional lines to include the financial implications associated with the performance audit recommendations. Contained within the notes is **Table 2-16** which summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, cost avoidances associated with the various recommendations are also summarized.

The performance audit recommendations which affect the District's General Fund are broken down into two categories-- those recommendations subject to negotiation and those recommendations not subject to negotiation. This breakdown is shown in **Table 2-16**.

For SLSD to achieve financial stability, it will be necessary to make difficult management decisions. This performance audit provides a series of ideas/recommendations which the District and Commission should consider. However, this audit is not all inclusive and other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the District. The District and the Commission should update its financial recovery plan on an ongoing basis as critical financial issues are addressed.

Table 2-1A: Proposed Financial Recovery Plan (amounts in thousands)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Forecast 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04	Forecast 2004-05
Local Property Taxes	1,434	1,422	1,460	1,474	1,489	1,504	1,519	1,534	1,549
Personal Property Taxes	38	47	42	42	42	42	42	42	42
Other Local Revenue	44	65	56	45	42	42	43	44	45
State Foundation	2,051	2,101	2,327	2,474	2,637	2,723	2,813	2,905	2,992
Homestead & Rollback	114	114	115	115	116	117	119	120	121
Other State Revenue	22	38	38	22	22	22	22	22	22
Total Operating Revenues	3,703	3,787	4,038	4,172	4,348	4,450	4,558	4,667	4,771
Salaries & Wages	2,270	2,307	2,486	2,584	2,607	2,615	2,675	2,663	2,670
Fringe Benefits	779	755	910	1,000	998	1,049	1,107	1,168	1,229
Purchased Services	248	222	250	265	273	274	284	296	305
Material, Supply, &	133	136	132	156	160	167	173	176	180
Capital Outlays	0	55	72	248	131	136	142	147	151
Other	95	99	227	375	392	402	413	425	436
Performance Audit Rec. (Table 2-16)	0	0	0	0	(327)	(429)	(448)	(470)	(470)
Total Operating Expenditures	3,525	3,574	4,077	4,628	4,234	4,214	4,346	4,405	4,502
Other Financing Sources:									
Solvency Fund Loan	0	0	0	627	0	0	0	0	0
Transfers In	60	0	0	0	0	0	0	0	0
Advances In	0	0	146	0	0	0	0	0	0
Other Financing (Uses):									
Debt Service:									
Principal	(387)	(144)	(52)	(52)	(371)	(371)	(62)	(62)	(62)
Interest	(40)	(24)	(19)	(16)	(14)	(11)	(9)	(6)	(3)
Transfers Out	0	(2)	(5)	(10)	(10)	(10)	(10)	(10)	(10)
Advances Out	0	0	(33)	(146)	0	0	0	0	0
Net Financing	(367)	(170)	37	403	(395)	(392)	(81)	(78)	(75)
Results of Operations (Net)	(189)	43	(2)	(53)	(281)	(156)	131	184	195
Beginning Cash Balance	256	67	110	108	55	(226)	(382)	(251)	(67)
Ending Cash Balance	67	110	108	55	(226)	(382)	(251)	(67)	128
Textbook Set-a-side Reserve	0	0	12	0	0	0	0	0	0
"412" Instructional / Capital	0	0	37	0	0	0	0	0	0
"412" Budget Reserve	0	0	25	25	25	25	25	25	25
Outstanding Encumbrances	0	0	0	30	30	30	30	30	30
Ending Fund Balance	67	110	45	0	(281)	(437)	(306)	(122)	73

Source: District records; Performance audit projections and estimated; and financial implications throughout this performance audit report.

Table 2-16 details those recommendations reflected in the forecast in **Table 2-1A** and is further divided into categories requiring negotiation and not requiring negotiation.

**Table 2-16: Summary of Performance Audit Recommendations
Incorporated into Financial Forecast (Table 2-1A)**

Recommendations		FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Recommendations Subject to Negotiation:					
R3.10	Increase employee contributions towards health care premiums to 35 percent	\$225,023	\$243,025	\$262,777	\$284,331
R3.18	Eliminate three paid holidays for classified employees	\$7,900	\$7,900	\$7,900	\$7,900
R5.5	Reduce the number of guaranteed hours for bus drivers from four hours to three hours	\$27,265	\$27,265	\$27,265	\$27,265
R5.6	Reduce supplemental contracts for additional transportation runs	\$9,450	\$9,450	\$9,450	\$9,450
R3.5	Eliminate computer coordinator, lunchroom supervisor and three Title program compliance and administrator supplemental contracts	\$11,794	\$11,794	\$11,794	\$11,794
Total Recommendations Subject to Negotiation		\$269,638	\$287,640	\$307,392	\$328,946
Recommendations Not Subject to Negotiation:					
R4.1	Reduce one custodian position upon the opening of the new K-8 building	N/A	\$24,775	\$24,775	\$24,775
R3.2	Reduce 2.5 secretarial positions and one food service position upon the opening of the new K-8 building	N/A	\$58,360	\$58,360	\$58,360
R3.3	Replace one high school teaching position by consolidating commonly offered courses	\$43,200	\$43,200	\$43,200	\$43,200
R4.9	Implement an energy savings program within the District	\$10,000	\$10,000	\$10,000	\$10,000
R5.2	Request reimbursement for reporting errors on special needs transportation forms for FY 1998-99 ¹	\$4,562	\$4,562	\$4,562	\$4,562
Total Recommendations Not Subject to Negotiation		\$57,762	\$140,897	\$140,897	\$140,897
Total Recommendations Included in Forecast		\$327,400	\$428,537	\$448,289	\$469,843

Source: Financial Implications Summaries for all sections of this performance audit report.

¹ The additional reimbursement amount is carried forward throughout the forecast because the transportation revenue projected by ODE that is contained in the forecast is based upon the incorrect FY 1998-99 figures reported by the District.

Table 2-17 summarizes additional recommendations which the Commission should consider, however, due to the long-term nature of these cost savings, were not included in the forecast (Table 2-1A).

**Table 2-17: Summary of Performance Audit Recommendations
Not Included in the Financial Forecast (Table 2-1A)**

Recommendations	Cost Savings
Recommendations Subject to Negotiation:	
R3.22 Discontinue practice of granting compensatory time to classified employees working on a calamity day, assuming one calamity day per year	\$227 (annual)
R3.13 Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff	\$195,638 (long-term)
Total Recommendations Subject to Negotiation	\$227 - \$195,638
Recommendations Not Subject to Negotiation:	
R3.6 Reduce sick leave usage among certificated staff	\$3,480 - \$10,440 (annual)
R3.8 Reduce sick leave usage among classified staff	\$2,637 - 5,276 (annual)
Total Recommendations Not Subject to Negotiation	\$6,118 - \$15,716

Source: Financial Implications Summaries for all sections of this performance audit report.

VIII. Commission Considerations

- A. Current per pupil spending levels have been set at \$4,052 for FY 1999-00 and \$4,294 for FY 2000-01. Future per pupil spending amounts are planned at \$4,414 for FY 2001-02 and \$4,538 for FY 2002-03 and beyond. Only amounts for FYs 1999-00 and 2000-01 are guaranteed by current legislation. Any changes in per pupil funding amounts in future biennium years will effect foundation funding and potential changes in per pupil funding amounts should be considered in the development and updating of SLSD's financial recovery plan.
- B. State foundation payments under the Ohio Rev. Code are calculated by the Ohio Department of Education on the basis of pupil enrollment and classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. For the purposes of the projections, student enrollment is projected as holding steady at FY 1999-00 levels through FY 2003-04. If the District experiences a decline in enrollment this could decrease State Foundation funding below projected levels and may have an effect on the budget stabilization set-aside requirement.

- C. A 4.0 mill operating levy will expire in FY 2001-02. The forecast assumes that the levy will be renewed and the District will not lose operating revenues due to levy failure. In the event the District experiences levy failure and a subsequent loss of operating revenues of approximately \$232,000, salary projections and staffing levels may require reexamination to accommodate lower revenue levels.
- D. A substantial portion of local revenues are derived from real and tangible property tax levied on the American Electric Power hydro-electrical plant located in Meigs County. In 1999, the State legislature passed measures to deregulate the electrical utility industry in Ohio. Under the new law, electrical utility generation equipment will be taxed at 25 percent of true value, decreasing District income by approximately \$600,000 annually. Although the legislature has authorized a one-half cent kilowatt hour use tax to replace lost real and tangible property tax, the Commission should consider options available to the District if the one-half cent kilowatt hour use tax is insufficient to replace lost property tax revenues.
- E. Although the District has developed a history of borrowing to cover operating debt, the forecast does not include borrowing beyond a single State Solvency Assistance Fund loan in FY 1999-00 for \$627,000. Based on the negative ending balances shown in the current forecast, SLSD may accrue additional debt. If SLSD is required to borrow additional funds to meet operating expenditures, repayment costs may delay the District's return to financial health.
- F. In FY 2001-02, SLSD will open a new kindergarten through grade eight building. As a result of the completion of the new building, the District will be able to close four aging schools. Although maintenance costs may be reduced, the District may experience an increase in other cost areas, due to the inclusion of air conditioning and a computer lab in the new building. Staffing reductions are not currently planned by the District and the superintendent indicated clerical workers from the four schools will fill non-certificated instructional support positions in the new building. Though the Commission should not expect increased savings through the opening of the new building, the impact of the new facility should be considered in any cost reduction measures.
- G. Educational enhancements, included under Am. Sub. H.B. 650, require school districts to reduce class sizes and add all-day kindergarten. The provisions of Am. Sub. S.B. 55 include programmatic changes, many of which have financial implications, such as the creation of a three year continuous improvement plan, expansion of the summer school program and the increase in the number of units offered to high school students. The superintendent is currently studying the effects of H.B. 650 and S.B. 55 to plan for the District's future. He has indicated that additional costs will be incurred by SLSD because of the new educational requirements under Am. Sub. S.B. 55 but has not determined the estimated amount of such costs. The District may have difficulty implementing portions of S.B. 55 requirements because of its current financial condition. Additional costs associated with S.B. 55 are not shown in

the forecast as the District was unable to quantify probable expenditures associated with the legislation.

- H. The treasurer is not using the encumbrance method of budget management in the General Fund. Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid by year-end. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payment. The treasurer stated that, while encumbrances are used to account for unpaid purchase orders and commitments in Federally funded programs, showing encumbrances in the General Fund would increase the negative ending fund balance. Excluding encumbrances from the forecast and other planning documents creates an inaccurate representation of the District's true financial condition. The Board and Commission should require all encumbrances to be shown in forecasting and reporting documents.

B. Revenues and Expenditures

Background

SLSD's primary funding sources are local property taxes, State Foundation support and Federal programs. To increase the local contribution, SLSD has two tax options, and both require voter approval: a property tax levy or a school district income tax. Property taxes are levied on a calendar year basis against the assessed values of real estate, public utility property and tangible (business) personal property located in the District. Based on the property values in SLSD, one mill generates about \$65,800 of revenue for the District. The District has not passed an operating levy since 1994.

The Ohio General Assembly determines the level of State support for schools and distributes that support through the State Foundation Program. Allocations are based on a formula that guarantees each District will receive a specified amount per student which is deemed sufficient to support an adequate educational program at the state minimum level. The distribution formula, which incorporates Average Daily Membership (ADM) and millage minimums applied to the District's total assessed property valuation, has undergone significant change through new legislation which became effective in FY 1998-99.

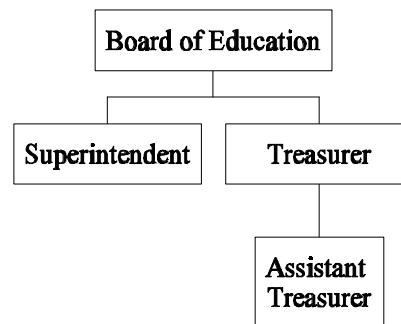
Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Federal budget balancing is expected to negatively impact grant awards. See **Table 2-18** for percentage breakdowns of District funding by sources compared to the peer districts and State averages.

The Board is required under the ORC to adopt an annual budget. Each year, two budgets are prepared by the District: a tax budget and an operating budget. The budgeting process identifies the adequacy of financial resources for the educational programs and provides a basis for accountability in fiscal management. The tax budget also serves as the legal basis for the establishment of tax rates.

Organization Function

Under the current organizational structure, the Board of Education's role is limited to managing the daily operations of the District and carrying out the fiscal recovery plan adopted by the Commission. Decisions which have financial implications or that fall outside the scope of the fiscal recovery plan are required to be made by the Commission. The superintendent and the treasurer report independently to both the elected Board and the appointed Commission. Within this organizational structure, all departments except the treasurer's department report to the superintendent. The organizational chart below shows the reporting relationships of the superintendent and treasurer's departments.

Chart 2-1: Financial Organizational Chart



There is no separate department responsible for financial planning or budgeting in SLSD. It is the duty of the treasurer to prepare long-range fiscal plans, as well as the annual budget. The superintendent and Board do not take part in the preparation of fiscal planning or budgeting documents. The superintendent, with approval from the Board, establishes the overall fiscal objectives for the District while the actual budget preparation, presentation and subsequent management reporting fall under the authority of the treasurer.

The treasurer prepares the tax budget and the annual appropriation resolution; files required forms and reports with the County Budget Commission and the Ohio Department of Education; monitors compliance with appropriation spending levels; initiates, reviews and processes budget adjustments and modifications; and prepares monthly reports. He is responsible for establishing and overseeing a system of internal controls within the District to ensure the accuracy of financial information and to protect the District's assets.

Summary of Operations

The treasurer and assistant treasurer have prepared financial forecasts in the past, specifically in conjunction with the requirements of past State emergency loans. The most recent forecast was updated in January 2000 and was based on the projected five-year financial forecast required under H.B. 412. The financial forecast includes projections of estimated revenues and expenditures for the General, DPIA and Textbook Subsidy funds, as well as the assumptions used to develop the projections. All other projections for this period were based on future needs, prior period performance, and historical trends.

The budgetary process begins with the preparation and adoption of the tax budget, showing estimated receipts and expenditures, and is submitted to the Budget Commission before January 20, in accordance with ORC and Board policy. In June, the District adopts a temporary appropriation measure to be used during the three month period from July through September, during which time the permanent appropriation measure is prepared. The individual schools in SLSD do not have input to the District's budget.

The treasurer's office is responsible for the preparation and issuance of various financial reports in accordance with State and Federal guidelines. These include an annual spending plan and quarterly updates submitted to the ODE. The spending plan allows the State Superintendent of Public Instruction to determine if the District has expenditures that may impair its ability to operate within its revenue sources. The cash-basis plan includes revenue projections by source, the nature and amount of expenditures to be incurred by the District, outstanding and unpaid expenses and the months in which the expenses are to be paid. The treasurer's office does not prepare a comprehensive annual financial report (CAFR).

During FY 1998-99, the treasurer failed to report the District's year end financial statements using the required basis of accounting and has not prepared H.B. 412 disclosures as required by law. The Auditor of State's Office identified issues in the District's cash statements that led to a qualified opinion of its financial disclosures. The treasurer currently is not using the technology available to him and may be able to avoid accounting and reporting errors through the increased use of technology. While the treasurer reports to the Board on a monthly basis, printed management reports are not used by the District.

Performance Measures

The following performance measures were used to analyze SLSD's financial planning process:

- ! Assessment of financial planning process
- ! Assessment of Federal, State and local funding levels
- ! Review of allocation of resources for instruction, instructional support and administrative costs
- ! Assessment of District expenditures
- ! Evaluation of relevance and timeliness of financial and management reports

Findings / Commendations / Recommendations

Financial Planning

F2.1 To meet the filing requirements of H.B. 412, the treasurer, with the assistance of the Ohio Department of Education, prepared the District's first five-year financial forecast in January 1999. Subsequent to the District being placed in a state of fiscal emergency on November 8, 1999, the financial forecast had not been revised and contained errors which the Ohio Department of Education had directed the District to correct. The most recent financial forecast, revised in January 2000, was presented to the Financial Planning and Supervision Commission on January 24, 2000.

The January 24, 2000 forecast projected deficit fund balances for FY 2000-01 through FY 2003-04. The District projected a negative fund balance in FY 2000-01 of \$487,000 increasing to \$2.2 million for FY 2003-04. The Auditor of State's LGS projection (October 1999) showed a negative ending fund balance in FY 1999-00 of \$627,000. The Auditor of State forecast (March 2000) shows negative ending fund balances of \$608,000 in FY 2000-01 increasing to \$1.8 million in FY 2003-04, a difference of \$120,000 to \$400,000 over the forecast period.

R2.1 The financial forecasts prepared by the District do not present an accurate picture of the financial condition of the District. The forecast lacks adequate assumptions to clearly indicate the manner in which the forecast was developed and contains several mathematical errors which must be corrected. The level of detail and information contained within the assumptions is not adequate to properly convey the thought process or estimates used to develop the projections. Given the significant financial issues facing SLSD, a properly developed, detailed financial forecast is essential in the District's attempt to regain financial solvency. To this extent, SLSD should use the format of the financial forecast presented in **Table 2-1** and update the information and projections as financial issues change or materialize. Such a forecast ensures members of the District and Commission are provided sound and detailed information on which to base their decisions.

F2.2 Ohio Rev. Code § 3316.06 states that "(w)ithin 120 days after the first meeting of a school district's financial planning and supervision commission, the commission shall adopt a financial recovery plan regarding the school district for which the commission was created. During the formulation of the plan, the commission shall seek appropriate input from the school district board and from the community."

The Auditor of State declared SLSD in a state of fiscal emergency on November 8, 1999. A Financial Planning and Supervision Commission was established and given the authority to assume control of the District. The Commission had its first meeting on January 24, 2000 and has 120 days from its first meeting to adopt a financial recovery plan for the District. An initial financial recovery plan has not yet been adopted by the Commission.

R2.2 **Table 2-1A** is presented to provide the Commission with a proposed financial recovery plan in its efforts to adopt a plan which will allow the District to regain financial stability. The Commission should use this financial recovery plan to evaluate the recommendations presented within this performance audit and determine the impact of the related cost savings on the District's financial condition. The recommendations are broken down into those which can be enacted immediately by SLSD and those that will require further management actions, such as renegotiating certain items within current union agreements.

F2.3 SLSD, as well as all other school districts in the State of Ohio, has been impacted by several major pieces of legislation which are changing the nature of education both financially and operationally. Am. Sub. H.B. 650 will provide additional revenue to SLSD. However, Am. Sub. H.B. 650 also includes important enhancements of certain educational programs including reduced class sizes and all day kindergarten. H.B. 412 establishes additional accountability standards for school districts as well as requiring financial set-asides for critical educational items including textbooks and capital improvements. The provisions of Am. Sub. S.B. 55 include many programmatic changes for school districts, many of which will have financial implications. Certain programmatic changes contained within the legislation include the creation of a three year continuous improvement plan for certain school districts, potential expansion of the summer school program and the increase in the number of units offered to high school students.

The superintendent is currently studying the effects of these pieces of legislation to plan for the District's future. Estimates of SLSD's school foundation monies under Am. Sub. H.B. 650 have been developed by the ODE for FY 1999-00 and FY 2000-01. The superintendent has indicated that additional costs will be incurred by the District because of the new educational requirements under Am. Sub. S.B. 55 but has not estimated the amount of such costs. The superintendent indicated that SLSD may have difficulty implementing portions of S.B. 55 requirements because of its current financial condition. (See the notes to **Table 2-1** for the estimates of school foundation monies under Am. Sub. H.B. 650 and the State required set-asides for textbooks and instructional materials, capital improvements and maintenance, and a budget reserve under H.B. 412).

F2.4 The District would like to hire at least two additional teachers during the forecast period to fulfill special education teacher/student ratio requirements and new requirements in science and mathematics. In addition, SLSD has expressed a need for a full time technology coordinator. Financial projections made as part of this performance audit (see financial

forecast in **Table 2-1**) demonstrated funding to support the additional staffing is not available and these proposed staffing increases have not been included in the current projections. The District realizes that funding will not be available to support these additional teaching positions but has not developed alternatives to staffing increases.

R2.3 The District should ensure all increases in staffing fall within the parameters of the financial recovery plan adopted by the Commission. In addition, accurate financial projections are needed to properly demonstrate the effects on the District's financial condition concerning any planned increases in staffing positions. Two entry level teachers and an entry level technology coordinator paid at a bachelors step 1 rate would cost approximately \$78,655, based on the District's salary schedule and an additional 30 percent benefits cost. Given the current and projected financial condition of SLSD, there will not be adequate resources available to support these planned increases in staffing positions.

Revenue Assessment

F2.5 **Table 2-18** shows the distribution of revenue by funding source (all funds on a cash basis) for the three most recent fiscal years for SLSD, its peer districts and the peer and State averages.

Table 2-18: Percent of Revenue by Funding Source

	Southern	Bridgeport	Eastern	Green	Peer Average ¹	State Average
FY 1996-97:						
Local	37.8%	41.1%	19.0%	39.2%	34.3%	51.2%
State	49.3%	48.5%	72.1%	49.5%	54.8%	42.3%
Federal	12.9%	10.4%	8.8%	11.4%	10.9%	6.0%
FY 1997-98:						
Local	35.9%	36.6%	18.1%	36.6%	31.8%	51.7%
State	52.4%	54.2%	73.0%	53.5%	58.3%	42.6%
Federal	11.7%	9.1%	8.9%	10.1%	9.9%	5.7%
FY 1998-99:						
Local	35.9%	36.6%	18.1%	36.6%	31.8%	51.6%
State	52.4%	54.3%	73.0%	53.3%	58.3%	42.7%
Federal	11.7%	9.1%	8.9%	10.1%	10.0%	5.7%

Source: EMIS information.

¹ Southern Local is included in the peer average.

Table 2-18 indicates that, while SLSD receives a greater percentage of their total revenue from local sources than the peer district average, this percentage is still lower than the state-wide average for all districts. A school district's local revenue sources are primarily limited to property taxes and income taxes, if applicable. All school districts receive real and personal property tax revenue. Only some districts collect income taxes, either through a school district or a joint city/school district income tax approved by the voters. Based on a State Department of Taxation report, SLSD is not eligible to collect revenue through a joint city/school district income tax levy.

Under Ohio law, property values are adjusted (updated) every three years, and a complete recalculation (reappraisal) is performed every six years. The 1998 assessment of property values within the District totaled approximately \$65 million which was reflected in taxes collected beginning in the 1999 calendar year. The next update reappraisal will be conducted in calendar year 2000, which will affect tax collections beginning in calendar year 2001. Based on assessed valuation as of December 1998, one mill of property tax would generate \$65,800 of additional revenue for SLSD.

- F2.6 The American Electric Power hydro-electric plant in Meigs County generates approximately \$12.2 million in real and tangible property tax revenues each year. Deregulation has changed the rates of assessment for electrical utility generation equipment from 100 percent to 25 percent, decreasing property tax revenues from the hydro-electrical plant by approximately \$600,000 annually. Although the deregulation legislation provides for a one-half cent kilowatt hour use tax to replace lost revenue, the District may experience a reduction in revenues.
- F2.7 **Table 2-19** presents statistics which impact a district's ability to raise local revenue. SLSD is compared with its peer districts and the State average.

Table 2-19: Local Statistics - Last Three Years

	Southern	Bridgeport	Eastern	Green	Peer Average	State Average
FY 1995-96:						
Effective Millage	23.2	24.5	24.8	28.0	25.1	30.4
Average Valuation ¹	\$ 71,216	\$ 63,658	\$ 41,816	\$ 74,765	\$ 62,864	\$ 86,027
Area Median Income ²	\$ 26,123	\$ 23,087	\$ 25,803	\$ 26,299	\$ 25,328	\$ 23,478
FY 1996-97:						
Effective Millage	24.0	22.4	25.0	26.9	24.6	30.9
Average Valuation ¹	\$ 81,835	\$ 74,837	\$ 44,952	\$ 83,140	\$ 71,191	\$ 87,754
Area Median Income	\$ 28,669	\$ 24,529	\$ 28,605	\$ 29,842	\$ 27,911	\$ 24,588
FY 1997-98:						
Effective Millage	23.9	22.4	25.0	26.9	24.6	30.7
Average Valuation ¹	\$ 83,645	\$ 76,650	\$ 45,032	\$ 86,437	\$ 72,941	\$ 93,566
Area Median Income	\$ 28,951	\$ 23,611	\$ 26,446	\$ 26,744	\$ 26,438	\$ 25,239

Source: EMIS District Profiles, Ohio Department of Taxation

¹ Average valuation per pupil will increase over a period of years if the average daily membership (ADM) count declines.

Effective mills are the rate at which property is taxed in the district. Property values also affect how much revenue a district receives. Real property is reappraised for tax purposes every six years and updated every three years.

As noted in **Table 2-19**, SLSD has a lower effective millage (23.9 mills) when compared with its peers and with the state average. However, because SLSD's property value is higher than the average for its peer districts, the percent of revenue provided by local sources is higher than the peer district average. When analyzing these statistics, it is also important to note that the 35.9 percent contribution made by SLSD's local revenues in FY 1998-99 is slightly above the peer average, but well below the State average of 51.7 percent. Tax reform legislation was passed in 1976 (H.B. 920), which effectively eliminated inflationary effects upon property taxes. Therefore, school districts need to pass operating levies about once every three years to keep up with inflation. It should be noted that SLSD's revenues per pupil are ranked 354th among the 611 school districts in Ohio based on FY 1997-98 EMIS data.

F2.8 An examination of District valuation and median income shows SLSD has the highest area median income and second highest property values when compared to the peer districts. Yet, SLSD has the second lowest effective millage which is 0.7 mills lower than the peer average and 6.8 mills lower than the State average. Based on current income levels and property valuation, it is likely that the community has the ability to support an additional levy increase

to fund the District at levels comparable to the peer districts and the State average.

F2.9 **Table 2-20** presents information regarding SLSD's long term indebtedness as of June 30, 1999. The District's \$627,000 loan from the State Solvency Assistance Fund is not included in the table.

Table 2-20: Long Term Indebtedness as of June 30, 1999

Description	Fund Revenues Servicing Debt	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
School Facilities Construction and Improvement Bonds, Series 1998	Debt Service	4.63%	12/1/98	12/1/21	\$4,042,000
Total Capital Debt					\$4,042,000
EPA Asbestos Removal	General Fund	N/A	5/30/93	11/30/12	\$159,646
Energy Conservation Improvement Bonds, Series 1994	General Fund	5.75%	8/15/94	8/15/04	\$285,000
Total General Fund Debt					\$444,646
Total Debt					\$4,486,646

Source: Treasurer's Office.

During the 1990's, SLSD entered into a cycle of borrowing from the State Emergency Fund to cover operating debt. Continued borrowing on the part of the District and strict repayment schedules has caused financial hardship in the District. SLSD used State operating loans in FY 1993-94 and FY 1994-95 to avoid year end deficits. In total, the District borrowed approximately \$533,000. These debt instruments are accompanied by strict repayment schedules and SLSD redeemed the notes within two years of the note issue date, placing the District in further financial distress.

R2.4 Continued borrowing on the part of the District indicates poor financial planning and management in SLSD. Long term District plans must include an effort to withdraw the District from State Solvency Assistance Fund borrowing. Based on the expenditure reduction recommendations provided in this performance audit, as well as those identified by the Financial Planning and Supervision Commission, the District should continue to keep expenditures low and realign salaries and benefits to be more in line with peer and neighboring district salaries.

F2.10 **Table 2-21** details the election results for the past ten years for various levies the District has placed on the ballot.

Table 2-21: Ten-Year Levy History

Date	Type of Levy	Amount	Term	Election Results
November 1990	Operating	5.3 Mills	Continuing	Failed
November 1992	Bond Issue	5.3 Mills	23 Years	Failed
November 1994	Operating	4.0 Mills	Continuing	Passed
March 1996	Bond Issue	5.3 Mills	Continuing	Failed
November 1996	Operating	4.0 Mills	Continuing	Failed
May 1998	Bond Issue	5.39 Mills	23 Years	Passed
November 1998	Operating	4.89 Mills	Continuing	Failed

Source: FY 1999 Financial Forecast prepared by the Local Government Services Division of the Auditor of State's Office and District records.

Table 2-21 indicates the District has been unsuccessful in gaining voter approval of two new operating levies put on the ballot in the past five years. While SLSD's administration has stated that the community will not support additional levies, levy history indicates a limited attempt on the part of the District to secure additional local revenues.

F2.11 Although not General Fund money, SLSD can help maintain and improve student levels of learning and nutrition through applying for various State and Federal grants for specific programs such as Title I, Title VI-B, and National School Lunch. The District pursues common Federal grants, such as Title I and Title VI-B, but does not have a coordinated program to seek smaller, specialized State and Federal grants. SLSD does not employ a grant coordinator and the superintendent, principals and individual teachers are expected to research and apply for grants. Federal and State grant applications are reviewed by the superintendent before submission, and program expenditures are tracked by the treasurer to comply with reporting requirements, once the grant has been awarded. The Board approves participation in the various grant programs.

R2.5 The District should develop a coordinated grant program to include all teachers and administrators in the grant search and application process. SLSD relies heavily on one time grants to provide special and remedial education programs. All educators in the District should be provided with grant search materials and be trained in grant application methodologies. Increased grant revenues through a more concentrated grant search could provide the District with additional revenues.

Expenditure Analysis

F2.12 **Table 2-22** depicts General Fund FY 1998-99 revenues by source and expenditures by object as a percent of total General Fund revenues and expenditures for SLSD and its peer districts.

Table 2-22: Revenues by Source and Expenditures by Object

	Southern	Bridgeport	Eastern	Green
Property Taxes	40.8%	28.4%	12.8%	35.5%
Intergovernmental Revenues	57.6%	69.5%	83.5%	62.7%
Other Revenues	1.6%	2.1%	3.7%	1.8%
TOTAL REVENUES	\$3,520,898	\$4,430,495	\$6,336,296	\$4,343,893
Wages	59.7%	58.7%	50.4%	51.9%
Fringe Benefits	21.6%	17.2%	20.2%	23.4%
Purchased Services	6.7%	13.6%	10.4%	7.8%
Supplies & Textbooks	3.0%	3.4%	5.9%	3.7%
Capital Outlays	1.9%	0.8%	6.7%	0.8%
Debt Service	0.0%	0.0%	0.0%	0.0%
Miscellaneous	6.1%	2.3%	1.8%	3.0%
Other Financing Uses	1.0%	3.9%	4.7%	9.3%
TOTAL EXPENDITURES	\$3,760,598	\$4,195,960	\$3,900,315	\$3,608,649

Source: FY 1998 District 4502 Reports, Exhibit 2 and statement P.

A factor limiting administrators and staff in effectively controlling District allocations is the high percentage of expenditures that are fixed by negotiated employment contracts and utility costs and debt service payments. As shown in **Table 2-22**, wages and employee benefits account for approximately 81 percent of total budgeted expenditures for the General Fund, which is the highest among the peer districts. The rate of compensation for most SLSD employees is set by union contracts. Benefit payments such as retirement contributions, medicare, workers' compensation and unemployment are determined by State and Federal regulations. Tuition, utility costs and county auditor fees account for another 5 percent of the budgeted expenditures. Approximately 14 percent of the total budgeted General Fund dollars are available for discretionary spending, such as textbooks, professional and technical services, property services, transportation services, dues and fees, capital purchases, and educational supplies, although a majority of this is reserved for the bus purchase fund. The

discretionary expenditures, as a percent of total General Fund expenditures, are approximately equal to the peer average as shown in **Table 2-25**.

F2.13 **Table 2-23** shows FY 1998-99 purchased items, excluding utilities and insurance, by category within the General Fund and the Textbook Subsidy Fund as compared with FY 1997-98.

Table 2-23: District Purchases

	FY 1997-98	FY 1998-99	Increase (Decrease)
PURCHASED SERVICES:			
Professional and Technical Services	\$58,650	\$67,019	14.27%
Property Services	\$28,397	\$30,742	8.26%
Mileage/Meeting Expense	\$8,313	\$10,928	31.46%
Communications	\$12,624	\$13,533	7.20%
Contract Craft or Trade Service	\$0	\$0	0.00%
Tuition	\$7,314	\$12,485	70.70%
Pupil Transportation Services	\$13,360	\$13,120	(1.80)%
Other Purchased Services	\$443	\$326	(26.41)%
Total Purchased Services	\$129,101	\$148,153	14.76%
MATERIALS AND SUPPLIES:			
General Supplies	\$16,119	\$30,443	88.86%
Textbooks	\$7,275	\$27,086	272.32%
Library Books	\$4,641	\$2,184	(52.94)%
Periodicals and Films	\$998	\$2,265	126.95%
Maintenance and Repair to Plant	\$38,638	\$10,043	(74.01)%
Maintenance and Repair to Fleet	\$59,917	\$42,190	(29.59)%
Total Materials and Supplies	\$127,588	\$114,211	(10.48)%

Source: FY 1998 and FY 1999 4502 Reports, Statement P.

Increased expenditures in the categories of General Supplies and Textbooks were made to fulfill H.B. 412 required expenditures. Likewise, purchases in periodicals and films were increased to accommodate the necessary increases to meet H.B. 412 requirements. The variances in tuition costs are not under the control of SLSD, and therefore cannot be reduced by the District. Meeting and Mileage Expense rates increase with the addition of traveling

teachers and will decrease with the opening of the new kindergarten through grade eight school building. Finally, reductions in expenditures for the maintenance of SLSD's fleet and plant indicate lower levels of preventive and general maintenance, areas which should be fully funded to ensure the full life of equipment is attained by the District.

F2.14 **Table 2-24** shows selected discretionary expenditures by account from SLSD's FY 1998-99 General Fund. The expenditures are then calculated as a percentage of total General Fund expenditures, and compared with similar spending by the peer districts.

Table 2-24: Discretionary Expenditures

	Southern	Southern	Bridgeport	Eastern	Green	Peer Avg
Prof. and Technical Services	\$67,019	1.8%	6.6%	0.7%	1.4%	2.6%
Property Services	\$30,742	0.8%	1.5%	2.2%	1.5%	1.5%
Mileage/Meeting Expense	\$10,928	0.3%	0.3%	0.2%	0.1%	0.2%
Communications	\$13,533	0.4%	0.4%	0.2%	0.5%	0.4%
Pupil Transportation Services	\$13,120	0.3%	0.0%	0.0%	0.6%	0.2%
General Supplies	\$30,443	0.8%	2.6%	1.8%	1.5%	1.7%
Textbooks/Reference Materials	\$27,086	0.7%	0.5%	1.8%	0.5%	0.9%
Plant Maintenance and Repair	\$10,043	0.3%	0.0%	1.2%	0.6%	0.5%
Fleet Maintenance and Repair	\$42,190	1.1%	0.3%	1.1%	1.1%	0.9%
Other Supplies and Materials	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
Land, Buildings & Improvements	\$0	0.0%	0.0%	2.2%	0.1%	0.6%
Equipment	\$17,983	0.5%	0.4%	0.7%	0.0%	0.4%
Buses/Vehicles	\$54,157	1.4%	0.4%	1.3%	1.7%	1.2%
Dues and Fees	\$224,083	6.0%	1.6%	1.7%	2.8%	3.0%
Insurance	\$3,397	0.1%	0.7%	0.0%	0.1%	0.2%
TOTAL OF THIS TABLE	\$544,724	14.5%	15.3%	15.2%	12.6%	14.4%

Source: FY 1999 4502 Reports, Statement P

Significant variances in discretionary expenditures between SLSD and the peers are explained below:

- ! Greater expenditures in the area of Mileage/Meeting Expense are attributed to traveling teachers.
- ! Higher pupil transportation and fleet maintenance costs are incurred due to the size of the District in comparison to the peers and an older bus fleet.

- ! Dues and Fees are substantially higher than the peers as SLSD uses the services of the Meigs County ESC extensively. Additional costs are attributed to charges from the District's Data Acquisition Site (DAS).

R2.6 Because of the magnitude of expenditures that are fixed by negotiated contracts, utility costs and certain fees, it is important that the District diligently monitor those spending areas over which it can exercise discretion. **Table 2-24** indicates that SLSD is spending a higher percentage of its General Fund revenues for mileage and meetings expenses and dues and fees. District management should closely review these costs to identify possible opportunities for reductions and savings.

F2.15 In accordance with ORC 5705.40, the Board of Education is required to approve all appropriation amendments occurring at or above the legal level of the original appropriation. In FY 1998-99, the Board authorized the treasurer to "make the necessary changes" to balance fiscal year end appropriations. While the Board intended the treasurer to balance actual to budgeted activity, the practice of giving blanket authority is contrary to ORC 5705.40.

F2.16 The District does not develop an annual budget to guide expenditures during the fiscal year. Although the treasurer develops the legally required appropriations resolution, failure to provide a budget document to school administrators impairs the District's ability to control expenditures. The treasurer stated that, as a working treasurer, his duties do not allow additional time for the development of a budget document.

R2.7 The Board should ensure that all appropriation adjustments are approved at the legal level of control. In addition, adjustments should be minimized through the effective use of an annual budget document. SLSD can take steps toward eliminating its financial problems by developing and making effective use of an annual budget which, if effectively developed and monitored, should serve as the spending plan for the District from which little deviation should occur. The planned expenditures should not exceed the resources available. The budget should be consistent with the financial recovery plan adopted by the Commission. Financial goals and objectives should be set forth in the budget. Once adopted, the budget should be loaded into the accounting system to serve as the spending plan for the District. Properly developing, implementing and monitoring an annual budget is a major step in regaining financial solvency. Use of a budget and strict adherence to the allocations contained therein will reduce the need for adjustments.

F2.17 SLSD's FY 1998-99 financial audit disclosed several instances of improperly encumbered funds. Twenty eight percent of the District's disbursements that were tested did not contain prior certification of the availability of funds. For example, purchase orders were dated after the invoice date. Expenses occurring in FY 1998-99 were not attributed to the appropriate reporting period. This practice is contrary to ORC 5705.41.

R2.8 Problems in keeping expenditures within appropriated amounts can be attributed to the fact that the purchasing and reporting cycle are frequently circumvented. To rectify this, the treasurer and other purchasing agents within the District should comply with the ORC. The Board should develop and enforce policies to require the treasurer's certification of availability of funds prior to purchases being made. Finally, the Board and Commission should require all expenses to be recorded through a valid purchase order and attributed to the reporting period during which the expense was incurred. Because numerous non-compliance issues and internal control weaknesses were identified in past financial audits that have gone uncorrected, the Board and Commission should make the correction of yearly audit findings a priority upon receipt of SLSD's annual financial audit report and management letter.

F2.18 According to the treasurer, the District has lost revenues and experienced increased costs in the past two years which have substantially impacted the District's financial condition. Open enrollment and home schooling have created a loss of State Foundation revenues. Increased costs related to County ESC and DAS have also affected the District's ability to manage decreasing ending fund balances. Finally, replacement of the District's high school building boilers was required in FY 1998-99. The increased capital costs were paid out of the District's General Fund which further depleted the District's fund balances.

F2.19 Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending pattern between the various functions should indicate the priorities of the Board and management. **Table 2-25** details the District's governmental funds' operational expenditures for FY 1998-99 by function as captured and reported by the accounting system. SLSD's per pupil expenditures were the second highest among the peer districts. The District's percentage of governmental fund operational expenditures spent on instruction (55.5 percent) was the second highest among the individual peer districts but lower than the peer average of 56.1 percent. SLSD's support services expenditures (43.1 percent) were the second lowest among the peer districts and but higher than the peer average by less than one percent. Specifically, the percentage of expenditures attributed to vocational education and administration were significantly higher than the peer average for the functions. See the **human resources** section for additional discussions of the administration area.

F2.20 **Tables 2-25** and **2-26** show the amount of expenditures posted to the various USAS function codes for SLSD and for the peer districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-25** shows the operational expenditure per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types. Governmental funds are used to account for a District's governmental-type activities. **Table 2-26** shows the total expenditures of the governmental funds, including facilities acquisition and construction, and debt service. SLSD has the second highest percentage of expenditures for instructional functions when compared to the peers. Yet, regular instruction expenditures are the lowest of the peers and slightly below the peer average. The District's support services expenditures are the second lowest of the peers but above the peer average.

Table 2-25: Governmental Funds Operational Expenditures By Function

USAS Function Classification	Southern		Bridgeport		Eastern		Green		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	\$2,631	55.5%	\$3,060	63.4%	\$2,248	52.6%	\$2,208	52.9%	\$2,537	56.1%
Regular Instruction	\$1,941	40.9%	\$2,349	48.6%	\$1,889	44.2%	\$1,744	41.8%	\$1,981	43.9%
Special Instruction	\$456	9.6%	\$499	10.3%	\$275	6.4%	\$319	7.6%	\$387	8.5%
Vocational Instruction	\$218	4.6%	\$173	3.6%	\$56	1.3%	\$128	3.1%	\$144	3.1%
Other Instruction	\$16	0.3%	\$39	0.8%	\$28	0.6%	\$15	0.4%	\$24	0.5%
Support Services Exp.	\$2,044	43.1%	\$1,711	35.4%	\$1,920	44.9%	\$1,932	46.3%	\$1,902	42.4%
Pupil Support	\$72	1.5%	\$218	4.5%	\$191	4.5%	\$200	4.8%	\$170	3.8%
Instructional Support	\$186	3.9%	\$94	2.0%	\$101	2.4%	\$154	3.7%	\$134	3.0%
Board of Education	\$12	0.3%	\$33	0.7%	\$14	0.3%	\$12	0.3%	\$18	0.4%
Administration	\$646	13.6%	\$364	7.5%	\$442	10.4%	\$270	6.5%	\$431	9.5%
Fiscal Services	\$220	4.6%	\$223	4.6%	\$183	4.3%	\$175	4.2%	\$200	4.4%
Business Services	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Plant Operation/Maint.	\$448	9.5%	\$564	11.7%	\$536	12.5%	\$486	11.6%	\$509	11.3%
Pupil Transportation	\$460	9.7%	\$216	4.5%	\$384	9.0%	\$509	12.2%	\$392	8.8%
Central Support Services	\$0	0.0%	\$0	0.0%	\$69	1.6%	\$1	0.0%	\$17	0.4%
Non-Instructional Services Expenditures	\$0	0.0%	\$0	0.0%	\$11	0.2%	\$0	0.0%	\$3	0.1%
Extracurricular Activities Expenditures	\$66	1.4%	\$58	1.2%	\$95	2.2%	\$34	0.8%	\$63	1.4%
Total Governmental Fund Operational Expenditures	\$4,741	100%	\$4,829	100%	\$4,274	100%	\$4,174	100%	\$4,505	100%

Source: FY 1999 4502 Reports

R2.9 As represented by **Table 2-25**, the District has a substantial percentage of expenditures dedicated to support services functions. SLSD should use the recommendations contained in this performance audit and identify other areas to reduce the percentage of revenues being spent on support services and reallocate these resources toward functions directly related to student instruction. In addition, some support function costs, such as administration, are inflated due to incorrect or outdated EMIS coding. SLSD should strive to maintain more accurate EMIS records.

F2.21 **Table 2-26** shows the per pupil operational expenditures, facilities acquisition and construction, and debt service for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. SLSD’s operational expenditure percentage of 45.3 percent is approximately one third of the peer average of 69.2 percent. SLSD has a high percentage of expenditures related to facilities acquisition and construction due to the construction of a new K-8 facility (52.6 percent). The District has the second lowest debt service expenditure percentage of the peer districts. It should be noted that the facilities acquisition and construction expenditures are funded through a separate bond levy approved by the community and are dedicated to the construction of the District’s new kindergarten through grade eight building.

Table 2-26: Total Governmental Fund Expenditures By Function

USAS Function Classification	Southern		Bridgeport		Eastern		Green		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	\$4,741	45.3%	\$5,027	71.5%	\$4,589	59.9%	\$5798	100%	\$5,039	69.2%
Facilities Acquisition & Construction Expenditures	\$5,515	52.6%	\$1,643	23.4%	\$2,896	37.8%	\$0	0.0%	\$2,513	28.5%
Debt Service Expenditures	\$219	2.1%	\$361	5.1%	\$174	2.3%	\$0	0.0%	\$189	2.4%
Total Governmental Funds Operational Expenditures	\$10,475	100%	\$7,031	100%	\$7,659	100%	\$5798	100%	\$7,741	100%

Source: FY 1999 4502 reports

Fiscal Operations

F2.22 The treasurer's office does not adequately use the technology available through the District's Data Acquisition Site (DAS). The treasurer prepares a substantial portion of the budget and forecast manually and the assistant treasurer then enters the data on her computer. Although the DAS financial package contains several useful functions to track expenditures, develop budget documents, determine historical data, track fixed assets and prepare management reports, the treasurer's office is not using these functions. The manual computation of important financial information leaves the treasurer and his assistant susceptible to recording and reporting errors.

R2.10 The treasurer's office should begin to fully use the technology available to the District through the DAS. By using all aspects of the financial reporting software, the treasurer's office will be able to develop more accurate forecast and budget documents, and provide administrators and Board members with more timely financial information.

F2.23 SLSD maintains a payroll clearing checking account which does not reconcile to zero at month end. As of June 30, 1999, the District's records reflected \$77.95 less than the bank. In addition, the account had accrued surcharges totaling \$184.96.

R2.11 The District should investigate all variances remaining after the monthly reconciliation is performed and make appropriate corrections. Also, the District should investigate the surcharges on the account and determine if options exist to eliminate the surcharges.

F2.24 In the audit report for FY 1998-99, instances of non-compliance with the Ohio Revised Code and generally accepted accounting principles (GAAP) were disclosed. The Auditor of State issued a qualified opinion on SLSD's financial statement. Specifically, the District did not prepare its financial statement according to generally accepted accounting principles (GAAP) and failed to present a H.B. 412 note in the financial statement.

R2.12 The treasurer should ensure that all District financial statements are prepared according to generally accepted accounting principles and contain the appropriate notes as required by law. H.B. 412 expenditures and set asides should be presented in a manner to convey an accurate estimate of the District's financial reserves and required set asides. Failure to accurately present such information impacts the veracity of the District's annual financial statements.

Conclusion Statement

The historical pattern of operating expenditures exceeding operating revenues has led to the District incurring significant operating deficits. These deficits have depleted the General Fund balance and forced the District to borrow against future year's revenues to balance current year operations. Once a district enters this cycle, it becomes difficult to achieve financial solvency without the infusion of additional revenue or drastic reductions in operating costs. Financial projections indicate that SLSD is likely to continue encountering financial difficulties without significant changes in District operations.

Although SLSD appears to have received more than adequate levels of local revenue through residential property and the American Electric Power hydro-electrical plant, inflated certificated and classified salaries depleted District reserves prior to 1994. Decreasing revenues, caused by depreciation and deregulation, will continue to inhibit SLSD's ability to meet the salary and fringe benefits outlay, which account for approximately 81 percent of General Fund expenditures. Despite impending financial trouble, recent step increases maintain salaries at levels well above those of the peer and neighboring districts. The District also hired additional employees in FYs 1998-99 and 1999-00, despite low growth in revenues and high growth in expenditures. In the future, the District will need to seek alternatives to hiring additional FTEs.

In its attempt to regain financial stability, SLSD must improve financial planning and budgeting processes. The current level of financial planning has not allowed the Board or management to adequately assess the current financial condition of the District. Planned staff additions or other increases in expenditures need to be evaluated against the District's financial condition. A well developed and accurate financial forecast would provide managers with the means to make such a determination. The absence of an annual budget compromises the District's ability to restrict District expenditures and maintain a level of financial responsibility. The District must develop budgets within its available resources in the future. The budget should then be used as the District's spending plan to control expenditures and help ensure goals and objectives are met. No deviations from the adopted budget should occur without prior consent of the Board.

In general, the present financial condition of SLSD does not appear to be due to a lack of available resources, rather the manner in which available resources have been managed. The District needs to take immediate action to control and, where possible, reduce operating expenditures of the District. Developing and maintaining a balanced budget will require that important management decisions be made to ensure available resources are allocated and accounted for in a manner which supports educational goals and established objectives. The District and the Commission are encouraged to evaluate the recommendations contained within this performance audit, as well as other cost savings possibilities, as they formulate a financial recovery plan for the District.

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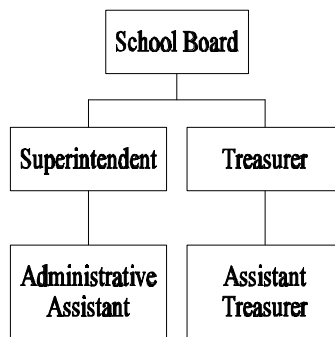
Human Resources

Background

Organizational Chart

The Southern Local School District (SLSD or the District) does not have a separate department dedicated to performing human resources functions. The chart below provides an overview of the individuals responsible for carrying out the human resources functions in the District.

Human Resources Functions



Organization Function

The individuals performing human resources functions are responsible for coordinating the activities and programs for the recruitment and selection of employees, monitoring compliance with employment standards (criminal record background check and teacher certification), facilitating employee performance evaluations, administering and monitoring grievance policies and procedures, negotiating and administering union contracts, conducting disciplinary hearings and participating in new employee orientation. The superintendent performs the majority of the human resources functions. The county educational service center (ESC) recruits and performs criminal background checks on substitutes. The treasurer and assistant treasurer share responsibilities for processing and distributing benefit information. The administrative assistant is responsible for recruiting, interviewing and recommending potential candidates for the District’s Federal and State special education and grant programs.

Summary of Operations

All SLSD employees are categorized as either certificated or classified staff. Certificated staff includes the principals, teachers, counselors, nurses, librarians, and certain supervisors and directors. Classified staff includes instructional assistants, custodians, maintenance personnel, bus drivers, mechanics, food service workers, secretaries, and certain supervisors and classified administrators.

In general, the primary human resources functions for both certificated personnel and classified staff are carried out by the superintendent. The superintendent is responsible for recruiting, interviewing and recommending the most qualified potential candidates to the board for final approval. The superintendent also coordinates both the certificated and classified personnel evaluation process and negotiates and administers the classified collective bargaining agreement. The superintendent spends approximately 60 percent of the work day on human resources related duties.

The administrative assistant, in conjunction with the appropriate principal, coordinates and conducts evaluations of the certificated personnel in the District's special education and grant programs. Upon reviewing and approving the administrative assistant's recommendations, the superintendent is responsible for recommending the most qualified candidates to the board for final approval.

The superintendent's secretary also acts as the high school secretary and maintains classified and certificated employee information within the District's employee database. Currently, benefits administration for all employees (administrators, certificated, classified) is handled by the treasurer. In addition, the treasurer is also responsible for workers compensation as well as various other duties assigned by the board.

Performance Measures:

The following is a list of performance measures that were used to review SLSD's human resources coupled with the functionality typically performed by a human resources department (HRD):

- ! Clearly defined roles, responsibilities, account abilities and authorities of key participants in the affairs of personnel administration
- ! Appropriate allocation of resources in relation to workloads
- ! Assessment of staffing classifications and respective ratio to total full time equivalents
- ! Assessment of the allocation of the ratio of direct instructional personnel to District educational support personnel
- ! Appropriateness of staff levels and mix
- ! Analysis of teachers' work day as defined by the union contract versus actual work day worked
- ! Assessment of number of instructional minutes taught per teacher, class sizes and staffing ratios

- ! Assessment of total FTE employees in comparison of the ratio of total salaries per classification to total District salaries
- ! Assessment of utilization and compensation for supplemental pay and stipends
- ! Assessment of salary schedule and maximum step structure
- ! Appropriate use of substitute personnel
- ! Assessment of W2 wages in correlation to salary schedules
- ! Utilization of paid leaves
- ! Assessment of employee benefit costs and administration including workers' compensation
- ! Assessment of contract administration (collective bargaining) and contractual issues

Findings/Commendations/Recommendations

Staffing/Compensation Analysis:

F3.1 The State Board of Education developed and implemented the Education Management Information System (EMIS) to assist school districts in effectively and efficiently managing student and personnel demographics. All schools are required to provide specific student, staff and financial data to the Ohio Department of Education for processing. During our analysis of the District's staffing levels, numerous errors were identified in the staffing data entered into EMIS. SLSD does not verify staff demographic information entered into EMIS on a regular basis which results in inaccurate data.

R3.1. Because SLSD receives funding based upon EMIS information provided by the District and because EMIS information is provided to the public and is used to make assessments about the effectiveness of SLSD as a whole, the District should routinely review EMIS staff demographic information to determine accuracy and completeness.

F3.2 **Table 3-1** presents the staffing levels of FTEs per 100 students enrolled for SLSD and the peer districts and indicates SLSD's staffing levels are comparable to the peer district staffing levels.

Table 3-1: Peer District Staffing Patterns (FTE Staff per 100 Students Enrolled)

Category	Southern ¹	Bridgeport	Eastern	Green	Peer District Average
ADM	817	874	847	756	824
Administrators: Sub-total	0.5	0.5	0.6	0.5	0.6
Central	0.3	0.2	0.2	0.2	0.2
Site Based	0.2	0.3	0.3	0.3	0.3
Other	0.0	0.0	0.1	0.0	0.1
Professional Education: Sub-total	6.7	6.9	6.6	6.8	6.7
Counselors	0.1	0.2	0.1	0.3	0.2
Librarian - Media	0.1	0.0	0.1	0.1	0.1
Remedial Specialists	0.0	0.5	0.0	0.7	0.3
Teachers - Elem and Sec	6.5	6.2	6.3	5.7	6.1
Others	0.0	0.0	0.1	0.0	0.0
Professional - Other	0.2	0.1	0.1	0.1	0.1
Technical	0.0	0.0	0.0	0.0	0.0
Office/Clerical: Sub-total	1.0	1.4	0.9	1.0	1.1
Clerical	0.6	0.7	0.8	0.5	0.7
Teaching Aides	0.4	0.6	0.1	0.3	0.3
Library/Media Aides	0.0	0.0	0.0	0.1	0.0
Others	0.0	0.1	0.0	0.1	0.1
Crafts/Trades	0.4	0.2	0.2	0.4	0.3
Transportation	1.2	0.8	1.3	1.2	1.1
Custodial	0.7	0.9	0.6	0.7	0.7
Food Service	0.8	0.7	0.8	0.8	0.8
Total	11.5	11.5	11.1	11.5	11.4

Source: FY 1998-99 EMIS profile

¹ Based on corrected EMIS data

F3.3 **Table 3-2** presents an eight-year summary of enrollment and staffing levels for SLSD. Although staffing levels have fluctuated over the past eight years, the table indicates current staffing levels are similar to staffing levels eight years ago. To explain the fluctuations in staffing levels during the eight-year period, the superintendent indicated that in an effort to adjust staffing for a declining enrollment and the financial difficulties, the District implemented a reduction-in-force during FY 1993-94 and FY 1995-96 which resulted in a net savings of approximately 8.5 positions. However, in the past three years, the District's staffing levels have increased. In FY 1998-99, SLSD increased the number of hours worked per day for secretaries from four hours to seven hours per day. The hours were increased because the teaching principals (the District does not have a full-time principal at the elementary and middle schools, rather the District provides a supplemental contract to one teacher at each building to perform duties of a principal) needed more secretarial assistance. Changing the secretarial status from part-time to full-time resulted in an increase of 2.5 FTEs. Additionally, the District hired three teachers; one kindergarten teacher to comply with H.B. 650 which

requires the District to implement all-day kindergarten; one elementary physical education teacher and one Title 6 teacher who is paid through Title 6 funds.

Table 3-2: FTE Staffing Summary - Eight Year History

	Fall Enrollment	Administrators	Certificated Staff	Classified Staff	Total Staff ¹	Percentage Change
FY 1992-93	922	4.0	56.0	37.0	97.0	N/A
FY 1993-94	919	5.0	55.0	34.0	94.0	(3.1%)
FY 1994-95	880	5.0	55.1	34.4	94.5	(0.5%)
FY 1995-96	874	5.0	53.2	30.3	88.5	(6.3%)
FY 1996-97	864	5.0	52.3	30.4	87.7	(0.9%)
FY 1997-98	800	5.0	53.3	31.5	89.8	2.4%
FY 1998-99	786	5.0	56.3	34.0	95.3	6.1%
FY 1999-00	785	5.0	56.5	34.0	95.5	0.2%

Source: EMIS Staff Profiles for FY 1994-95 thru FY 1998-99. Enrollment figures developed from EMIS five-year vital statistics summary, simulated FY 1999-00 enrollment report.

¹ Based on corrected EMIS data

F3.4 SLSD is in the process of constructing a new building which will consolidate the three elementary buildings and one middle school into one K-8 building (see the **facilities section** for further information). District officials have indicated that they do not anticipate reducing current staffing levels once the new building opens in FY 2001-02. The current staffing level for classified employees is 34.0 FTEs.

As **Table 3-2** indicates, in FY 1996-97, the District was able to educate 864 students with a total of 30.4 classified FTEs. The Ohio Department of Education anticipates enrollment to decline and has projected total enrollment for FY 2001-02 at approximately 737 students, which represents a decrease of 127 students or 15 percent from FY 1996-97 levels. The consolidation of four buildings should allow for some economies of scale in District operations. The economies of scale, coupled with declining enrollment, should enable the District to operate in FY 2001-02 at the same classified staffing level it had in FY 1996-97. Therefore, it is reasonable to expect SLSD could potentially operate with 3.6 fewer FTEs in classified positions.

R3.2 The District should complete a comprehensive staffing analysis to determine which classified positions may be reduced due to the consolidation of four buildings and declining enrollment. The following represents areas within the classified staffing where potential reductions may be achieved.

- ! Currently, there is one secretary for 223 high school students. Assuming a projected K-8 enrollment of 526 for FY 2001-02 and using the same student to secretary ratio as the high school, SLSD will only require 2.5 FTE secretarial positions in the new building. Therefore, there is a potential reduction of 2.5 secretarial FTEs once the new building opens.
- ! Currently, there is one food service cook in each building. Consolidating four buildings and utilizing a central kitchen for K-8 students should allow the District to increase productivity levels and achieve a higher meals per labor hour for the cooks. Therefore, there is a potential reduction of 1.0 FTE in food service staffing levels once the new building opens.

Financial Implication: Assuming an average secretarial salary of \$12,752 and an average food service salary of \$13,012 and benefits of 30 percent, a reduction of 2.5 secretarial FTEs and one food service FTE would result in an annual savings of approximately \$58,360.

F3.5 The District’s total FTEs were divided into five classifications of personnel as defined in **Table 3-3**. These classifications are used for further assessments in **F3.6** and **F3.7**.

Table 3-3: Personnel Classifications and Positions Descriptions

Classification	Position Descriptions
Administrative Employees	Superintendent, Admin Asst, Principal, Sup/Mgr/Dir, Treasurer, Coordinators, Curriculum Specialists
Teachers	Regular Teachers, Special Education Teachers, Vocational Teacher, Educational Service Personnel (ESP) Teachers, Remedial Specialists
Pupil Services Employees	Counselors, Librarian/Media, Psychologist, Speech and Language Therapists, Physical Therapist, Occupational Therapist, Registered Nurses
Support Services	Operative, Custodians, Food Service, General Maintenance, Mechanics
Other Classified Employees	Monitors, Clerical, Educational Aides, Library/Media Aides

F3.6 **Table 3-4** illustrates the ratio of personnel classifications to the District’s total number of FTEs and the percentage of total employees in each classification for each of the peer districts. In comparison to the peer districts, SLSD and Eastern Local have the second lowest percentage of FTEs categorized as teachers.

Table 3-4: Breakdown of Total FTE Employees and Percentage of Total Employees Classification

Classification	Southern ¹		Bridgeport		Eastern		Green		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Administrative	5.0	5.2%	4.0	4.0%	5.0	5.3%	4.0	4.6%	4.8%
Teachers	53.3	55.9%	58.0	58.0%	53.0	55.9%	48.0	55.7%	56.4%
Pupil Services	3.0	3.2%	3.0	3.0%	4.0	4.2%	4.0	4.6%	3.7%
Support Services	25.0	26.2%	23.0	23.0%	24.8	26.2%	23.0	26.7%	25.5%
Other Classified	9.0	9.5%	12.0	12.0%	8.0	8.4%	7.2	8.4%	9.6%
Total	95.3	100.0%	100.0	100.0%	94.8	100.0%	86.2	100.0%	100.0%

Source: FY 1998-99 EMIS Staff Profile

¹ Based on corrected EMIS data

F3.7 **Table 3-5** presents employees categorized by instructional personnel as compared to educational support personnel. Included in the instructional personnel classification are teachers and pupil services employees. Educational support personnel consist of administrative, support services and other classified positions.

Table 3-5: Ratio of Direct Instructional Personnel to District Educational Support Personnel

Classification	Southern ¹		Bridgeport		Eastern		Green		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Direct Instructional Personnel	56.3	59.1%	61.0	61.0%	57.0	60.1%	52.0	60.3%	60.1%
District Educational Support Personnel	39.0	40.9%	39.0	39.0%	37.8	39.9%	34.2	39.7%	39.9%
Total	95.3	100.0%	100.0	100.0%	94.8	100.0%	86.2	100.0%	100.0%

¹ Based on corrected EMIS data

As illustrated in **Table 3-5**, 56.3 or 59.1 percent of SLSD’s total FTEs make up the direct instructional personnel. When compared to the peer districts, SLSD’s ratio of direct instructional personnel to educational support personnel is in line with the peer district ratios.

F3.8 **Table 3-6** illustrates a traditional teacher's actual day as defined by the average minutes being taught and other variables as defined below. The contract with the Southern Local Education Association (SLEA) stipulates the length of the teacher workday and provides secondary teachers with one planning period per day and a 30-minute, duty-free lunch.

Table 3-6: Analysis of Teachers' Work Day FY 1998-99

Description of Activity	Average Middle School	Average High School
Length of Teachers' Day From Contract Defined Reporting and Ending Times	420 minutes or 7 hours	430 minutes or 7 hours/10 minutes
Number of Full Periods in Day	9 periods including lunch/ Average of 42.5 minutes	9 periods including lunch/ Average of 42 minutes
Breakdown by Minute and/or Period:		
Time prior to start of classes	0 minutes	20 minutes
Home room	25 minutes	8 minutes
Planning/preparation	42.5 minutes or 1 period	42 minutes or 1 period
Instructional Minutes	6 periods or approximately 250 minutes	6 periods or approximately 256 minutes
Study hall	42.5 minutes or 1 period	42 minutes or 1 period
Duty-free lunch	40 minutes	32 minutes
Hall passing	20 minutes	25 minutes
Total Actual Average Minutes	420 minutes	425 minutes
Balance of Periods not Accounted for	0 periods	0 periods
Average Length of Student Day	6 hours and 55 minutes or 415 minutes	6 hours and 45 minutes or 405 minutes

Source: SLEA contract, bell schedules and master teaching schedules

Table 3-6 indicates that middle school and high school teachers are fulfilling their contractual obligations in terms of the teacher workday. **Table 3-6** also indicates that out of a nine period day, both middle school and high school teachers teach six periods per day, have one duty period, receive one planning period and one duty-free lunch period. This is evidenced by **Table 3-7** which indicates that 100 percent of middle school teachers and approximately 70 percent of high school teachers currently teach six or more periods per day.

Table 3-7: Teachers per Instructional Minutes - FY 1998-99

Middle School Teachers				High School Teachers			
Teaching Minutes Per Day	Number of Periods per Day	Number of Teachers	Total Minutes Taught	Teaching Minutes Per Day	Number of Periods per Day	Number of Teachers	Total Minutes Taught
255	6	6	1,530	210	5	3	630
n/a	n/a	n/a	n/a	252	6	4	1,008
n/a	n/a	n/a	n/a	294	7	3	882
Totals	n/a	6	1,530	Totals	n/a	10	2,520

Source: Master teaching schedules
n/a - not applicable

F3.9 **Table 3-8** presents a review of the high schools’ FY 1999-00 master teaching schedule, excluding special education and vocational education classes, which revealed 39 periods with 15 or less pupils. Examples of classes with 15 or less pupils include Spanish II, Geometry, Biology II, English 11, Algebra I and Advanced math, Spanish II and Spanish III, American history and Science. Further analysis indicates that the District has five high school teachers who teach various English and Math courses. Currently, the average student/teacher ratio in the English classes is 17.0:1 and the average student/teacher ratio for the Introduction to Math classes is 13.8:1. Additionally, **Table 3-10** indicates the District has an overall low student/teacher ratio at the high school level of 19.3:1. It appears that with some consolidation of classes, the District may be able to reduce one high school teaching position.

Table 3-8: High School Teaching Periods with 15 or less Pupils

Number of Students	5 or less	6	7	8	9	10	11	12	13	14	15
Number of Periods	1	1	1	3	1	4	4	7	7	7	3

Source: Master teaching schedules

R3.3 The District should consider consolidating several of the more commonly offered classes which would enable the District to reduce one high school teaching position. Implementing this recommendation would increase the student/teacher ratios in the effected classes. Some other options the District may want to consider in the future are:

- ! Offering high level courses every other year
- ! Offering an integrated curriculum. For example an integrated math course would incorporate several topics traditionally associated with individual courses.

Because these options may have minimal costs associated with them, the District should determine the cost-benefit of each option prior to implementation.

Financial Implication: Because of the District’s current financial difficulties, staffing reductions may be needed in order to reduce operating costs. Combining several of the more commonly offered classes could possibly reduce one high school teaching position. Assuming an average salary of a teacher is \$33,281 and benefits constitute 30 percent of the salary, this reduction would create an annual savings of approximately \$43,200. It should be noted however, that this financial implication does not take into consideration the educational impact of increasing class sizes.

F3.10 Minimum standards for elementary and secondary education provide for a ratio of teachers to pupils on a district-wide basis of at least one full-time equivalent classroom teacher per 25 pupils in average daily membership. A building ratio less than 25 to one potentially increases the number of teaching positions.

Table 3-9: Elementary Staffing Levels

Building	Enrollment	Non-Special Education Students	Non-Special Education Teachers	Student/Teacher Ratio
Elementary Totals	418	376	18	20.8:1

Source: EMIS Class database

As **Table 3-9** illustrates, the student/teacher ratio of traditional students to traditional teachers in the elementary schools is currently 20.8:1. Although SLSD’s student/teacher ratio at the elementary level exceeds state minimum guidelines, Am. Sub. H.B. 650 which went into effect during FY 1998-99, requires each district with Disadvantaged Pupil Impact Aid (DPIA) index of greater than 1.00 to use a portion of their DPIA money to implement all-day kindergarten. A portion of the remaining DPIA money must be used to implement the “third grade guarantee.” The third grade guarantee consists of increasing the instructional attention given to each pupil in kindergarten through third grade by reducing the ratio of students to instructional personnel, extending the length of the school day, or extending the length of the school year. H.B. 650 also specifies that districts must first ensure a ratio of instructional personnel to students of no more than 15 to one (in kindergarten and first grade) in all buildings less than the district-wide average, before they can use DPIA monies for activities to increase instructional attention in any other building. In FY 1998-99, the District had a DPIA index of 1.82.

In compliance with H.B. 650, the District implemented all-day kindergarten in FY 1998-99. To accommodate all-day kindergarten and to reduce the student/teacher ratios in the kindergarten and first grades, the District used its additional DPIA monies to hire one kindergarten teacher and two aides.

F3.11 **Table 3-10** illustrates the staffing levels at the middle and high school buildings for FY 1998-99. The student/teacher ratios represent the number of traditional students excluding special education, talented, gifted and vocational education students compared to the number of traditional teachers, excluding special education, vocational education and traveling/itinerant teachers.

Table 3-10: Middle School and High School Staffing Levels

Building	Enrollment	Non-Special Education Students	Regular Teachers	Student/Teacher Ratios
Middle Schools	147	129	6	21.5:1
High School	223	193	10	19.3:1
Total Secondary	370	322	16	20.1:1

Source: EMIS class database

Traditional student to traditional teacher class size ratios in the middle and high schools average 21.5:1 and 19.3:1 respectively. Maintaining average class sizes less than minimum standards require more teaching positions for the same number of students. Maintaining a 19.3:1 student/teacher ratio at the high school level results in two additional high school teaching positions. Continuing to maintain levels at the secondary level which exceed minimum standards will cost SLSD approximately \$86,530 in teachers' salaries and fringe benefits. It should be noted however, that this estimated cost does not take into consideration issues concerning areas of teacher certifications and course offerings.

F3.12 Various analyses of SLSD's salary structure for certificated and classified employees are provided in findings **F3.13** through **F3.20**. Some of the analyses include data for Meigs Local School District which is one of three school districts in Meigs County (Southern Local and Eastern Local are the other two). Meigs Local was included in some of the analyses to demonstrate the salaries applicable to local districts who could possibly compete with SLSD in the recruitment of teaching positions due to their local proximity.

In order to draw a conclusion on the data presented in the following findings, it is important to understand the District's history concerning salaries. Because of a hydroelectric power plant located within the District's boundaries which has generated significant revenues for the District, SLSD has historically paid both certificated and classified employees more than Eastern Local or Meigs Local School Districts. SLSD has negotiated teacher salary schedules which provide for significant increases based on years of experience and educational attainment. As a result, there is low turnover at SLSD which is supported by the average years of experience identified in **F3.15**. Since 1992, the District has not negotiated a cost-of-living increase to the teachers' salary schedule. However, in FY 1998-99, the District negotiated an additional salary step to the schedule which affected approximately 45 percent

of the certificated staff. The additional step resulted in an increase of approximately 2.3 percent in teacher salaries to the District. Due to a “me too” clause (a clause which guarantees OAPSE members the same salary increase provided to SLEA members) in the OAPSE contract, classified employees received approximately a 4.6 percent salary increase which is comprised of an increase in the salary schedule and the addition of two steps to the salary schedule effective FY 1997-98.

F3.13 **Table 3-11** compares the average salary of each employee classification to the peer districts for FY 1998-99. SLSD has the highest average salaries in four of the eight classifications as indicated by the bolded numbers.

Table 3-11: Average Salary by Classification

	Southern		Bridgeport		Eastern		Green		Peer District Average	
	# FTEs ¹	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary
Official/Admin.	5.0	\$34,340	4.0	\$43,345	5.0	\$41,446	4.0	\$43,862	5.0	\$41,354
Prof/Education	55.3	34,148	60.0	31,682	56.0	25,962	51.0	31,465	54.8	30,814
Prof/Other	2.0	33,836	1.0	37,214	1.0	30,600	1.0	31,120	1.0	33,193
Office/Clerical	8.0	12,752	12.0	10,460	8.0	13,672	7.2	14,938	9.0	12,956
Crafts/Trades	3.0	19,676	2.0	25,084	2.0	21,506	3.0	21,921	2.5	22,047
Transportation	10.0	10,984	7.0	7,078	11.0	8,151	9.0	10,886	9.3	9,275
Custodians	5.5	19,679	8.0	17,253	5.0	17,651	5.0	12,978	5.6	16,890
Food Service	6.5	13,012	6.0	9,641	6.8	9,761	6.0	10,720	6.3	10,784

Source: FY 1998-99 EMIS Profile

¹ Based on corrected FY 1998-99 EMIS data

F3.14 **Table 3-12** illustrates the percentage of employee salaries in proportion to total District salaries and compares the respective employee classifications to the peer districts. The employee groups consist of the classifications defined in **Table 3-3**. In comparison to the peers, SLSD has a similar percentage of total staff allocated to instruction (teachers). However, SLSD has the second highest percentage of total salaries allocated to instruction.

Table 3-12: Percentage of Total Employees and EMIS Salaries by Classification

Classification	Southern ¹		Bridgeport		Eastern		Green		Peer Average	
	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary
Administrative	5.2%	6.9%	4.0%	6.8%	5.3%	9.9%	4.6%	7.9%	5.4%	7.9%
Teachers	55.9%	69.6%	58.0%	72.1%	55.9%	65.4%	55.7%	67.2%	55.9%	68.5%
Pupil Services	3.2%	4.2%	3.0%	4.4%	4.2%	5.7%	4.6%	6.8%	3.7%	5.3%
Support Services	26.2%	13.6%	23.0%	11.7%	26.2%	13.8%	26.7%	13.2%	25.5%	13.1%
Other Classified	9.5%	5.7%	12.0%	5.0%	8.4%	5.2%	8.4%	4.9%	9.5%	5.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Based on corrected EMIS data

F3.15 **Table 3-13** indicates that SLSD’s average teacher’s salary of \$33,281 is the highest among the peer districts. Average teachers’ salary among peer districts will be affected by the cost of doing business factor, experience and educational attainment. **Table 3-13** adjusts the average teacher salary for the cost of doing business factor and provides information concerning educational attainment and total years of experience. The table indicates that SLSD’s teachers are the highest paid among the peers. Additionally, the table indicates that SLSD has the highest average years of experience and the highest percentage of teachers with a Master’s degree which correlates with the higher average teacher salary. See **F3.17** for additional detail on the District’s salary schedule history.

Table 3-13: Average Teacher Salary

	Southern	Bridgeport	Eastern	Green	Meigs
Average Teaching Salary	\$33,281	\$32,063	\$26,252	\$30,212	\$30,161
Adjusted Salary ¹	\$33,205	\$31,595	\$26,192	\$29,853	\$30,092
Average years of experience	18.9	16.1	13.8	14.4	15.1
% Non-degree	0.0%	0.0%	0.0%	0.0%	4.3%
% Bachelors Degree	25.8%	22.7%	15.1%	14.3%	17.1%
% Bachelors Degree + 150 hours	23.9%	26.4%	50.5%	52.4%	40.2%
% Masters and above	50.3%	50.9%	34.4%	33.3%	38.4%

Source: FY 1997-98, 1998-99 EMIS Profiles

¹ Salary adjusted by the cost of doing business factor used by ODE

F3.16 **Table 3-14** compares SLSD’s teacher salary schedule to the peer districts and indicates that the District’s beginning and maximum salaries prior to longevity payments are below the peer district average for each level shown. However, SLSD’s maximum salaries after step 14 are higher than the peer district average for all levels shown.

Table 3-14: Teachers Salary Schedule

	Southern	Bridgeport	Eastern	Green	Meigs	Peer Average ¹
Bachelors Beginning Salary	\$18,740	\$19,817	\$18,540	\$21,576	\$20,300	\$20,058
Bachelors Maximum Salary Prior to Longevity Payments	\$30,213	\$32,896	\$27,439	\$33,235	\$30,288	\$30,965
Bachelor’s+ 150 Beginning Salary	\$20,168	\$22,354	\$19,838	\$22,396	\$21,823	\$21,603
Bachelor’s +150 Maximum Salary Prior to Longevity Payments	\$32,516	\$35,136	\$29,849	\$34,457	\$32,906	\$33,087
Master’s Beginning Salary	\$20,923	\$23,483	\$20,765	\$23,626	\$23,345	\$22,805
Master’s Maximum Salary Prior to Longevity Payments	\$33,732	\$40,605	\$31,889	\$37,090	\$36,784	\$36,592
# of Steps in Salary Schedule Prior to Longevity Payments	14	17	13	14	13	14
# of Longevity Payments	3 payments at the 17th, 21st & 25th steps	n/a	2 payments at the 15th & 20th steps	2 payments at the 15th & 25th steps	3 payments at the 15th, 20th & 25th steps	n/a
Average Increase of Longevity Payments	\$1,342	n/a	\$834	\$300 at 15th step & \$600 at 25th step	\$952	n/a
Maximum Bachelors Salary After Longevity Payments	\$33,732	\$32,896	\$28,922	\$33,135	\$32,784	\$31,934
Maximum Masters Salary After Longevity Payments	\$38,866	\$40,605	\$33,743	\$37,990	\$39,890	\$38,057

Source: FY 1999-00 salary schedules

¹ Peer average does not include SLSD

F3.17 The superintendent indicated that SLSD has historically had the highest paid teachers in the county which is supported by **Table 3-15**. **Table 3-15** compares the average teacher salary for the past 10 years for SLSD to the peer districts and Meigs Local School District. The table indicates that SLSD has had the highest average teaching salary when compared to the peer districts for the past 10 years. However, **Table 3-15** also indicates that teachers at SLSD receive an average yearly increase of 1.5 percent which is the lowest among the peers and correlates to the lack of negotiated salary increases at SLSD in the past several years.

Table 3-15: Ten Year History of Average Teaching Salaries

	Southern	Bridgeport	Eastern	Green	Meigs	Average ¹
FY 1989	\$28,937	\$25,800	\$21,965	\$22,503	\$23,487	\$23,439
FY 1990	29,222	27,300	23,246	23,675	25,361	24,896
FY 1991	28,768	28,869	23,858	25,168	25,702	25,899
FY 1992	31,249	29,112	24,296	25,661	26,108	26,294
FY 1993	31,869	30,584	25,949	26,348	26,740	27,405
FY 1994	32,692	29,691	25,183	26,221	26,173	26,817
FY 1995	32,071	31,574	24,640	26,842	26,417	27,368
FY 1996	32,216	31,277	25,299	28,863	27,676	28,279
FY 1997	33,639	31,580	25,344	27,646	29,229	28,450
FY 1998	33,281	32,063	26,252	30,212	30,161	29,672
10-year % Increase	15.0%	24.3%	19.5%	34.3%	28.4%	26.5%
Avg. Yearly Increase	1.5%	2.4%	2.0%	3.4%	2.8%	2.7%

Source: EMIS Vital Statistics

¹ Average teacher salary does not include SLSD

F3.18 Because of SLSD’s financial situation over the past several years, the District and the SLEA have not negotiated a cost-of-living increase since 1992. However, an additional step to the salary schedule was negotiated effective FY 1998-99 which resulted in an increase of approximately 2.3 percent to the District. As indicated in the **financial** section of this report, the District has experienced slower growth in District revenues than in previous years while at the same time incurring more expenses. It appears that SLSD negotiated the additional step without adequately assessing the financial impact to the District in future years. Additionally, it appears that because of SLSD’s history of providing higher salaries than Meigs Local and Eastern Local School Districts, teachers choose to work at SLSD through retirement, causing the District to continually incur higher salaries.

Because the District negotiated the additional step to the teachers’ salary schedule, the District was required to provide classified employees with a salary increase due to a “me too” clause in the OAPSE contract. Classified employees received a salary increase of approximately 4.6 percent which is comprised of an increase in the salary schedule and an addition of two steps to the salary schedule effective FY 1998-99.

R3.4 **Table 3-11** indicates that SLSD has the highest average salaries among the peer districts in four of eight employee classifications. In addition, the District’s financial forecast projects a deficit of approximately \$678,000 for FY 1999-00 (see the **financial** section of this report

for more detail). Because of the District’s current financial situation, the District and the unions should continue to negotiate wage freezes until the District recovers from its current financial difficulties.

F3.19 **Table 3-16** indicates gross earnings paid to full-time teachers ranged between \$19,754 to \$52,262 with an average W-2 salary of \$34,225. The average W-2 salary of \$34,225 is higher than the average teacher salary of \$33,281 reported in EMIS. The difference between the two average salaries can be attributed to supplemental contract payments because salaries reported to EMIS are base salaries and do not include earnings from supplemental contracts whereas W-2 salaries include all earnings.

Table 3-16: Range of Actual Teacher Gross Earnings for Calendar Year 1999

Salary Ranges Within Bachelors Beginning (\$18,740) and Masters Maximum (\$38,886)	# of Teachers per 1999 W-2 Report	Salary Ranges in Excess of Masters Maximum (\$38,886)	# of Teachers per 1999 W-2 Report
18,740-29,999	12	38,887-39,000	5
30,000-33,999	6	43,600-43,700	2
34,000-38,886	26	51,500-52,300	2
Total Number of Teachers Whose Gross Salaries Fall Within the Bachelors Beginning and Masters Maximum Salaries	44 (83.0%)	Total Number of Teachers Whose Gross Salaries are in Excess of the Masters Maximum Salaries	9 (17.0%)

Source: Treasurer’s office - 1999 W-2 report

Note: Two of the nine teachers whose gross salaries are in excess of the masters maximum salaries are head teachers who earn a supplemental amount of \$7,720.

F3.20 **Table 3-17** identifies the total amount paid for supplemental contracts by SLSD in FY 1999-00 and the peer districts and indicates that SLSD’s total supplemental costs are higher than the peer districts.

Table 3-17: Total Supplemental Payments

District	Total Supplemental Contract Payments
Southern Local ²	\$57,731
Bridgeport	\$39,834
Eastern Local	\$46,597
Green Local	\$23,187
Peer Average ¹	\$36,539

Source: Treasurer’s office

¹ SLSD is not included in the peer average

² Total supplemental contract payments do not include total of \$12,600 paid for transportation supplemental contracts. See transportation section for more detail.

SLSD's total supplemental contract payment schedule is approximately 37 percent greater than the peer district average, due primarily to the fact that SLSD's teacher salary schedule is higher than the peer average and the overall supplemental schedule is excessive compared to the peers. The superintendent has indicated that the supplemental schedule outlined in the SLEA contract has remained the same through at least the last two negotiated contracts and is not examined during the negotiating process for opportunities for reductions. **Table 3-18** compares supplemental contract amounts among positions commonly requiring a supplemental contract between SLSD and the peers. In addition to paying the second highest average supplemental contract amount in relation to the peers, SLSD also has the highest number of positions requiring a supplemental contract among the peers. Additional positions paid as supplemental contracts by SLSD include the computer coordinator, lunchroom supervisor and three Title program compliance and administrator positions (which are paid from Title 1 funds).

Table 3-18: Comparative Supplemental Contract Amounts

	Southern	Bridgeport	Eastern	Green
Number of supplemental contract positions	41	35	32	32
Head Basketball Coach (Boys)	\$2,857	\$3,171	\$2,040	\$2,537
Head Basketball Coach (Girls)	\$2,857	n/a	\$2,040	\$2,537
Head Football Coach	\$2,857	\$3,171	\$2,040	\$2,537
Head Baseball Coach	\$1,713	\$2,378	\$1,530	\$1,269
Head Softball Coach	\$1,713	\$2,378	\$1,530	\$760
Junior High Cheerleader Advisor	\$1,070	\$1,189	\$638	\$507
Band Coach	\$2,793 (Marching band)	n/a	\$1,700 (Band director)	n/a
Yearbook Advisor	\$1,100	\$1,189	\$808	n/a
Average	\$2,120	\$2,246	\$1,541	\$1,691

Source: Teacher contracts

R3.5 Due to its fiscal emergency status, SLSD should negotiate the supplemental contract payment schedule during the next round of negotiations to be more in line with the amounts expended by Eastern and Green Local Schools. In addition, the District should consider shifting responsibilities of some of those positions requiring a supplemental to other areas. For example, SLSD furnishes a supplemental contract to a computer coordinator, whereas at Eastern Local, those responsibilities are performed by the EMIS coordinator. Also, SLSD furnishes a supplemental contract to a lunchroom supervisor, whereas at Bridgeport Local, lunchroom duties are split between the treasurer and the superintendent. In addition, SLSD should eliminate the supplemental contracts paid out of grant funds to administer the Title programs, which would also align SLSD closer to the peers.

Financial Implication: Eliminating the computer coordinator position and the lunchroom supervisor supplemental contract would save the District \$6,319 annually. Eliminating the three Title program compliance and administrator positions would save the District an additional \$5,475.

Special Education

F3.21 In general, a child is placed in the special education program when they meet various conditions identified through a testing process conducted in accordance with state and federal regulations. Typically, students with severe handicaps and/or mental disorders are identified between the ages of 0-2 ½. Students with less severe disabilities are usually identified during the elementary years when they encounter difficulties in learning basic skills. Once a student is identified as having a handicap, then an Individual Education Plan team is formed consisting of a minimum of an administrator, a special education teacher, a regular education teacher and the parent. This team meets annually in the spring and develops an individualized education plan (IEP) identifying the goals for educating the child and specifying how those goals are to be achieved. Like regular education students, special education students must meet the 21 unit requirement in order to graduate. However, special education students are given 22 years to achieve this and the intensity of the education each student receives will vary depending upon the IEP.

According to the director of special education, the District currently has 107 IEPs for resident students between the ages of three and 22 which must be reviewed annually. However, under certain circumstances, SLSD is responsible for developing and maintaining a student's IEP but another district is responsible for educating the student. Examples of when this occurs include when the IEP dictates that a student attend school in another district, a student receives home schooling or various other scenarios. As a result of these scenarios, the District is currently educating 99 of 107 students for which SLSD maintains IEPs.

F3.22 Using FY 1997-98 profiles, **Table 3-19** compares SLSD to other districts within the county as well as the peers in terms of the ratio of handicapped students it is educating to FTEs devoted to special education.

Table 3-19: Comparison of Special Education Students per Special Education FTE

District	ADM 1997-98	Total Handicapped - 1997-98 EMIS	Percent Handicapped	FTEs Dedicated to Special Education	# of Special Education Students per FTE
Southern LSD	792	109	13.7%	8.0	13.6
Bridgeport EVSD	828	158	19.1%	9.0	17.6
Eastern LSD	800	118	14.8%	6.0	19.7
Green LSD	760	100	13.1%	6.0	16.6
Meigs County Average¹	1,586	248	15.4%	15.5	16.0
Peer Average¹	796	125	15.7%	7.0	17.9

Source: Ohio Department of Education

¹ Average does not include Southern Local School District.

As illustrated in **Table 3-19**, SLSD maintains a handicapped student to special education FTE ratio of 13.6 which is lower than the county average and the peer district average.

F3.23 The Ohio Department of Education (ODE) has published a comprehensive manual summarizing rules and regulations districts must comply with when educating handicapped children. Included within this manual are required student/teacher ratios which vary by handicap. However, a district is allowed to deviate from the required ratios provided the district meets several requirements developed by ODE. In order to prove compliance with the requirements, a district must develop a district wide special education plan that details how the district has addressed each requirement. One element of the plan that must be addressed is student services. The district must describe how special education services will be provided across the district including all variations to class size. SLSD has developed a plan which indicates the District will adhere to the student/teacher ratios outlined in the ODE manual.

Table 3-20 presents SLSD's current special education student/teacher ratios for specific disability and handicap classifications and compares them to the required ODE ratios. As **Table 3-20** illustrates, for all disability classifications, SLSD is maintaining student/teacher ratios which fall within the range of ODE's recommended practices.

Table 3-20: Special Education Student/Teacher Ratios vs. ODE Standards

Student Classification	Special Education Student Enrollment as of 1/13/00	# of Teachers	Average Special Education Student/Teacher Ratio	ODE Recommended Student/Teacher Ratios
Learning Disability (Elementary & M.S.)	26	2	13 students served per teacher	One teacher shall serve 8 to 16 students. Maximum of 12 students per teacher, per instructional period.
Learning Disability (H.S.)	11	1	11 students served per teacher	One teacher shall serve 12 to 24 students. Maximum of 12 students per teacher, per instructional period.
Developmental Handicapped (Elementary & M.S.)	44	4	11 students per teacher	One teacher shall serve 8 to 16 students. Maximum of 12 students per teacher, per instructional period.
Developmental Handicapped (H.S.)	18	1	18 students per teacher	One teacher shall serve 12 to 24 students. Maximum of 16 students per teacher, per instructional period.

Source: Special education coordinator

In addition to **Table 3-20**, the District is currently developing eight new IEPs at the elementary level which will be completed in early 2000. These additional special education students will further increase the District's student/teacher ratios at the elementary level. On January 25, 2000, the Financial Planning and Supervision Commission approved the hiring of one additional special education teacher. Because one teacher retired during the current school year and will not be replaced, the hiring of an additional special education teacher will not require an increase in the District's FY 1999-00 budget.

Substitutes

F3.24 **Table 3-21** compares SLSD and the peer districts’ substitute costs and procedures. This information is utilized in numerous findings to assess substitute costs.

Table 3-21: Comparison of Substitute Costs

	Southern	Bridgeport	Eastern	Green
Auto/Manual Substitute Placement	Manual	Manual	Manual	Manual
Daily Cost of Teacher Substitutes	\$60.00/day	0-60 days: \$50.00/day	\$60.00/day	\$52.08/day
Hourly Cost of Bus Drivers	\$30.00/day	\$5.75/hr	\$8.98/hr	\$33.80/day
Hourly Cost of Clerical	\$5.15/hr	\$5.75/hr	\$7.04/hr	\$5.72/hr
Hourly Cost of Custodial/Maintenance	\$5.15/hr	\$5.75/hr	\$7.47/hr	\$5.72/hr
Hourly Cost of Food Service	\$5.15/hr	\$5.75/hr	\$7.31/hr	\$5.72/hr

F3.25 **Table 3-22** shows the substitute payments made by SLSD and the peer districts for FY 1998-99. As illustrated, teaching substitutes constituted approximately 56 percent of the total substitute costs for the year which was the highest among the peers.

Table 3-22: Substitute Payments for FY 1998-99

Classification	Southern		Bridgeport		Eastern		Green		Peer District Average	
	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total
Teachers	\$31,500	55.6%	\$19,658	47.0%	\$23,295	35.0%	\$36,774	45.0%	\$27,807	46.0%
Clerical	\$1,534	2.7%	\$394	1.0%	\$5,984	9.0%	\$1,116	1.3%	\$2,257	3.5%
Custodians	\$8,956	15.8%	\$0.0	0.0%	\$12,088	18.0%	\$22,315	28.0%	\$14,453	21.0%
Bus Drivers	\$11,535	20.4%	\$18,336	43.0%	\$18,274	27.0%	\$15,105	18.7%	\$15,812	27.3%
Food Service	\$3,119	5.5%	\$3,932	9.0%	\$7,461	11.0%	\$5,802	7.0%	\$5,078	8.1%
Total	\$56,644	100.0%	\$42,320	100.0%	\$67,102	100.0%	\$81,112	100.0%	\$61,795	n/a¹

Source: Treasurer’s Office

¹ Not applicable

Certificated Substitutes:

F3.26 Teaching positions which require substitutes can be filled by casual/short-term or long-term substitutes. Casual/short-term substitutes are defined as substitutes who work in the District in the same position or varying positions and are paid \$60 per day. Substitutes working in the same position for 61 or more days are considered long-term substitutes and receive the bachelors minimum salary. The District does not currently have any long-term substitutes.

F3.27 **Table 3-23** illustrates the average number of sick, personal, professional and other leave days taken per teacher during FY 1998-99 for each of the peer districts.

Table 3-23: Teacher Average Number of Leave Days Taken per Peer District

	Southern		Bridgeport		Eastern		Green		Peer Average
	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	# Days Taken	Ave. Per Teacher	
Sick leave	408.0	7.0	244.0	4.0	319.8	5.7	430.0	8.8	6.4
Personal leave	101.5	1.8	118.0	1.9	141.8	2.5	85.5	1.7	2.0
Professional leave	177.5	3.1	79.0	1.3	196.0	3.5	64.0	1.3	2.3
Other leave	4.0	0.1	25.5	0.4	3.0	0.1	7.0	0.1	0.2
Total all leave	691.0	12.0	466.5	7.6	660.6	11.8	586.5	11.9	10.9
# of eligible teachers	58.0		61.0		56.0		49.0		

Source: Treasurer's office

SLSD's teachers averaged 7.0 sick days per teacher in FY 1998-99, which is the second highest of the peer districts. Data provided by the Bureau of Labor Statistics indicates that full-time governmental workers averaged 4.5 sick days per person in 1998 which is significantly lower than the peer average of 6.4 and SLSD's teachers average of 7.0. **Table 3-23** also indicates that the average teacher requires a substitute approximately 12 days a year. This is the highest among the peers and is burdensome to the District in that it must bear additional costs to provide substitute teachers. Excessive leave not only creates interruptions in the flow of teachers' curriculum, but may also have an impact on the quality of education provided to students. In FY 1998-99, SLSD utilized 58 teachers who were contracted to teach 173 days (178 instructional days less 5 calamity days) for a total of 10,034 school days requiring a teacher. Assuming 12 days of leave per teacher, approximately seven percent of the total teaching days were taught by substitutes.

R3.6 SLSD spent \$31,500 on substitute teacher payments during FY 1998-99. Contributing to this expense were sick days utilized by teachers. If SLSD would reduce the number of sick leave days taken per teacher, it would eliminate additional administrative time, enhance the quality of education by minimizing the interruptions in the flow of teachers’ curriculums and would reduce the overall substitute costs incurred as shown in **Table 3-24**.

Table 3-24: Annual Savings Calculated for Reduction in Usage of Teacher’s Sick Leave

Employee Classification	Annual Savings		
	Sick leave reduced by 1 day	Sick leave reduced by 2 days	Sick leave reduced by 3 days
Teachers	\$3,480	\$6,960	\$10,440

Financial Implication: Reducing the number of sick days taken by each teacher by one day would save SLSD approximately \$3,480 annually in substitute costs. Reducing the number of sick days taken by each teacher by two days would save approximately \$6,960 annually. Reducing the number of sick days taken by three days would bring SLSD in line with the average taken by full-time governmental workers of 4.5 days and would save SLSD approximately \$10,440 annually in substitute costs.

F3.28 **Table 3-25** illustrates that three of the peer districts pay teachers for coverage when a standard substitute is not available.

Table 3-25: Rates Paid for Teachers to Fill in for Substitutes

Southern Local	Bridgeport	Eastern Local	Green Local
\$10.00 per period	\$8.00 per period	\$10.00 per period	District does not provide teachers with additional pay for covering a class when a substitute cannot be placed.

Source: Treasurer’s office

The District uses the Athens-Meigs county ESC to get their substitute teachers. All substitute teachers applying directly to the District are sent first to the county ESC. The District does not hire substitute teachers directly. The District indicated that certificated substitute teachers are difficult to locate and teachers were often asked to cover classes at the additional rate of \$10.00 per period. The superintendent indicated that these difficulties were the result of a combination of low substitute pay in comparison to other districts within the county and in West Virginia, the reluctance of substitute teachers to travel to SLSD and strictly using the county-wide listing of substitutes maintained at the ESC.

R3.7 SLSD should consider implementing additional strategies to increase the substitute pool. Additional strategies the District should consider include the following:

- ! Mailing letters to student teachers
- ! Placing flyers in university placement offices
- ! Recruiting recent graduates to serve as substitutes
- ! Offering guaranteed daily substitute teaching for the school year
- ! Developing a substitute teachers' handbook

Classified Substitutes

F3.29 Classified positions which require substitutes are only filled by casual/short-term substitutes. Substitutes are paid a hourly rate based upon the classification of employees as shown in **Table 3-21**. Substitutes remain at the same hourly rate regardless of the number of days spent in the same position. Benefits are not provided to classified casual/short-term substitutes.

F3.30 **Table 3-26** illustrates the number of days of leave used by SLSD's classified staff for FY 1998-99 which could have required either a substitute or another staff member to cover for the vacancy.

Table 3-26: Classified Personnel Days Taken FY 1998-99

Classification	# Sick Days Taken	# Personal Days Taken	# Professional Days Taken	# Vacation Leave	# Other Days	Total Days Taken	# Employees per Class	Average # Days Taken per Employee
Clerical/Office	106.3	9.5	0.0	51.0	2.0	168.8	11	15.3
Custodian/Maintenance ¹	180.0	13.0	0.0	121.5	4.0	318.5	7	45.5
Food Service	58.0	6.0	0.0	0.0	0.0	64.0	6	10.7
Transportation	56.5	24.0	0.0	13.5	4.0	98.0	11	8.9
Totals	400.8	52.5	0.0	186.0	10.0	649.3	35	18.6

Source: Treasurer's office

F3.31 **Table 3-27** illustrates that SLSD's classified employees took an average of approximately 12.5 days of sick leave. Custodial/maintenance personnel utilized 25.7 days of sick leave, transportation personnel utilized 5.1 days of sick leave, clerical/office personnel and food service personnel averaged 9.6 days of sick leave in FY 1998-99. Excluding the 117 sick days taken by one custodian, custodian/maintenance employees average 10.5 sick days and all classified employees used an average of approximately 8.3 sick days per employee.

Table 3-27: Average Days Leave Taken FY 1998-99 - Classified Personnel

Classification	Average # Sick Days Taken	Average # Personal Days Taken	Average # Professional Days Taken	Average # Vacation Days Taken ¹	Average # Other Days Taken
Clerical/Office	9.6	0.9	0.0	4.6	0.2
Custodian/Maintenance ²	25.7	1.9	0.0	17.4	0.6
Food Service	9.6	1.0	0.0	0.0	0.0
Transportation	5.1	2.2	0.0	1.2	0.4
Average Leave for all Classifications	12.5	1.5	0.0	8.0	0.3

Source: Staff attendance reports

¹ Calculated based on eligible employees

² The large amount of sick days taken can be attributed to one custodial employee who was absent for 117 days. The remaining six employees averaged 10.5 days of sick leave per person, which is still the highest among the peers.

F3.32 **Table 3-28** compares the average number of sick days taken by SLSD’s classified staff to the peer districts for FY 1998-99.

Table 3-28: Average Number of Sick Days Taken FY 1998-99

	Southern		Bridgeport		Eastern		Green		Peer District Average
	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	
Clerical/Office	106.3	9.7	17.8	2.2	128.8	32.2	75.5	12.5	82.1
Custodian/Maintenance	180.0	25.7	26.5	2.9	60.8	10.1	59.0	8.4	81.5
Food Service	58.0	9.7	88.0	9.8	56.0	8.0	40.8	6.8	60.7
Transportation	56.5	5.1	2.0	0.3	147.8	12.3	221.0	22.1	106.8
Aides	0.0	0.0	0.0	0.0	3.8	3.8	0.0	0.0	3.8
Other (Miscellaneous)	0.0	0.0	38.0	5.4	45.0	11.3	85.3	28.4	42.1
Totals	400.8	12.5	172.3	4.2	442.2	13.0	481.6	17.0	63.0

Source: Treasurer’s office

F3.33 **Table 3-28** illustrates that on average, SLSD’s classified employees took approximately 12.5 days of sick leave. Two classifications (clerical/office and food service) averaged an excess of approximately nine days sick leave during FY 1998-99 with custodian/maintenance employees averaging the most at 26 days per person. According to the treasurer, one employee was absent due to illness for 117 days, requiring \$7,210 to be paid in substitute costs. Excluding the 117 days, the custodian/maintenance classification averaged 10.5 sick days per employee.

Data provided by the Bureau of Labor Statistics indicates that full-time governmental workers averaged 4.5 sick days per person in 1998 which is significantly lower than the peer average and SLSD's classified staff average of 12.5 days. However, excluding the custodial employee's 117 sick days from the overall sick leave average among employees would lessen the classified sick leave average from 12.5 to 8.3 days per person. The classified staff provide critical resources to the educational process by the following:

- ! Functioning as a support resource to staff and students
- ! Providing a clean and secure environment
- ! Ensuring nutritious lunches
- ! Transporting students in a safe and timely fashion
- ! Fulfilling additional functions as required by curriculum and/or other District needs

Because excessive sick leave limits the Districts' resources, daily routines are disrupted and can weaken the quality of education. In addition, the District incurs significant financial expenditures through the utilization of substitutes.

R3.8 SLSD spent approximately \$25,144 on classified employee substitute payments. Contributing to this expense were sick days utilized by these employees. The classified employee population averaged 12.5 sick days per person in FY 1998-99 (due primarily to one custodial employee) which is significantly higher than the average taken by full-time governmental workers as reported by the Bureau of Labor Statistics. If SLSD would reduce the amount of sick leave taken, it would eliminate additional administrative time, enhance the quality of education by eliminating interruptions in the flow of work and reduce the overall substitute and overtime cost incurred as shown in **Table 3-29**.

Table 3-29 Annual Savings Calculated from Reductions in Classified Sick Leave Usage

Employee Classification	Annual Savings		
	Sick leave reduced by 2 days	Sick leave reduced by 3 days	Sick leave reduced by 4 days
Clerical/Office	\$906	\$1,357	\$1,813
Custodian/Maintenance	\$577	\$865	\$1,154
Food Service	\$494	\$742	\$989
Transportation	\$660	\$990	\$1,320
Totals	\$2,637	\$3,954	\$5,276

Financial Implication: Reducing the number of sick days taken by each employee by two days would save SLSD approximately \$2,637 annually. Reducing the number of sick days taken by each employee by three days would increase the savings to approximately \$3,954 annually. Furthermore, reducing the number of sick days taken by four days would bring SLSD more in line with the full-time governmental worker average of 4.5 and would result

in an annual savings of approximately \$5,276 in substitute costs.

R3.9 Because of the excessive amount of sick leave taken per employee (between 5.1 and 25.7 days) and the costs associated with obtaining substitutes to cover absences, SLSD should consider implementing additional policies to assist with reducing sick leave usage. Potential policies include:

- ! Implement a sick leave abuse policy such as a rolling year occurrence policy where employees are held accountable for the number of times taken off rather than the length of each time taken off.
- ! Require a certified statement from the employee's physician if the employee is off three or more consecutive days.
- ! Require sick leave taken to be included as a component of the employee's evaluation.
- ! Do not include sick leave days in the "active pay status" category when calculating an employee's overtime eligibility.

In order for sick leave management to be effective, all administrators should complete initial and on-going training to ensure complete understanding of the policies and consistent implementation of such policies.

Benefits Administration:

F3.34 The administration of benefits for SLSD is handled by the treasurer. The treasurer is responsible for distributing and explaining benefit packets to new employees, processing enrollment changes, reconciling carrier coverage records and ensuring payroll deductions are processed properly. In addition, the treasurer is also responsible for the administration of health, dental and life insurance claims as well as processing workers' compensation claims.

F3.35 The District has had three medical insurance providers within the last three fiscal years. The District was insured by Anthem insurance in FY 1996-97. Because of the large number of claims experienced with the District, Anthem indicated the District's rates would be raised by approximately 35% in FY 1997-98. In an attempt to reduce costs, the District selected Medical Claims for their provider in FY 1997-98. SLSD became self-insured in FY 1998-99 and selected Medical Claims as the third party administrator. In making the decision to become self-insured, the District sought advice from two surrounding districts, Meigs Local and Eastern Local, who had elected the same insurance coverage.

Because of the large number of claims experienced by the District, SLSD decided to discontinue the self-insurance program effective FY 1999-00. SLSD selected Central Benefits as their health care provider for FY 1999-00. In July 2000, Central Benefits is voiding its group insurance coverage. Because of this, the District will have to choose another insurance provider effective FY 2000-01. To assist in doing this, the District has formed an insurance committee consisting of the superintendent, two board members, teacher representatives and the treasurer.

F3.36 Currently, all classifications of employees receive 100 percent of the medical, dental, life insurance and vision premium costs paid by the board regardless of the number of hours worked. A report on the *Cost of Health Insurance in Ohio's Public Sector* was completed by SERB. Based on the 1999 study, approximately 65 percent of the responding employers required their employees to pay a portion of the cost of a family premium. Fifty two percent required their employees to share the cost for the single plan. The average monthly employee contribution is \$22.17 for single and \$63.33 for family. These rates amount to 11.3 percent of the cost of a single plan and 12.6 percent of the monthly family premium. Other findings from the study include the following:

- ! Estimated cost of medical and other health care benefits will average \$5,680 per covered employee in 1999.
- ! Monthly medical insurance premiums currently average \$195.22 for single coverage and \$491.39 for a family plan.
- ! Average total monthly cost of employee health care benefits stands at \$238.17 and \$566.47 for single and family coverage, respectively.
- ! Approximately 89 percent of public employers offer some level of dental coverage, 52 percent provide a vision plan and 93 percent offer life insurance.
- ! Dental coverage costs an average of \$28.03 a month for single and \$49.30 a month for family. The cost of vision insurance averages \$7.84 for single and \$14.71 for family coverage.
- ! Twenty-four percent of employers offer insurance coverage through an HMO. Thirty-eight percent contract at least some health services through a provider network.

F3.37 **Table 3-30** provides certain details about health care information for SLSD and the peers effective FY 1998-99. Neither SLSD nor Eastern Local School District require employee contributions toward single or family medical premiums. Both Green Local and Bridgeport City Schools differ from SLSD in that they require some employee contributions for both single and family coverage. Bridgeport City School District requires employees to contribute between 22 and 48 percent of the monthly premium depending on the plan selected. In addition, SLSD offers an insurance waiver of \$500 to bargaining unit members who have participated in the group insurance program for twenty-four months prior to the start of the contract.

Table 3-30 Hospitalization

School	Provider(s)	Prescription Plan Included	Monthly Premium For Single Plan	Full-Time Employee Share	Monthly Premium For Family Plan	Full-Time Employee Share	FY 1998-99 Average Enrollment per Plan	Self Insured
Southern	Medical Claims	Yes	\$279.48	\$0.00	\$583.57	\$0.00	13/72	Yes
Bridgeport	Health Plan Advantage	No	\$141.53	\$45.95	\$353.82	\$78.51	20/57	No
	Health Health Assurance	No	n/a ¹	—	\$385.23	\$109.92	0/1	No
		No	\$184.99	\$89.41	\$462.62	\$187.31	3/2	No
	Prescription Costs		\$40.23	\$0.00	\$100.50	\$0.00	20/73	No
Eastern	Medical Claims	Yes	\$245.00	\$0	\$616.00	\$0.00	22/68	Yes
Green	Coresource	Yes	\$300.00	Cert.-\$20.00 Class.-\$15.00	\$783.00	Cert.-\$52.00 Class- \$39.00	10/37	Yes

Source: Schedule of benefits

¹n/a -not available

In comparison to the SERB study, the cost of SLSD’s single medical plan (\$279.48 a month) is approximately 31 percent greater than the SERB’s reported average monthly medical premium cost of \$192.55. The cost of SLSD’s family medical plan (\$583.57 a month) is approximately 16 percent greater than SERB’s reported average monthly medical premium cost of \$491.39. Furthermore, SLSD does not require employee contributions towards premium costs whereas the SERB report indicated that 52 percent of employers require employee contributions towards single insurance coverage and 65 percent require employee contributions towards family insurance coverage.

F3.38 Certain benefits affect the overall cost of medical plans. **Table 3-31** compares some key features which are considered when comparing benefits to costs when choosing a medical plan.

Table 3-31: Key Medical Plan Benefits

	<u>Southern</u> Medical Claims	<u>Bridgeport</u> Health plan Health Assurance Advantage Health	<u>Eastern</u> Medical Claims	<u>Green</u> Coresource
Office Visits	100%	100% \$10 co-pay \$5 co-pay	90%	100%
Lifetime Maximum Benefit	\$2,000,000	District was unable to provide data	\$1,000,000	\$1,000,000
Employee Annual Deductible	\$50-\$100/Sing.-Fam.	None None None	\$100-\$200/Sing.-Fam.	\$50-\$100/Sing.-Fam.
Prescription Plan Included?	Yes-No co-pay for generic drugs. \$8 co-pay for brand name drugs	No	Yes-\$2 co-pay for brand name or generic drugs	Yes - 100% covered
Need to Choose Primary Physician	No	Yes	No	No
Maternity	100%	100% 100% 100%	100%	100%
Child Preventive Care	\$500 max to age one \$150 annual max thereafter to age nine	100% 100% 100%	100%	\$500 maximum up to age one \$150 annual max thereafter to age nine
Inpatient Hospital Care	100%	100% 100% 100%	100% for up to 120 days of care per confinement	100%

Source: Schedule of benefits

An analysis of some key medical benefits indicates the insurance benefits and levels of coverage provided to SLSD employees is generous and generally costlier than those offered by the peer districts. SLSD's plan requires a minimal employee annual deductible, the lifetime maximum benefit is significantly higher than the peer districts and the prescription plan does not require an employee co-pay for generic drugs all of which can significantly affect the District's benefit expenditures.

F3.39 SLSD pays the entire dental premium for single and family coverage for all certificated and classified employees. **Table 3-32** shows the average premiums paid for both single and family dental plans. Only Green Local City Schools requires contributions for both single and family coverage.

Table 3-32: Dental Insurance

School	Provider(s)	Monthly Premium For Single Plan	Full-Time Employee Share	Monthly Premium For Family	Full-Time Employee Share	Number Enrolled: Single/Family	Self-Insured
Southern	Coresource	\$41.72	\$0.00	\$41.72	\$0.00	12/82	No
Bridgeport	Self Funded Plans, Inc.	\$41.67	\$0.00	\$41.67	\$0.00	20/79	Yes
Eastern ¹	Included in Health Care Costs	n/a	n/a	n/a	n/a	n/a	n/a
Green	Coresource	\$43.00	\$9.00	\$43.00	\$9.00	0/51	Yes

Source: Schedule of benefits

¹ Eastern local offers a combined medical/dental plan.

F3.40 **Table 3-33** presents the average yearly total cost for certain benefits for FY 1998-99 for all peer districts. SLSD's annual cost per employee (\$7,903) is higher than the annual cost of health care (\$5,680) per covered employee as estimated in the SERB report in 1999 and the District's cost per employee is the highest among the peer districts. Factors contributing to SLSD's high annual insurance costs include the following:

- ! Employees are not required to contribute towards the monthly premiums for medical or dental insurance
- ! All employees, regardless of hours worked per week, are eligible for full benefits
- ! The District has a high claims experience rate
- ! The medical plan requires minimal employee annual deductibles
- ! The District offers a costly prescription plan which does not require employees to co-pay for generic prescriptions
- ! The medical plan provides for a generous lifetime maximum benefit

Table 3-33: Yearly Total of All Insurance Costs for FY 1998-99

School	Health Care Costs ¹	Dental Costs	Vision Costs	Life Insurance Costs	Total	Annual Health and Dental Insurance Cost per Employee	Annual Health, Dental, Vision and Life Insurance Cost per Employee
Southern	\$614,668	\$41,410	\$12,356	\$8,399	\$676,833	\$7,672	\$7,903
Bridgeport	\$327,081	\$36,353	\$16,113	\$3,300	\$382,847	\$4,177	\$4,374
Eastern	\$473,152	n/a	n/a	\$3,603	\$476,755	\$5,257	\$5,297
Green	\$548,914	\$23,225	\$15,306	\$5,587	\$593,032	\$7,320	\$7,570

Source: Treasurer's office

¹ Includes prescription costs

F3.41 **Table 3-34** displays the results of a survey of the two counties surrounding Meigs county (Athens and Vinton) to see how many required employee contributions towards premium costs. In summary, of the 12 districts surveyed, 8 indicated that they require their employees to contribute towards the monthly premium costs. Furthermore, the level of contributions generally ranged between five and ten percent for single and family, with Alexander Local charging five percent for single and fifteen percent for family.

Table 3-34: Contributions Required by Other Districts/Agencies

District/Agency	Contributions Towards Medical Premiums	District/Agency	Contributions Towards Medical Premiums
Alexander Local	5% S / 15% F	Nelsonville-York City	5% S / 10% F
Athens City	No S / 10% F	Trimble Local	None
Belpre City	10% S / 10% F	Tri-County JV	None
Federal Hocking Local	None S / 10% F	Vinton County Local	None
Fort Frye Local	None	Washington County JV	None S / 10% F
Marietta City	5% S / 10% F	WolfCreek Local	10% S / 10% F

Source: State Employment Relations Board Clearinghouse

R3.10 Benefits represent a significant portion of SLSD's general fund expenditures. As indicated in **Table 3-33**, SLSD has the highest annual benefits cost per employee compared to the peer districts. The following considerations, in conjunction with the District's negative financial condition, necessitate that SLSD consider options for significantly reducing expenditures in these areas.

- ! The District appears to have some difficulty stabilizing health care expenditures due, in part, to a high volume of medical claims experienced by SLSD (see **F3.35**)
- ! The District has not required employee contributions in the past. However, other districts in Ohio and two of the peer districts require employee contributions. (See **F3.36** and **F3.41**)
- ! Employee annual deductibles and prescription plan co-pays (see **F3.38**) are low in comparison to relatively high salary levels (see **F3.13**).

In order to reduce the cost of insurance benefits to the District, SLSD should consider requiring employees to contribute toward the monthly premium costs. **Table 3-35** illustrates the ranges of reductions in overall insurance expenses the District could realize by requiring employee contributions at varying levels.

Table 3-35: Annual Savings Resulting from Increased Employee Contributions for Insurance

	Annual Savings Calculated at		
	25%	30%	35%
Medical Plan - Single	\$10,900	\$13,104	\$15,260
Medical Plan - Family	\$126,144	\$153,000	\$176,472
Dental Plan - Family	\$11,765	\$14,118	\$16,471
Total Annual Savings	\$148,809	\$180,222	\$208,203

Source: Treasurer's office

Note: All employee's enrolled in the dental plan pay family rate of \$41.72.

Financial Implication: Increasing contributions to the rate of 25 percent would save SLSD approximately \$148,809 annually. Increasing the contributions to the rate of 30 percent would save SLSD approximately \$180,222 annually. Furthermore, increasing contributions to 35 percent would save SLSD approximately \$208,203 annually.

Workers' Compensation:

F3.42 Ohio employers who are substantially similar can apply for group coverage and potentially achieve lower premium rates than they could individually. SLSD has participated in a group experience rating plan and based on its claims history, the District should be able to maintain its group status for the next several years. **Table 3-36** illustrates workers' compensation benefits for SLSD and the peer districts for 1998. SLSD had a premium cost per employee of \$167 which is the lowest among the peers. Additionally, SLSD had the lowest experience modifier and the lowest number of claims per employee along with the Bridgeport School District.

Table 3-36: Peer District Comparison of Workers' Compensation Benefits for FY 1998

District	Total Employees	# Medical Claims Allowed	# Lost Time Claims Allowed	Claims/Employee	Premium	Premium Cost/Employee	Experience Modifier Status	Retro Rating
Southern	96.0	0	0	0.000	\$15,984	\$167	0.53	No
Bridgeport	100.0	0	0	0.000	\$17,589	\$172	0.53	No
Eastern	94.8	1	1	0.010	\$26,125	\$275	1.31	No
Green	86.2	1	1	0.011	\$26,158	\$303	0.88	No
Group Average	94.3	0.5	0.5	0.005	\$21,464	\$229	0.81	n/a ¹

Source: Bureau of Workers' Compensation and total employees provided by EMIS 1998-99 district profiles

¹ Not applicable

F3.43 **Table 3-37** indicates that SLSD's medical claims and lost-time claims have been minimal in the past four years. Lost-time claims are defined as the number of workers' compensation claims exceeding eight days. Generally, these types of claims are the most taxing on the system and have a greater effect on the experience modifier (EM) and premium costs. The EM status is based upon factors such as the number of total claims in any previous time period, the severity of those claims and the extent to which lost time claims went into effect.

Table 3-37: Approximate Number of Claims

	# Medical Claims Allowed	# Lost Time Claims Allowed	Experience Premium Costs	Experience Modifier
1996	1	1	\$19,869	0.65
1997 ¹	1	0	\$15,473	0.48
1998	0	0	\$15,984	0.53
1999 ¹	2	0	\$16,160	0.52

Source: Bureau of Workers' Compensation

C3.1 Based on the peer comparison of experience modifiers and premium costs per employee as well as the four-year claim history, it appears the District is successfully managing its workers compensation program. This is important because workers compensation can represent a significant cost to districts if not properly managed.

Contractual Issues:

Certain contractual issues which have been assessed and compared to the peer districts are illustrated in the following pages. Because contractual issues directly affect the District's operating budget, many of the contractual issues have also been addressed to show the financial implication to the District. The implementation of any of the following contractual recommendations would require union negotiations.

The District has two collective bargaining units consisting of the Southern Local Education Association (SLEA-teachers) and the Ohio Association of Public School Employees/AFSCME Local 453 (OAPSE-bus drivers, mechanics, custodians, maintenance, aides, secretaries, cafeteria workers and monitors). Both unions have negotiated agreements which are set to expire on June 30, 2000.

SLEA - Contractual Issues:

F3.44 **Table 3-38** compares some key SLEA contractual issues between SLSD and the peer districts.

Table 3-38: SLEA Contractual Issues

SLEA Article	Description	Southern	Bridgeport	Eastern	Green
Article XV	Length of Work Day	Elementary through junior high: Max 7 hours High school: Max 7 hours, 10 minutes	7 hours, 10 minutes	7 hours, 10 minutes	Maximum 7 hours
Article XXXVI	Student teacher ratio	25:1 (Minimum)	Superintendent and principals will strive to establish a reasonable and equitable class size	n/a ¹	n/a ¹
Article XXXVII	# Contract days # of Instructional Days # of In-service Days # Parent-Teacher Conferences # of professional development days	<u>182</u> 178 2 2 0	<u>184</u> 180 2 2 0	<u>182</u> 178 2 2 0	<u>183</u> 179 2 1 1
Article XXII	Maximum # of Sick Days Accrued	250	250	245	1999-00 / 212 days 2000-01 / 214 days 2001-02 / 216 days
Article XXI	# of Personal Days, Notice required?	3 days 3 days prior notice required	3 days 3 days prior notice required. Unused personal leave is converted to sick leave.	3 days 3 days prior notice required	3 days n/a ¹
Article XXII & XXI	Sick leave and/or personal leave incentives?	\$50-no more than 2 sick days used \$100- no more than 1 sick day used \$150-no sick leave used during the year \$50 per unused personal leave day	n/a ¹	\$150-no sick leave or personal leave used during the year	Personal leave incentive: 0 days = \$150 1 day = \$100 2 days=\$ 50

SLEA Article	Description	Southern	Bridgeport	Eastern	Green
Article XXXVIII	Maximum # of sick days paid out at retirement/ % of payout. # of years required for severance pay	25% of accumulated sick leave (based on years of service with the district) up to a maximum of: <10 years- 40 days 10-20 years- 50 days >20 years- 60 days	<10 years of service- 12 ½ % of accumulated sick leave -maximum of 15 days >10 years of service- 25% of the accumulated but unused sick leave- maximum 62 ½ days plus \$5.00 per day for remaining 75% of accumulated sick days	<10 years of service-25% of accumulated sick leave-maximum of 32.5 days 10-20 -25% of accumulated sick leave up to a maximum of 42.5 days. >20 - 25% of accumulated sick leave up to a maximum of 50 days	< 5 years continuous service limited to 25 % of accumulated sick leave up to maximum of 30 days severance pay >5 years of service with the district- 25% of accumulated sick leave for each of the following school years up to a maximum of: 1999-00 - 53 days 2000-01 - 53.50 days 2001-02 - 54 days
Article XXVII	Bereavement leave	4 days	n/a ¹	3 days	n/a ¹
Article XXIX	Amount of leave time for district union business # of association leave days for OEA meetings # of leave days for association member elected to OEA governing body	None Maximum of two days Maximum of two days of leave without pay	None Maximum of four days n/a ¹	None Maximum of twelve days (union is required to pay for substitute position) Maximum of 60 days of leave with pay	Maximum of four days n/a ¹ n/a ¹
Article III	# of days to file grievance	30 days	20 days	10 days	30 days
	Cost of Living Allowance (COLA) per each year of contract	7/98-0.0% 7/99-0.0% ³	7/99-4.0% 7/00-2.0% 7/01-2.0%	9/98-0.5% ² 9/99-3.0% 9/00-0.0%	7/99-4.0% 7/00-3.0% 7/01-3.0%

Source: Teacher contracts

¹ n/a - nothing stated in contract

² The base salary was increased from \$17,904 to \$18,000 and the index was reconfigured.

³ Although SLSLD has not had a COLA increase since 1992, the District negotiated an additional salary step to the schedule in FY 1998-99 which affected approximately 45 percent of the certificated staff. The additional step resulted in an increase of approximately 2.3 percent in teacher salaries.

F3.45 The SLEA contract indicates that the grievance procedure begins with an informal step in which the member of the bargaining unit discusses the matter with his/her immediate supervisor within thirty days of the occurrence of the event or condition. If the grievant is not satisfied with the results of the informal problem resolution efforts, then the grievant must file a formal written complaint within five days of the informal meeting. The superintendent has indicated that there has been one grievance filed against the District in the last five years.

R3.11 In order to resolve grievance issues in a timely manner, the District should consider requiring all grievances to be filed within five to ten days of the act or condition which is the basis of the grievance. Establishing a maximum of five or ten days to file grievances precludes duplicate grievances from being filed as a result of an unresolved issue. Filing written grievances sooner should initiate prompt responses from all parties and should lead to more timely resolutions.

F3.46 In an effort to further a good working relationship between the parties, a labor management committee consisting of the association president, four teacher representatives, the superintendent, a building administrator and one member of the board of education was formed to review and discuss current District concerns and problems as they relate to the day to day operations of the District. Meetings are held at least twice during each school year with an agenda of items developed jointly by the Association President and the Superintendent.

C3.2 The periodic meeting of labor and management creates an avenue of open communication between staff and management which has a positive effect on the general morale of the District, informs management of potential contractual problems and involves bargaining unit members in managerial discussion providing them with a sense of contributing to District policy.

F3.47 **Table 3-39** indicates contractual provisions pertaining to the evaluation process.

Table 3-39: Evaluation Process

<i>Frequency of evaluations for the following teachers</i>	
First year teacher	Maximum of two times per year and minimum of once per year
Limited contract teacher in the middle of a multi-year contract	Minimum of one time per year to a maximum of twice per year
Limited contract teacher in the last year of the contract	Minimum of one time per year to a maximum of twice per year
Tenured teacher	Every year or as needed
Is there a remediation process for poor performing teachers other than the steps required by the ORC as part of the non-renewal process?	Contract states that if deficiencies are recorded in the work performance of the teacher, the evaluator shall provide the teacher with written specific recommendations and a reasonable time to correct outlined deficiencies.
Are unannounced observations permitted?	No
Can observations outside of the classroom be made a part of the evaluation?	No
Date of last update to evaluation form.	Early 1980's
Are evaluation forms included in the contract?	No
<i>Quality of evaluation form:</i>	
Number of criteria evaluated	27
Is the evaluation form aligned with job descriptions?	Yes
Rating system	Very effective, effective, needs improvement, unsatisfactory
Is attendance a rated criteria?	Yes

Sources: Evaluation forms, union contracts and District interviews

F3.48 First year teachers are evaluated a maximum of twice per year and a minimum of once per year for a minimum of 30 minutes. The contract states that teachers under a limited contract (beyond the first year) are evaluated a minimum of once per year to a maximum of twice per year. The superintendent has indicated that evaluations are given to these teachers twice per year if they are performing poorly as a way of identifying and correcting perceived deficiencies. All teachers are informed of the evaluation process prior to implementation. Although the superintendent has indicated that an attempt is made to evaluate all teachers on a yearly basis, tenured teachers are given evaluations primarily on an as-needed basis. In addition, although the evaluations are aligned with the job descriptions, the evaluations have not been updated in at least 15 years.

C3.3 Evaluating first year and limited contract teachers a maximum of twice per year and a minimum of once per year provides the District with an effective assessment of a teacher's job performance. An effective evaluation process can have a significant impact on academic performance by allowing administrators to monitor a teacher's success and progress and to provide clear feedback on areas in need of improvement.

R3.12 In an effort to increase academic performance, SLSD should consider conducting annual evaluations for all limited contract and tenured teachers. Also, the evaluation forms should be updated regularly, particularly because the evaluations are closely linked to the teachers job description. An effective evaluation process can have a significant impact on academic performance by allowing the school board and the superintendent to monitor staff success and progress and provide clear feedback on areas for improvement.

F3.49 According to the SLEA and OAPSE agreements, severance pay is calculated by multiplying the daily rate of the current contracts by one-fourth of the bargaining unit member's accumulated but unused sick leave at the time of retirement up to a maximum of 240 days. As a result, the maximum number of days SLSD can be liable for in terms of severance payout is 60 days. In addition, severance pay is granted to all SLSD employees regardless of years of service to the District. This policy forces the District to grant severance packages to employees who have not served the District for an extended period of time.

R3.13 The payout of severance can have a significant effect on the District's overall budget. To lessen the financial burden on the District, SLSD should consider renegotiating its severance policy to standards identified by ORC § 124.39 which provides for a payout of 25 percent of accrued but unused sick leave, upon retirement, up to 120 days (30 day payout), for persons with 10 or more years of service. The law permits districts to provide for more than 25 percent (but not less) and the number of years to be less than 10 (but not more) of accrued but unused sick leave. SLSD should consider requiring ten years of service for all employees to be eligible for severance packages, which would ensure that the District is only liable for severance packages to employees who have served the District for an extended period of time.

Financial Implication: In accordance with the vesting method defined by GASB 16, it is assumed that all employees who currently have ten or more years of service with SLSD (although not a District requirement to qualify for severance pay) will ultimately retire from the District and qualify for severance pay. Using this assumption along with current year salaries, by renegotiating the provisions of the contracts to limit the severance payout to ORC standards, in terms of current-year dollars, SLSD could reduce its future severance liability by an estimated \$195,638. However, because a renegotiated severance policy would only apply to newly hired employees, the District would not realize a financial benefit until such time the new employees are eligible for retirement.

F3.50 It is the District’s practice that any sick leave accumulated in another public school district or public agency in Ohio may be transferred into the employee’s account at SLSD.

R3.14 SLSD should establish a policy which can reduce costs associated with severance payout. One option might be to allow employees to transfer an unlimited number of days into the District but restrict the use of these days to long-term sick leave only and stipulate the days are not eligible for payout at retirement. Another option might be to establish a policy which limits the amount of days that can be transferred into the District and limits the amount of days eligible for severance.

OAPSE/AFSCME - Contractual Issues:

F3.51 **Table 3-40** compares some key classified contractual issues between SLSD and the peer districts.

Table 3-40: OAPSE/AFSCME Contractual Issues

OAPSE/AFSCME Article	Description	Southern	Bridgeport	Eastern	Green
Article XVIII	Evaluations required?	Contract states “an effort will be made to evaluate the performance of each employee each year.”	Yes-annually	Yes-annually	Yes-annually
Article XXXIII	Minimum call in hours paid to employees for emergencies? (Custodians)	2 hours	n/a ¹	2 hours	2 hours
Article IX	Calamity day policy?	All employees receive paid day off. Employees required to work receive compensatory time	n/a ¹	All employees receive current rate of pay. Those required to report to work receive time and ½ .	All employees receive paid day off.
Article VI	Vacation time to accumulate	1-8 years-10 days 9-16 years-15 days 17-24 years-20 days >25 years-25 days	1 year- 5 days 2-10 years- 10 days > 10 years- 15 days	1-6 years- 10 days 7-12 years- 15 days >13 years- 20 days	1-5 years- 10 days 5-20 years- 15 days > 20 years- 20 days
Article XVII	Sick leave and/or personal leave incentive?	Personal leave incentive. 0 days missed-\$150 1 day missed-\$100 2 days missed-\$50	Sick leave incentive: 0 days missed-\$100 1 day missed-\$75 Unused personal leave converted to sick leave	No	No
Article XV	Maximum # of sick days to accumulate	250	250	250	205

OAPSE/ AFSCME Article	Description	Southern	Bridgeport	Eastern	Green
Article XV	Max # of sick days paid out at retirement/ % of payout. # of years required for severance pay	<10 yrs = 25% for 12 month employees and 30% for 9 month employees. Max. 40 days 10-20 yrs = 25% for 12 month employees and 30% for 9 month employees. Max. 50 days >20 yrs = 25% for 12 month employees and 30% for 9 month employees. Max. 60 days Must meet eligibility requirements under SERS	< 10 years = 12½ % accumulated sick leave. Max 20 days >10 years, 25% accumulated sick leave. Max 60 days Must meet eligibility requirements under SERS	<10 years-25% max 33.75 days 10-20 years = 25%, max 43.75 days >20 years = 25% max 48.75 days Must meet eligibility requirements under SERS	25% up to a maximum of 51.25 days Must meet eligibility requirements under SERS
Article XVII	# of Personal Days, Notice required?	3 days 3 day notice required	3 days n/a ¹	3 days n/a ¹	3 days 2 day notice required
Article XVI	# of Holidays Paid-12 month employees # of Holidays Paid- Less than 12 month employees	11 10	9 8	10 7	9 6
Article VII	# of days to file a grievance	10 days	10 days	10 days	12 days
	Employee probationary period?	No	90 days	No	No
	Labor-Management Committee	n/a ¹	Yes	No	n/a ¹
Article XXVII	Cost of Living Increase per each year of contract	7/97-0.0% 7/98-4.6% ² 7/99-0.0%	7/99-6.0% 7/00-2.8% 7/01-3.4%	7/99-4.0% 7/00-4.5% 7/01-4.3%	7/99-4.0% 7/00-3.0% 7/01-3.0%

Source: SLSD OAPSE/AFSCME Contract

¹ n/a - Nothing stated in contract

² Employees received an increase of .25 cents/hour plus the addition of two steps to the salary schedule for a total increase of 4.6%

F3.52 The OAPSE contract does not establish, and the District does not currently have, a probationary period allowing the board to determine the fitness and adaptability of any new employee it may hire to complete the work required.

R3.15 SLSD should consider establishing a probationary period policy. The length of the probationary period should be long enough to allow management to determine whether a newly hired employee conforms to the requirements of the position and the policy should

permit the release of any employee who does not meet those requirements. For example, Middletown-Monroe City School District's probationary period is 180 days. Among SLSD's peer districts, Bridgeport Local School District's policy is 90 days. Establishing a probationary period would provide additional time to assess the potential employee and enhance the ability of the board to employ qualified, dedicated and hard-working personnel.

F3.53 The OAPSE contract states that if at any time during the contractual agreement the board should receive state funding monies in excess of \$4,500 per pupil, additional revenue from the passage of a new operating levy, or the State Legislature determines a new funding formula in the excess of \$4,500 per pupil, both parties agree within fifteen days of receipt of the revenues to re-negotiate salaries/wages. To date, this clause has never been addressed (the current rate of per pupil funding for SLSD is approximately \$4,200 per pupil). In addition, the OAPSE contract contains a "me too" clause which guarantees OAPSE members the same salary increase provided to SLEA members. Because of this clause, classified employees received a 4.6 percent salary increase comprised of an increase in the salary schedule and the addition of two steps to the salary schedule which went into effect FY 1997-98.

R3.16 Management should negotiate to remove both of these clauses from the contract. Clauses that guarantee salary increases could potentially hinder resources from being allocated to areas which would assist in removing the District from fiscal emergency, or to the classroom for the purpose of increasing educational outcomes.

F3.54 The Fair Labor Standards Act (FLSA) sets forth the minimum wage that must be paid to employees covered by the act. In addition, it requires a premium wage (overtime) to be paid for hours worked in excess of forty during a given work week. These requirements are also reflected in Ohio law. For non-teaching employees that are covered under the FLSA, the school district is only required to pay overtime for actual hours worked in excess of forty per week. In determining the total hours worked, the school district is not required to include personal leave, compensatory leave or vacation leave used. However, SLSD currently provides more than is required by the FLSA. Specifically, the District includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the hours worked for overtime pay. Providing overtime provisions which are more generous than those outlined in FLSA and Ohio law is a costly practice for the District.

R3.17 The District should review its current overtime policy and consider negotiating it to be more in line with the guidelines set forth by the FLSA and Ohio law. Furthermore, the District should consider limiting leaves that are included in the active pay status category when calculating overtime to include vacation, holidays and bereavement.

F3.55 As indicated in **Table 3-x**, the District provides all 12-month classified employees with 11 paid holidays and employees working less than 12-months with 10 paid holidays, which is the

highest among the peer districts. Additional holidays which SLSD provides which the majority of the peers do not are the Friday after Thanksgiving, Christmas Eve and New Years Eve.

R3.18 The number of paid holidays provided to 12-month and less than 12-month classified employees should be re-considered in future negotiations. More specifically, SLSD should consider eliminating the Friday after Thanksgiving, Christmas Eve and New Years Eve.

Financial Implication: By eliminating three paid holidays, SLSD could achieve an annual cost savings of between \$5,000 and \$7,900 depending on the exact number of employees within each classification entitled to the holiday.

F3.56 Both nine and twelve month employees are entitled to fifteen days sick leave accumulated at the rate of 1 1/4 days per month to a maximum of either forty, fifty or sixty days per month, depending on length of service. However, the severance benefit calculation states that 9-month employees receive 30 percent of accumulated sick leave while 12-month employees receive 25 percent of accumulated sick leave, despite the fact that all classified employees accumulate sick leave for twelve months regardless of the number of months worked. The superintendent has stated this clause was put into effect during the last round of negotiations.

R3.19 The payout of severance can have a significant effect on the District's overall budget. To lessen the financial burden on the District, SLSD should consider renegotiating its severance policy to standards identified by ORC § 124.39 which provides for a payout of 25 percent of accrued but unused sick leave, upon retirement, up to 120 days (30 day payout), for persons with 10 or more years of service. Although the law permits districts to provide for more than 25 percent (but not less), SLSD's current financial status should preclude the District from paying out more severance than provided by law. (See **R3.13** for financial implication)

F3.57 SLSD's classified employees working 11 and 12 months per year are able to take vacation at any time during the year provided that thirty (30) days advance notice is given to the Superintendent and a substitute is available before the employee takes vacation time.

R3.20 The District should consider negotiating a clause which stipulates that employees must take at least a portion of their vacation during summer break or other times when school is not in session. Encouraging employees to take their vacations when school is not in session requires less usage of substitutes and overtime while employees utilize vacation time.

F3.58 Currently, it is the District's practice to compensate employees for a minimum of two hours for all emergency call in situations. The employee is compensated for the full two hours regardless if less than two hours are actually worked. Additional compensation is provided for hours worked in excess of the minimum.

R3.21 Providing a minimum of two hours compensation for all emergency call in situations appears to be consistent with the peer districts. However, in order to further optimize the District's efficiency, the District should consider renegotiating the contract so that, if an employee is called in and paid for two hours of work, the employee is required to work the entire two hours.

F3.59 Ohio Revised Code Section 3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employees. Calamity days are defined as days in which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the District. Any calamity days in excess of the five provided by the ORC must be made up by the District and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12-month employees. Currently, SLSD provides calamity day compensation for all employees. Classified staff required to work on a calamity day also receive compensatory time off at straight time. During FY 1998-99, SLSD experienced eight days as a result of weather conditions.

R3.22 The District should establish a policy which defines essential employees including administrators, building custodians, snow plow personnel, 12-month exempt employees and other personnel necessary to prepare the District for re-opening following a calamity day. Additionally, the District should negotiate to discontinue the practice of granting compensatory time off for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- ! A compensatory day
- ! A sick leave day, if ill
- ! A vacation day
- ! A personal leave day
- ! A day without pay

Financial Implication: In FY 1998-99, SLSD had approximately 5.5 FTE custodians who were required to work eight calamity days and earned an average annual salary of \$19,996. Using this information, it cost the District approximately \$227 to provide 5.5 custodians with one day of compensatory time. In 1998-99, it is estimated that it cost the District approximately \$1,135 to provide custodians with five compensatory days. If SLSD ceased its practice of granting compensatory time off for custodians working on calamity days, the District would save approximately \$227 for every calamity day declared.

Financial Implications Summary

The following table summarizes the total estimated savings from the above recommendations. SLSD should consider the potential educational effect certain of the recommendations might cause.

Recommendation	Estimated Annual Cost Savings	Cost Avoidance
R3.2 Reduce 2.5 secretarial positions and one food service position effective 2001-02	\$58,360	
R3.3 Replace one high school teaching position by consolidating commonly offered classes.	\$43,200	
R3.5 Eliminate computer coordinator, lunchroom supervisor and three Title program compliance and administrator supplemental contracts	\$11,794	
R3.6 Reduce sick leave usage among certificated staff	\$3,480-\$10,440	
R3.8 Reduce sick leave usage among classified staff	\$2,637-\$5,276	
R3.10 Increase employee contributions towards health care premiums	\$148,809-\$208,203	
R3.13 Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff		\$195,638
R3.18 Eliminate three paid holidays for classified employees	\$5,000-\$7,900	
R3.22 Discontinue practice of granting compensatory time to custodians working on a calamity day and assuming one calamity day per year	\$227	
Total	\$273,507 - \$345,400	\$195,638

Conclusion Statement

SLSD's salary structure for certificated and classified personnel appears to be a significant factor contributing towards the District's current financial situation. Historically, the District has had the highest paid teachers in the county. Although the District and the SLEA have not negotiated a cost of living increase since 1992, the District still has the highest average teacher salary. Additionally, in FY 1998-99, the District and the SLEA negotiated an additional step to the salary schedule which affected approximately 45 percent of certificated employees. It appears the District negotiated the additional step without adequately addressing the financial impact to the District in future years. Furthermore, the District pays the highest amount of supplemental pay when compared to the peer districts. In addition to paying a higher amount for most supplementals, the District also has the highest number of positions requiring a supplemental contract. In order to reduce expenditures, the District should consider eliminating some of the required supplemental positions such as the computer coordinator and the lunchroom supervisor positions. Because of a "me too" clause in the OAPSE contract, the District was required to provide classified employees with a salary increase equal to the increase provided to certificated employees. The District and the unions should continue to negotiate wage freezes until the District recovers from its financial difficulties.

An assessment of current staffing levels indicates that SLSD's overall staffing levels appear to be in line with the peer districts. However, the student/teacher ratio at the high school is approximately 19.3:1. Analysis of courses offered at the high school indicated a potential for some consolidation of classes. Because of the District's financial situation, the District should consider consolidating several of the more commonly offered classes which would enable the District to reduce one high school teaching position. Additionally, a review of custodial staffing levels indicates the District could reduce one custodial position.

An analysis of the District's staffing needs in FY 2001-02 (when the new K-8 building opens) indicates that current maintenance and transportation staffing levels will be sufficient to conduct operations at the new building. However, an assessment of secretarial and food service positions indicated the District may be able to reduce 2.5 FTE secretarial positions and one food service position once the new building opens. The superintendent indicated a desire to reassign some of the current secretarial positions to library aides or computer aides once the new building opens. Due to the District's financial situation, the District should reduce the total number of positions rather than reassigning them.

Approximately seven percent of the total teaching days for FY 1998-99 were taught by a substitute teacher resulting in approximately \$31,500 spent on substitute teachers. SLSD's total teacher leave days of 17 is the highest among the peers, with the teachers averaging 7 sick days per person, which is the second highest among the peers and is in excess of the Bureau of Labor Statistic's governmental worker average of 4.5 days. Classified employees averaged 12.5 sick days per person which is the second lowest among the peers but higher than the Bureau of Labor Statistic's

governmental worker average of 4.5 days. More specifically, custodian/maintenance personnel averaged 25.7 sick days, the highest among the peers, and food service employees averaged 9.7 sick days, the second highest among the peers. Because of the significant amount of sick leave used by District employees, SLSD should aggressively manage and monitor the amount of sick leave taken. In addition to the increased substitute and overtime costs, excessive time off creates interruptions in the flow of work and may have an impact on the quality of education provided to students.

SLSD had the highest annual benefit cost per employee among the peer districts at \$7,903. The higher costs can be attributed to SLSD not requiring its employees to contribute towards premium costs, the District's high claims experience rate, minimal annual deductibles and a costly prescription plan which does not require employees to co-pay for generic prescriptions. In a survey of districts surrounding SLSD, 66 percent indicated that they require their employees to pay some medical premium costs with contributions ranging from five to fifteen percent. Because of SLSD's financial difficulties, the District should negotiate requiring all full-time employees to contribute towards premium costs.

Some contractual provisions which provide management with flexibility to effectively manage the work force include establishing a labor-management committee and requiring annual evaluations for first year and limited contract teachers. Provisions within the contracts which should be renegotiated include requiring annual evaluations for all employees, removing the clause outlining a renegotiation of wages due to increased per pupil funding, removing the "me too" clause which guarantees OAPSE members the same salary increase provided to SLEA members, limiting the number of paid holidays provided to classified employees, excluding sick leave from overtime calculations and reviewing the calamity day policy. Additionally, in comparison to ORC standards, SLSD has a generous severance policy which allows for a maximum payout of 60 days.

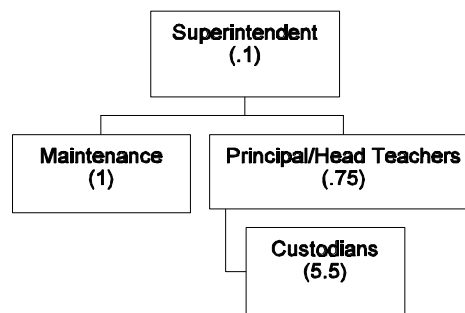
Facilities

Background

Organizational Chart

The facilities support staff is responsible for maintaining Southern Local School District (SLSD) buildings and grounds. The superintendent is responsible for managing the maintenance operations, while building principal/head teachers are responsible for custodial operations in their individual buildings. The organizational structure and staffing levels in terms of full-time equivalents (FTEs) are depicted in the following chart.

Chart 4-1: Facilities Support Staff



Organizational Function

The custodians are responsible for opening and closing the buildings, general cleaning, completing some work orders, and performing limited preventive maintenance tasks. Additionally, the custodians are responsible for providing a clean and attractive environment for the individuals who use the facilities. One maintenance employee is responsible for the maintenance of all the facilities and for keeping them safe and in a state of good repair. Additionally, this employee is responsible for completing most of the grounds work in the District, most of the work orders and snow removal during the winter months.

Summary of Operations

The facilities support staff is responsible for maintaining five sites in the District. For purposes of this report, the bus garage and the stadium have been excluded from custodial square footage calculations as the custodians are not responsible for cleaning these areas. The high school and administrative offices are housed in one building.

The District is currently constructing an all inclusive K-8 building. The new building will be located next to the high school and administrative offices and is scheduled for completion in the FY 2001-02 academic year. Additionally, the high school will be expanded and renovated. The District intends to sell the existing elementary school buildings to the local governments where they are located. However, SLSD has not decided what they are going to do with the middle school building.

SLSD currently has six custodial employees, five who work full-time and one who works part-time. Each school is assigned one custodian and the high school has an additional part-time night custodian. Custodians report to their respective building principal/head teacher. The custodians are responsible for opening and closing the buildings (at the elementary and middle schools), monitoring the heating and mechanical systems and completing some minor maintenance tasks. The high school night custodian is responsible for closing and securing the building, completing some minor maintenance tasks and performing other duties as assigned.

The maintenance employee travels from building to building and is responsible for completing repairs and preventive maintenance tasks in the District's facilities. Requests for maintenance work are submitted by staff members to respective building secretaries. Requests go to the principal/head teacher of the school and then to the superintendent for approval. If approved, the superintendent reviews the request and prioritizes it depending on the type of request and its urgency. According to the superintendent, SLSD performs most of the maintenance work in-house and only contracts out large jobs requiring expertise or equipment the District does not have.

Staffing

The facilities support staff consists of seven primary people, which equates to 6.5 full-time equivalents (FTEs). The administrative component towards facilities is made up of 0.85 FTEs because the principal/head teachers spend only a small portion of their time on custodial issues. The superintendent spends approximately 10 percent of his time on facilities-related issues while the principal/head teachers each spend approximately 15 percent of their time on facilities-related issues. The staffing levels are shown in **Table 4-1**.

Table 4-1: Number of Budgeted Employees (FTEs) for FY 1998-99

Classification	Admin Office	Mobile Crew	School Based	Total	FTEs
Superintendent	1			1	0.10
Principal/Head Teacher ¹	5			5	0.75
Total Administration	6	0	0	6	0.85
Maintenance		1		1	1.00
Total Maintenance	0	1	0	1	1.00
Custodian			6	6	5.50
Total Custodial	0	0	6	6	5.50
Total	6	1	6	13	7.35

Source: Superintendent's office

¹ There are five building principals/head teachers who are also full-time teachers. They each spend approximately 15 percent of their day on custodial issues.

Key Statistics

Key statistics related to the maintenance and operation of SLSD are presented in **Table 4-2**. In addition, results from the 1998 AS&U Maintenance & Operations Cost Study are included in the table and throughout this section. The study surveyed schools across the country to gather information about their staffing levels, expenditures, and salaries for maintenance and custodial operations. Overall, the AS&U study found that, "current attention being focused on the deteriorating condition of America's school facilities has put the spotlight on past practices that have contributed to the present dilemma. Although poor design and construction decisions made in the 1960s and early 1970s by many school districts that wanted to get buildings up 'fast and cheap' to meet burgeoning enrollments are the primary culprit, decades of deferred maintenance, insufficient building upkeep procedures, and years of siphoning dollars from maintenance budgets have significantly contributed to the current condition." In the study, Region 5 includes the states of Ohio, Indiana, Illinois, Michigan, Minnesota and Wisconsin.

Bridgeport Exempted Village School District, Eastern Local School District and Green Local School District have been identified as the peer group for SLSD. Unless otherwise noted, the peer district averages in **Table 4-2** and all other tables in this section include statistics for SLSD.

Table 4-2: Indicators

Number of Sites	5
- Elementary Schools	3
- Middle School	1 ¹
- High School	1
Total Square Feet Maintained	104,810
- Elementary Schools	31,479
- Middle Schools	23,530
- High School	49,801
Square Feet Per Custodial Staff Member in FTE (5.5)	19,056
- Elementary Schools (3.0)	10,493
- Middle Schools (1.0)	23,530
- High School (1.5)	33,201
AS&U Cost Study Region 5 Average	23,875
AS&U Cost Study National Average	20,612
Urban 21 District Average	20,488
Peer District Average	21,718
Square Feet Per Maintenance Employee (1)	104,810
AS&U Cost Study Region 5 Average	75,000
AS&U Cost Study National Average	73,245
Urban 21 District Average	114,749
Peer District Average	111,405
1998-99 Maintenance and Operations Expenditures Per Square Foot	\$3.37
- Custodial	1.89
- Maintenance	0.33
- Utilities	0.97
AS&U Cost Study Region 5 Average	\$3.79
AS&U Cost Study National Average	\$3.64
Peer District Average	\$3.22
1998-99 Facilities Expenditures as a % of Total SLSD General Fund Expenditure	9.3%
AS&U Cost Study Region 5 Average	9.2%
Peer District Average	10.1%

Sources: Treasurer’s office; superintendent’s office; peer districts; 1998 AS&U Maintenance & Operations Cost Study; Auditor of State Performance Audit Legislative Update

¹ The middle school building also includes the kindergarten building which will not be separated out for comparisons throughout the report.

Financial Data

Table 4-3 and **Table 4-4** show the expenditures made to maintain and operate SLSD facilities for FY 1997-98 and FY 1998-99 and the budget for FY 1999-00.

Table 4-3: Maintenance and Operations Expenditures: FY 1997-98 vs FY 1998-99

Accounts	Maintenance	Operations	FY 1997-98 Total	FY 1998-99 Total	Difference	Percentage Change
Salaries	\$23,338	\$103,624	\$126,962	\$127,972	\$1,010	0.8%
Benefits	6,749	74,524	81,273	104,053	22,780	28.0%
Purchased Services	10,543	8,905	19,448	8,483	(10,965)	(56.4)%
Utilities	0	92,802	92,802	101,504	8,702	9.4%
Supplies/ Materials	14,119	27,517	41,636	10,043	(31,593)	(75.9)%
Capital Outlay	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total	\$54,749	\$307,372	\$362,121	\$352,055	\$(10,066)	(2.8)%

Source: Treasurer's office

Table 4-4: Maintenance and Operations Expenditures: FY 1998-99 vs FY 1999-00

Accounts	Maintenance	Operations	FY 1998-99 Total	FY 1999-00 Budget	Difference	Percentage Change
Salaries	\$22,800	\$105,172	\$127,972	\$146,202	\$18,230	14.2%
Benefits	11,451	92,602	104,053	73,670	(30,383)	(29.2)%
Purchased Services	0	8,483	8,483	8,047	(436)	(5.1)%
Utilities	0	101,504	101,504	93,300	(8,204)	(8.1)%
Supplies/ Materials	10,043	0	10,043	10,000	(43)	(0.4)%
Capital Outlay	0	0	0	135,000	135,000	100.0%
Other	0	0	0	0	0	0.0%
Total	\$44,294	\$307,761	\$352,055	\$466,219	\$114,164	32.4%

Source: Treasurer's office

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

- ! *A 28 percent increase in benefits from FY 1997-98 to FY 1998-99:* The District experienced a large number of claims through the self-insurance fund in FY 1998-99 which was higher than benefit costs in FY 1997-98. The self-insurance fund was discontinued in FY 1999-00 because of the significant cost associated with it. See the **human resources** section of this report for a more detailed discussion on the self-insurance fund.
- ! *A 56.4 percent decrease in purchased services from FY 1997-98 to FY 1998-99:* The District could not sufficiently explain the decrease in purchased services.
- ! *A 75.9 percent decrease in supplies/materials from FY 1997-98 to FY 1998-99:* The District could not sufficiently explain the decrease in supplies/materials.
- ! *A 14.2 percent increase in salaries from FY 1998-99 to FY 1999-00 budget:* The increase in salaries is due to a negotiated increase in the classified salary schedules and the addition of two steps to the salary schedules. See the **human resources** section of this report for a more detailed discussion on salary increases.
- ! *A 29.2 percent decrease in benefits from FY 1998-99 to FY 1999-00 budget:* The self-insurance fund was discontinued in FY 1999-00 because of the significant cost associated with it. See the **human resources** section of this report for a more detailed discussion on the self-insurance fund.
- ! *A 100 percent increase in capital outlay from FY 1998-99 to FY 1999-00 budget:* The District, to comply with H.B. 412, must increase capital spending. The 100 percent increase in budgeted capital expenditures reflects a portion of these spending requirements.

Table 4-5 presents a comparison of the operations and maintenance staff at SLSD and its peer districts. Since each district's operations and maintenance departments are structured somewhat differently, this analysis attempts to include all the staff members that perform the same functions performed at SLSD.

Table 4-5: Comparison of Facilities Divisions: Maintenance and Custodial Services

Size	Southern	Bridgeport	Eastern	Green
Number of Sites	5	4	2 ¹	3 ¹
Building Sq. Feet:				
Maintained by Custodians	104,810	151,226	121,620	143,575
Maintained by Maintenance	104,810	151,226	121,620	143,575

Position by FTE

Administration	0.85	0.90	0.40	0.90
Maintenance	1.00	1.00	1.00	1.00
Custodians	5.50	8.00	5.00	5.40
Total	7.35	9.90	6.40	7.30

Comparison

Sq.Ft. Per Custodial Staff	19,056	18,903	24,324	26,588
Sq.Ft. Per Maintenance Staff	104,810	151,226	121,620	143,575
Average Base Custodial Salary	\$19,058	\$18,069	\$17,732	\$13,414
Average Base Maintenance Salary	\$26,312	\$26,000	\$20,984	\$22,926

Characteristics

Average Age of School Buildings	58	61	22	37
Square Miles in District	85	16	115	34.9
Preventive Maintenance	No	Yes	No	No
Use of Deregulated (Self-Help) Gas	No	Yes	No	No
Use of Energy Savings Program	No	No	No	No
Use of Temporary Employees or Outside Contractors	No	No	Yes	No
Weekend Inspections	No	No	No	Yes

Sources: Business office; treasurer’s office; peer districts

¹ The high school and middle school are housed in the same building.

Performance Measures

The following is a list of performance measures that were used to conduct the analysis of the SLSD's facilities operation:

- ! Cost effectiveness of custodial services
- ! Cost effectiveness of facilities maintenance
- ! Utilization of staffing resources
- ! Effectiveness of current needs assessment and prioritization processes and procedures
- ! Adequacy of preventive maintenance system
- ! Effectiveness of long range facilities planning
- ! Utilization of existing facilities
- ! Effectiveness of energy conservation programs.

Findings / Commendations / Recommendations

Staffing and Compensation

F4.1 The custodians are responsible for cleaning the facilities and are supervised by the principal/head teachers. Each school is assigned one custodian and the high school has an additional part-time night custodian. The following is a brief description of the responsibilities of the custodians according to their job description.

! *Custodian* - The custodian is responsible for cleaning classrooms, offices and other areas of the building as assigned. Tasks performed include dusting, sweeping and mopping floors, emptying trash containers, removing snow from entrance ways, cutting grass, cleaning and disinfecting restrooms, moving furniture and equipment, making minor building repairs and performing other duties and responsibilities as assigned.

F4.2 **Table 4-6** shows the average square footage per custodial employee for SLSD, the peer districts and the AS&U Region 5 average.

Table 4-6: FY 1998-99 Square Footage per Custodial Employee

Southern Local School District	19,056
Peer Districts:	
-Bridgeport	18,903
-Eastern	24,324
-Green	26,588
Peer District Average	22,218
Difference	(3,162)
AS&U Region 5 Average	23,875
Difference	(4,819)

Sources: Custodial and maintenance departments; peer districts

SLSD's custodial staffing level results in one FTE custodian for every 19,056 square feet, which is 3,162 square feet less than the peer district average and 4,819 square feet less than the AS&U region 5 average.

F4.3 **Table 4-7** compares the peer districts' school facilities and custodial staffs. Based on the information in the table, it does not appear that the work is evenly distributed among the

custodians in SLSD. This uneven distribution can be partially attributed to the separate locations of the three elementary and middle school buildings, which forces the District to assign custodians to individual buildings regardless of square footage being maintained. The custodians at the high school are responsible for maintaining the most square footage, 33,201 square feet per person. The middle school custodian is responsible for maintaining 23,530 square feet. The elementary school custodians are responsible for maintaining the least square footage, 10,493 square feet per person. The square footage per custodian at the elementary school is significantly lower than the peer districts and is approximately 42 percent lower than the peer district average. In addition, SLSD does not have a quantitative methodology to assign custodial staff. As a result of not utilizing a quantitative method to assign custodial staff, the workload is not evenly distributed among the custodial staff.

Table 4-7: Comparison of School Facilities and Custodial Staff (FTEs)

	Southern	Bridgeport	Eastern	Green	Peer Average	Difference Between SLSD and Peer Average
Elementary Buildings	3	2	1	2	2	1
Total Sq. Footage	31,479	49,113	76,600	76,749	58,485	(27,006)
Sq. Footage per Building	10,493	24,557	76,600	38,375	37,506	(27,013)
Number of Custodians	3.00	4.00	3.00	3.25	3.3	(.3)
Sq. Footage Per Custodian	10,493	12,278	25,533	23,615	17,980	(7,487)
Middle School Buildings	1	1	N/A ²	N/A ²	1	0
Total Sq. Footage	23,530 ¹	28,050	N/A ²	N/A ²	25,790	(2,260)
Sq. Footage per Building	23,530 ¹	28,050	N/A ²	N/A ²	25,790	(2,260)
Number of Custodians	1.00	1.50	N/A ²	N/A ²	1.25	(.25)
Sq. Footage per Custodian	23,530	18,700	N/A ²	N/A ²	21,115	2,415
High School Buildings	1	1	1	1	1	0
Total Sq. Footage	49,801	74,063	45,020	66,826	58,928	(9,127)
Sq. Footage per Building	49,801	74,063	45,020	66,826	58,928	(9,127)
Number of Custodians	1.50	2.50	2.00	2.15	2	(.5)
Sq. Footage per Custodian	33,201	29,625	22,510	31,082	29,105	4,096
Total Sq. for All Buildings	104,810	151,226	121,620	143,575	130,308	(25,498)
Total Custodial Staff	5.50	8.00	5.00	5.40	6	(.5)
Sq. Footage per Custodian	19,056	18,903	24,324	26,588	22,218	(3,162)

Sources: SLSD business office; peer district custodial supervisors

¹ This amount represents total square footage total within the middle school building. However, 2,560 square feet are associated with the kindergarten building which is with the middle school building and 20,970 square feet are directly attributable to the middle school building.

² The middle school and the high school are in one building. For this analysis, they are included together in the high school column.

F4.4 In FY 2001-02, one new building will be opened which will replace the three elementary buildings and one middle school building. In addition, 3,655 square feet will be added to the high school and renovations will also be undertaken. **Table 4-8** shows the staffing levels as they currently exist and the proposed staffing levels when the new building opens in FY 2001-02. Furthermore, **Table 4-8** compares the expected square footage per custodian to the peer district average in the prior table. See the **financial systems** section of this report for

projected financial implications for the new building.

Table 4-8: FY 1998-99 Staffing Levels vs Proposed FY 2001-02 Staffing Levels

Type of Facility	FY 1998-99 Staffing Level	FY 2001-02 Staffing Level	Peer District Average
Elementary & Middle Schools:¹	4	1	
Total Square Feet	55,009	80,375	
Number of Custodians	4.00	3.00	
Square Feet per Custodian	13,752	26,792	19,025
High School:	1	1	
Total Square Feet	49,801	53,456	
Number of Custodians	1.50	1.50	
Square Feet per Custodian	33,201	35,637	29,105
Total:	5	2	
Total Square Feet	104,810	133,831	
Number of Custodians	5.50	4.50	
Square Feet per Custodian	19,056	29,740	22,218
AS&U Region 5 Average			23,875

Source: Superintendents’ office

¹ The information for the elementary and middle school buildings were combined for this comparison since the new building will take the place of all of these buildings.

The consolidation of the three elementary schools and middle school into one facility as well as the proposed reduction in custodial staff by one FTE will increase the total square footage coverage per custodian. The proposed increase from 13,752 to 26,792 square footage coverage per custodian at the new facility will bring SLSD closer to the square foot coverage ratio of Eastern and Green Local School Districts. Additionally, the new square footage will be more in line with the AS & U Region 5 Average. The total square feet per custodian will increase to 29,740, which is approximately 6,000 square feet above the AS&U average. However, two of the 21 urban school districts (Mansfield and Middletown-Monroe City School Districts) effectively maintain similar square footage.

R4.1 The District should be able to reduce its custodial staff by one FTE, while effectively maintaining all future facilities. The reduction would be possible with the consolidation of the middle school and the three elementary schools into one new building and the resulting economies of scale. Because of the close proximity of the two buildings, SLSD should consider utilizing the custodians at the new building to aid the 1.5 FTE custodians at the high school who currently maintain 33,201 square footage. Additionally, SLSD should develop a methodology for allocating custodial staff to buildings which uses quantitative data such as square footage to determine the most efficient staffing level. This is especially important with the construction of the new elementary/middle school and renovations and addition to the high school. Factors that should be taken into consideration when establishing an allocation

methodology are the square footage to be cleaned and maintained, the number of students, the number of restrooms, the number of special facilities, the type of floor covering, the frequency of community and extracurricular programs held in the buildings and desired level of cleanliness.

Financial Implication: Reducing the custodial staff by one position would result in the SLSD saving on an annual basis approximately \$24,775 in salary and benefit costs.

F4.5 **Table 4-9** shows the average base salary for SLSD’s custodians for FY 1998-99 as well as their average gross wages for 1998. The weighted average base salary for the custodians is \$19,058. The weighted average gross wages is \$18,711, which is 1.8 percent lower than the weighted average base salary. The District had an insignificant amount of overtime during FY 1997-98 and FY 1998-99, of \$343 and \$415 respectively. The table also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-9: Custodial Salaries

Position	FY 1998-99 Average Base Salary	1998 Average Gross Wages ¹	Difference as a Percentage of Base Salary
Custodian	\$19,058	\$18,711	(1.8)%
SLSD Weighted Average	\$19,058	\$18,711	(1.8)%
Peer Districts:			
-Bridgeport	\$18,069	\$17,144	(5.1)%
-Eastern	17,732	17,495	(1.3)%
-Green	13,414	13,268	(1.1)%
Peer District Average	\$17,068	\$16,655	(2.4)%
Difference	\$1,990	\$2,056	N/A
AS&U Region 5 Average	\$23,717	N/A	N/A
Difference	\$(4,659)	N/A	N/A

Sources: SLSD treasurer’s office; payroll department; peer districts

¹ 1998 gross wages include half of FY 1997-98 salaries and half of FY 1998-99 salaries. 1998 gross wages are less than FY 1998-99 base salaries because classified employees at SLSD and the peer districts each received wage increases effective FY 1998-99.

SLSD’s custodial base salary is the highest of the peer districts and nearly \$2,000 more than the peer average. SLSD should perform an analysis on the salaries paid to the custodians to determine if they are being paid an appropriate amount based upon their job description and

responsibilities. For further information on the salary structure, see the **human resources** section of this report.

C4.1 It appears that SLSD is effectively managing its custodial/maintenance overtime expenditures. In FY 1998-99, the District spent \$415 in custodial overtime and \$0 in maintenance overtime. By effectively and efficiently managing overtime costs, the District is able to spend more money in instructional related areas.

F4.6 The maintenance staff consists of one maintenance employee who is responsible for maintaining all of the facilities and for keeping them safe and in a state of good repair. The maintenance employee is not assigned to a specific building and is responsible for all maintenance concerns at all buildings within the District. The building secretaries call maintenance requests in and the appropriate paperwork is completed. In addition to providing maintenance to the buildings within the District, the maintenance employee is also responsible for the snow removal at the school sites.

F4.7 **Table 4-10** shows the average square footage the maintenance employee was responsible for maintaining in FY 1998-99. At SLSD, the maintenance employee is responsible for maintaining 104,810 square feet which is 25,498 square feet less than the peer district average, and 29,810 square feet more than the AS&U Region 5 average. These differences are shown in **Table 4-10** below.

Table 4-10: FY 1998-99 Square Footage per Maintenance Employee

Southern Local School District	104,810
Peer Districts:	
-Bridgeport	151,226
-Eastern	121,620
-Green	143,575
Average for Peer Districts	130,308
Difference	(25,498)
AS&U Region 5 Average	75,000
Difference	29,810

Sources: Maintenance department; 1998 AS&U Maintenance & Operations Cost Study

The future construction of an elementary/middle school and renovation and addition to the high school will increase the maintenance employee’s square footage to approximately

133,831, bringing it closer to the peer average.

F4.8 The District does not use the state John Deere contract to purchase lawn equipment and is currently using a variety of grounds equipment manufactured by different companies. John Deere also offers a trade-in program which allows school districts to trade-in used John Deere equipment for new machines.

R4.2 When replacing old mowers and tractors, the District should consider replacing the equipment with machines made by John Deere in order to take advantage of the trade-in program for its lawn equipment needs. According to officials in South-Western and Columbus Public Schools, the dealer's trade-in price is usually close to the discounted price the district receives from using the state contract, which allows their districts to get new machines every year or two for \$100 to \$600 apiece, depending on how long the equipment was run. By taking advantage of the trade-in program, the District should be able to increase productivity, eliminate equipment downtime and reduce maintenance expenditures.

F4.9 Under the District's current system, work orders are generated by building secretaries who then send the requests to the superintendent's office. The maintenance employee reviews the work request and then completes it in the order of importance with the highest emergency related issues being completed first. After the work order is completed, the date it was completed, the time it took to complete the task, and the materials used are recorded on the work order form.

F4.10 The maintenance employee is required to complete the maintenance request form. However, he is not required to complete a daily work log to allow his supervisor to monitor productivity. As a result, it is unclear how much work the maintenance staff is completing on a daily basis.

R4.3 The superintendent should require the maintenance employee to keep daily logs documenting how work days are spent in 30 minute increments. The logs should be turned in weekly and reviewed by the superintendent in an effort to monitor productivity. Completing the daily logs will increase accountability and should further improve productivity. The information recorded on the daily logs should be compared to the time recorded on the work orders (F4.9) to ensure accuracy.

F4.11 The maintenance employee is responsible for completing all the preventive maintenance in the District. However, the District does not have a written preventive maintenance schedule detailing when each task is to be performed, nor does it have a log book to record when the preventive maintenance tasks are completed. It is unclear whether or not the preventive maintenance is being done in the District. In addition, preventive maintenance has been suspended on the three elementary school buildings and middle school building which will no

longer be used after the new building is opened in FY 2001-02.

R4.4 A planned preventive maintenance program should be developed and implemented to help maintain the District's facilities. The District should develop preventive maintenance schedules and log books for each facility. The schedules should identify the tasks which are to be performed. The log books should be reviewed periodically by the superintendent to ensure this work is being done. In addition, formal preventive maintenance should be continued on the building which will still be used after FY 2001-02.

An effective preventive maintenance program can decrease energy consumption, reduce maintenance and capital expenditures, reduce the number of work orders, and improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. Furthermore, an effective preventive maintenance program is vital in order to effectively and efficiently maintain the new building and to provide guidance on the most effective use of the 23 year half-mill levy discussed in **F4.19**. In addition, the District should consider utilizing custodians for preventive maintenance, since the maintenance employee is expected to maintain 133,831 square footage in FY 2001-02, which is 58,831 square feet more than the AS&U Region 5 average (see **F4.7**). The effective use of the custodians should ensure that the preventive maintenance program is successfully implemented and maintained.

F4.12 **Table 4-11** shows the average base salary for SLSD's maintenance staff for FY 1998-99 as well as the staff's average gross wages for 1998. The base salary for the maintenance employee is \$26,312. However, the gross wages were \$25,936, which is approximately 1.4 percent lower than the weighted average base salary. The table also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-11: Maintenance Department Salaries

Position	FY 1998-99 Average Base Salary	1998 Average ¹ Gross Wages	Difference as a Percentage of Base Salary
Maintenance	\$26,312	\$25,936	(1.4)%
SLSD Weighted Average	\$26,312	\$25,936	(1.4)%
Peer Districts:			
-Bridgeport	\$26,000	\$22,649	(12.9)%
-Eastern	20,984	23,686	12.9%
-Green	22,926	22,209	(3.1)%
Peer District Average	\$24,056	\$23,620	(1.8)%
Difference	\$2,256	\$2,316	N/A
AS&U Region 5 Average	\$31,221	N/A	N/A
Difference	\$(4,909)	N/A	N/A

Sources: SLSD treasurer's office; payroll department; peer districts

¹ 1998 gross wages include half of FY 1997-98 salaries and half of FY 1998-99 salaries. 1998 gross wages are generally less than FY 1998-99 base salaries because classified employees at SLSD, Bridgeport and Green each received wage increases effective FY 1998-99.

The base salary for the maintenance employee is \$26,312, or approximately 9.4 percent higher than the peer district average and approximately 15.7 percent lower than the AS&U Region 5 average. Although SLSD has the highest base salary, the District does not pay overtime for hours worked in excess of the maintenance employee's normal work week, but instead gives compensatory time. According to the superintendent, the amount of compensatory time given in a year is very limited. However, SLSD should perform an analysis on the salary associated with the maintenance position to determine if the salary is appropriate based upon the job description and responsibilities. For further information on the salary structure see the **human resources** section of this report.

Contractual Issues

F4.13 **Table 4-12** compares selected SLSD contractual issues and practices to the peer districts.

Table 4-12: Comparison of Contractual Issues and District Practices

Issue	Southern	Bridgeport	Eastern	Green
Length of Scheduled Work Day	8 hours, with a 30 minute paid lunch	8 hours, with a 30 minute paid lunch	8 hours 30 minutes, with a 30 minute unpaid lunch	8 hours, with a 30 minute paid lunch
Actual Work Time	7 hours and 30 minutes	7 hours and 30 minutes	8 hours	7 hours and 30 minutes
Staffing Level Determination	District needs	Minimum staffing requirements dictated by contract.	District needs	District needs
Calamity Day Work Requirement	Employees receive paid day off.	Nothing stated in contract.	Employees receive paid day off.	Employees receive paid day off.
Compensation for Working on a Calamity Day	Receive compensatory time at regular rate of pay.	Nothing stated in contract.	If required to report to work employees receive time and a half for all hours worked.	Nothing stated in contract.
Use of Custodial Substitutes	Yes	No	Yes	Yes
Minimum Call-in Pay	2 hours	Paid for actual hours worked	2 hours	2 hours
Evaluation Process and Frequency	Employees are to be evaluated annually.	Employees are to be evaluated annually.	Employees are to be evaluated annually.	Employees are to be evaluated annually.
Basis for Promotion	Seniority	Seniority	Seniority	Seniority
Ability to Subcontract	Nothing stated in contract.	Nothing stated in contract.	No	Yes

Source: District labor agreements

F4.14 SLSD’s custodians work only 7.5 hours a work day or 37.5 hours in a work week while receiving the highest average base salary of \$19,058 in FY 1998-99. In addition, SLSD’s custodians cover the second least square footage of its peers. Although the Green Local School District has a similar work day, its average base salary was only \$13,414 in FY 1998-99. Furthermore, Green Local School District’s custodians maintained the highest square footage of its peers. Additionally, custodians at Eastern Local School District work 8 hours a work day or 40 hours a work week while receiving a base salary of \$17,732 in FY 1998-99. See **Table 4-9**.

R4.5 During the next round of union contract negotiations, the District should try to increase the length of the work week from 37.5 hours to 40 hours, in an effort to increase efficiency and productivity. This is also important considering SLSD’s custodians are paid approximately 12 percent more in base salary than its peers while covering less square footage.

F4.15 Ohio Revised Code Section 3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employees. Calamity days are defined as days in which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five provided by the ORC must be made up by the district and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12 month employees. Currently, SLSD provides calamity day compensation for all employees. Classified staff required to work on a calamity day receive compensatory time off at straight time. During FY 1998-99, SLSD experienced eight days as a result of weather conditions.

R4.6 The District should establish a policy which defines essential employees, including administrators, building custodians, 12-month exempt employees and other personnel necessary to prepare the District for re-opening following a calamity day. Additionally, the District should discontinue the practice of granting compensatory time off for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- ! A compensatory day
- ! A sick leave day, if ill
- ! A vacation day
- ! A personal leave day
- ! A day without pay

See the **human resources** section of this report for a more detailed discussion on the District's calamity day policy and related financial implications.

F4.16 SLSD uses "the 2 hours minimum call in pay" very sparingly and only in cases of maintenance emergencies. The minimum call in pay only affects the maintenance employee, who is not paid overtime but is instead compensated through compensatory time. However, according to the superintendent and the maintenance employee, the amount of compensatory time given in a year is very limited.

Facilities Planning and Management

F4.17 There are three elementary schools, one middle school, one high school, one stadium and one bus garage at SLSD. The transportation personnel are responsible for cleaning the bus garage, while the coaches are responsible for the upkeep of the stadium. For purposes of this report, the bus garage and the stadium have been excluded from custodial square footage calculations as the custodians are not responsible for cleaning these areas. The five facilities, which are the focus of this report, have a combined square footage of 104,810.

The high school and administrative offices are housed in one building. The average age of the school buildings is about 58 years. The middle school building and one elementary building are 70 years old, another elementary building is 69 years old, and the two other school buildings are between 35 and 45 years old. The high school, which was built in 1960, is the most recently constructed school building in the District. SLSD is currently constructing an all inclusive K-8 school building and making additions and renovations to the high school. The total cost of the construction, additions and renovations will be approximately \$10 million. However, the District has recently passed a bond levy (\$4.0 million) for new construction and has been awarded approximately \$5.8 million through the Ohio School Facilities Commission (OSFC) Classroom Assistance Program to fund capital improvements at all District facilities. Although a final decision has not been made yet, the District is considering selling the existing elementary school buildings and maintaining the middle school building for additional storage space. At this point, the District cannot estimate the market value of the various properties.

R4.7 SLSD should reconsider its decision to maintain the middle school building for additional storage space purposes. Given the District's negative financial condition, it should dispose of all buildings for which there is no future need. Allocating resources to maintain a building that will not directly support instructional activities or key operational functions represents unnecessary expenditure of the District's very limited resources. Receipts from the sale of the closed buildings should be deposited to the permanent improvement fund to provide resources for the capital needs of the District's open buildings.

F4.18 Revenue from the general fund is used to support the maintenance and operation of the District's facilities. As shown in **Table 4-13**, the general fund provides approximately \$352,055 annually to pay for custodial and maintenance employees' salaries and benefits, supplies and materials, purchased services, and capital outlay. Currently, the District does not have a permanent improvement levy which could be utilized to finance future capital improvement projects. **Table 4-13** illustrates SLSD's FY 1998-99 general fund maintenance and operations facilities-related expenditures in terms of cost per square foot.

Table 4-13: 1998-99 General Fund M&O Expenditures per Square Foot

Expenditure	Southern	Bridgeport	Eastern	Green	Peer Average	AS&U Region 5 Average
Custodial Salaries and Benefits	\$1.89	\$1.33	\$1.30	\$0.82	\$1.34	\$1.43
Maintenance Salaries and Benefits	\$0.33	\$0.61	\$0.25	\$0.47	\$0.42	\$0.33
Purchased Services	\$0.08	\$0.27	\$0.43	\$0.33	\$0.28	\$0.67
Utilities	\$0.97	\$0.53	\$1.24	\$0.83	\$0.89	\$1.07
Supplies/ Materials	\$0.10	\$0.26	\$0.37	\$0.16	\$0.22	\$0.29
Capital Outlay	N/A	\$0.11	\$0.11	\$0.04	\$0.09	N/A
Other ¹	N/A	\$0.00	\$0.00	\$0.00	\$0.00	N/A
Total M&O Budget	\$3.37	\$3.11	\$3.70	\$2.65	\$3.21	\$3.79
Total M&O Budget as % of District Budget	9.3%	8.9%	11.7%	10.6%	10.1%	9.2%

Sources: Treasurer's office; peer districts; 1998 AS&U Maintenance & Operations Cost Study

¹ The \$0.00 amounts are equal to less than \$0.01.

While SLSD's overall expenditures per square foot are slightly higher than the peer district average, the District has a significantly higher custodial salaries and fringe benefits per square foot than its peers. This is due to its higher salary structure and generous benefit package. In addition, SLSD's custodians maintain the second least square footage per custodian. See **Table 4-6** and the resulting finding and recommendation. SLSD spent significantly lower amounts on purchased services and supplies/materials. This may be attributed to the higher custodial salary structure which prevents funds from being directed to purchased services and supplies/materials.

F4.19 The District does not have a permanent improvement levy to fund capital expenditures. As noted previously, SLSD is in the construction phase of an all inclusive K-8 building. The District recently passed, as part of the bond levy for the new construction, a 23-year, half-mill levy which will be used for the upkeep and maintenance of the newly constructed elementary/middle school. The half-mill levy is required by the Ohio Schools Facilities Commission as a condition of receiving funds from the State of Ohio for construction and renovations. Bridgeport schools was the only peer district which has a permanent improvement levy. The permanent improvement levy (PIL) generated \$83,888 in FY 1998-99. However, Bridgeport schools was unable to provide data on how much of the PIL was used to finance facilities related capital improvements.

- F4.20 H.B. 412 requires school districts to establish financial set-asides for critical educational items including textbooks and capital improvements. In FY 1998-99, districts were to begin phasing in these set-asides with two percent of their general fund revenue dedicated to each set-aside category. General fund revenue is defined as property taxes, other than homestead and rollback, and basic state foundation aid. The set-aside amount increases to three percent in FY 1999-00 and is capped at three percent in subsequent years. SLSD's FY 2000-01 forecast identifies \$107,280 in general fund revenue for capital improvement set-asides. In FY 2001-02, \$110,220 is to be set aside; and in FY 2002-03, \$113,220 is to be set aside. For further analysis of the capital improvement set-asides, see the **financial systems** section of this report.
- F4.21 Although SLSD has conducted some analysis of their facilities, the District does not have a comprehensive facilities master plan (FMP) to address facility needs, including new schools, building closures, additions, renovations and preventive maintenance. The lack of a comprehensive FMP hinders a district's ability to prioritize major renovations and maintenance activities and also hinders the district's ability to perform long-range financial planning and budgeting for facility renovations and maintenance needs. The development of a comprehensive FMP will also provide the facilities support staff with a clearer, more detailed plan for deploying its limited resources. Administrators can also use the document to communicate funding requirements to the board and voters.

In addition, a comprehensive FMP can be used to provide a continuous basis for planning educational facilities that will meet the changing needs of the community and can assist the district in making more effective decisions regarding the allocation of limited resources to achieve the district's goals and objectives. A comprehensive FMP can be used to determine the appropriate number of schools required to serve both current and future student populations; estimate the funding needed for repairs, renovations, and new construction; document the need for school closings and consolidations; justify buying and selling properties; and develop cost-effective alternative uses for existing facilities.

- R4.8** The District should develop a comprehensive FMP which contains historical information about the District's demographics and community characteristics; educational programs, goals, and practices; enrollment projections; facility evaluations and capital improvement needs; capacity and space utilization analyses; an implementation plan and budget which includes funding sources; and an evaluation process. When developing the plan, the District should obtain input from a variety of sources including design professionals, community groups, business representatives, parents, teachers, administrators, and students. The plan should be updated on a regular basis and adjusted for factors such as housing starts and shifts in employment, which could impact the District. Furthermore, the completion of a FMP is crucial since the District will be investing a substantial amount of money in new construction.

F4.22 In the last 10 years, SLSD's student population has decreased by a total of 176 students. According to **Table 4-14**, the student population has decreased annually from the 1990-91 school year through the 1999-00 school year, where enrollment is currently at its lowest point. The head count data in **Table 4-14** includes all the students enrolled in SLSD.

Table 4-14: Head Count History

School Year	Head Count	Percent of Change From the Previous Year
1990-1991	957	N/A
1991-1992	944	(1.4)%
1992-1993	930	(1.5)%
1993-1994	917	(1.4)%
1994-1995	887	(3.3)%
1995-1996	884	(0.3)%
1996-1997	864	(2.3)%
1997-1998	839	(2.9)%
1998-1999	785	(6.4)%
1999-2000	781	(0.5)%

Source: EMIS enrollment report

F4.23 The District does not develop student enrollment projections, which is one of the key components of a comprehensive FMP (**R4.8**). Enrollment projections are essential for determining the appropriate number of school buildings needed and are useful for estimating staffing needs, projecting state funding, and developing five year financial forecasts. The Ohio Department of Education (ODE) prepares enrollment projections for each school district in the state. These projections are made using live birth data and a grade-to-grade survival ratio. **Table 4-15** contains ODE's 10-year enrollment projections for SLSD.

Table 4-15: ODE's 10-Year Enrollment Projection

School Year	Projection	Percent of Change From the Previous Year
1999-2000	781	N/A
2000-2001	759	(2.8)%
2001-2002	737	(2.9)%
2002-2003	710	(3.7)%
2003-2004	688	(3.1)%
2004-2005	656	(4.7)%
2005-2006	632	(3.7)%
2006-2007	613	(3.0)%
2007-2008	602	(1.8)%
2008-2009	588	(2.3)%

Source: ODE's Division of Information Management Service

ODE is projecting SLSD's enrollment will decrease by an average of 3.1 percent, or 21 students per year, over the next nine years.

R4.9 The District should start developing enrollment projections as part of the comprehensive FMP recommended in **R4.8**. The methodology adopted should factor in live birth data, historical enrollment and a grade-to-grade survival ratio. Because enrollment projections are a valuable planning tool, they should be done annually. The District could use the enrollment projections to help determine the amount of state funding to be received in the future to complete financial forecasts, to determine the appropriate number of teachers to hire and to evaluate building usage and capacity.

F4.24 SLSD students are currently occupying about 92.4 percent of the school buildings' functional capacity, as shown in **Table 4-16**.

The capacity shown in **Table 4-16** was developed using a standard methodology often employed by educational planners and other school districts. The capacity for the elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students and the number of special education classrooms by 10 students. Classrooms used for music, art, and computer labs are excluded from the number of rooms used in the calculation. The capacity in the middle and high schools is calculated by multiplying the number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor.

Each school's capacity is shown in **Table 4-16**.

Table 4-16: Capacity Analysis

School	Year Built	Building Capacity	1998-99 Headcount	Over/(Under) Capacity	Percent
Elementary School (3):					
Letart	1930	125	115	(10)	92.0%
Portland	1956	120	107	(13)	89.2%
Syracuse	1929	160	155	(5)	96.9%
Total Elementary Schools		405	377	(28)	93.1%
Middle School (1):					
Southern Junior High ¹	1929	190	184	(6)	96.8%
Total Middle School		190	184	(6)	96.8%
High Schools (1):					
Southern High	1960	255	224	(31)	87.8%
Total High School		255	224	(31)	87.8%
Overall Total		850	785	(65)	92.4%

Sources: SLSD business office; EMIS report

¹ Includes the kindergarten building which is adjacent to the middle school.

As **Table 4-16** indicates, SLSD is currently utilizing about 92.4 percent of the functional capacity of its school buildings. Based upon the capacity usage percentages above, and the fact that SLSD is building an all inclusive K-8 building, school closures do not currently appear to be a concern. The 92.4 percent is higher than the average industry standard of 85 percent. The 85 percent capacity is considered to be the break even point at which a building is considered to be at full capacity utilization.

F4.25 In FY 2001-02, SLSD will open one new building which will contain all students in grades K-8. The District will then no longer use the existing three elementary buildings and one middle school building. The OSFC utilized student data provided by the District when determining the size of the new building. **Table 4-17** shows SLSD’s FY 1998-99 school building square footage and the projected FY 2001-02 school building square footage. While SLSD is increasing school square footage by 29,021 square feet, the increase in square footage does not appear to correlate with its future enrollment needs as projected in **Table 4-15**.

Table 4-17: School Square Footage in FY 1998-99 vs FY 2001-02

Type of Facility	FY 1998-99	FY 2001-02	Difference
Elementary & Middle Schools:	4	1	(3)
Total Square Feet	55,009	80,375	25,366
High School:	1	1	0
Total Square Feet	49,801	53,456	3,655
Total:	5	2	(3)
Total Square Feet	104,810	133,831	29,021

Source: Superintendent’s office

Table 4-18 shows the capacity analysis using ODE projected FY 2001-02 headcounts for the buildings which will be used during FY 2001-02.

Table 4-18: Projected Capacity Analysis

School	Year Built	Building Capacity	2001-02 ³ Headcount	Over/(Under) Capacity	Percent
K-8 Building (1):					
Southern K-8 ¹	2001	650	526	(124)	80.9%
Total K-8 Schools		650	526	(124)	80.9%
High Schools (1):					
Southern High	1960 ²	298	211	(87)	70.8%
Total High School		298	211	(87)	70.8%
Overall Total		948	737	(211)	77.7%

Source: Superintendent’s office and ODE’s Division of Information Management Service

¹ K-8 is building capacity was calculated by multiplying the number of regular classrooms by 25 students and the number of special education classrooms by 10 students.

² In 2001, the high school will have an additional 3,655 square feet.

³ Projected head count

Energy Management

F4.26 In 1985, the state legislature passed House Bill (H.B.) 264 which authorizes school districts to issue debt without voter approval to finance capital projects which produce energy savings. The savings generated should equal or exceed the project cost. The law also states that as long as H.B. 264 debt remains outstanding, the board of education is to monitor the energy consumption for the buildings in which modifications were made, and the district is to maintain and annually update a report documenting the reductions in energy consumption and the resulting operational and maintenance cost savings. The report is to be certified by an architect or engineer who is independent of the parties which provided the goods or services under the H.B. 264 project. The resultant savings are to be certified by the school district treasurer.

The Ohio School Facility Commission approved SLSD's H.B. 264 proposal in 1994 for \$430,000. SLSD chose Landis & Gyr (now known as Siemens) to serve as the contractor. Landis & Gyr indicated the District would not have any savings either through actual energy savings or in operational cost avoidance. This was largely due to SLSD's reliance on a coal-based heating system. Most of the monies received from H.B. 264 were used to convert the District's coal-based heating system to either gas or propane. The EPA was also instrumental in why the District converted to a propane/natural gas system because of pollution associated with a coal-based heating system. The energy conservation measures completed included the following:

- ! Retrofitting the lighting in all the buildings
- ! Retrofitting heating systems to different heating sources (propane or natural gas)

The treasurer stated that he did not track the costs from the H.B. 264 project and has no documentation from previous reports or analyses nor does he have documentation which was provided to him by Landis & Gyr. Although the District has taken some steps to reduce energy costs, the District has not developed an energy conservation program which details specific steps that all employees can follow on a day-to-day basis.

R4.10 The District should monitor the energy consumption for the high school although, in all probability, no real cost savings would be shown for the conversion from the coal-based heating system. Cost savings would not be achieved because coal is a much cheaper source of energy than the propane currently being used. However, in the future, the retrofitted lighting in all the buildings may contribute to reductions in energy savings. Therefore, the District should immediately start keeping records to quantify cost savings.

In addition, the District should implement an energy management program to lower utility costs in each school building. This is especially important because the new building will have

additional electrical features that the current buildings do not have, which could result in increased electrical consumption. Energy management programs, such as the one implemented in Middletown-Monroe City School District, have the potential to save the district 10 to 20 percent on annual utility bills. Middletown-Monroe City School District contracted with Energy Education, a management consulting firm from Wichita Falls, Texas, to decrease energy consumption in the district. The contract stipulated that the district will, through utility cost avoidance, refunds or rebates, save an amount equal to or greater than Energy Education's fee. If the target savings were not achieved, Energy Education would reimburse the district the amount of any difference. Middletown-Monroe saved \$181,000 in the first seven months of FY 1997-98. See the **financial systems** section of this report for projected financial implications for the new building.

Financial Implication: Through the use of an energy management program, such as the one used in Middletown-Monroe, SLSD has the potential to save approximately \$10,000 annually in utility costs based on FY 1998-99 utility expenditures.

F4.27 Due to deregulation of the gas industry, school districts can purchase gas from any supplier and pay the local utility to transport the gas. SLSD does not purchase self-help or deregulated gas.

R4.11 The District should investigate ways to take advantage of the purchase of deregulated gas. Such purchases could potentially save the District significant money which could be applied either toward facility-related projects or educational programs. For example, South-Western School District saved approximately \$320,000 in utilities expenditures through the purchase of deregulated gas from FY 1995-98. Likewise, Canton City School District estimated that it saved approximately \$68,700 with the purchase of deregulated gas during FY 1997-98.

Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings
R4.1 Reduction of one custodial position	\$24,775
R4.9 Implement an energy savings program.	\$10,000
Total	\$34,775

Conclusion Statement

In the past, funding for SLSD's capital improvement needs, estimated to be approximately 20 million, has been limited. The District has not had a levy to fund capital improvements and all funding for capital improvements has come from the general fund. However, the District has recently passed a bond levy (\$4.0 million) for new construction and has been awarded approximately \$5.8 million through the Ohio School Facilities Commission (OSFC) Classroom Assistance Program to fund capital improvements at all district facilities, including construction of a new building. In addition, with the passage of the bond levy, one half mill is being set aside for capital maintenance of the new facility. The District is currently in the process of construction of the new elementary/middle school. This new school is projected to be completed in March of 2001 for use for the 2001-02 school year. The new school will replace the existing three elementary schools and one middle school.

A basic component of sound capital planning is an accurate capacity analysis. The District has never assessed its school capacity. An accurate capacity analysis needs to be conducted to allow the District to adequately plan for the future. Particularly important to this analysis are District demographics such as student head count, enrollment projections and predicted enrollment changes. According to the enrollment projections completed by the Ohio Department of Education, a continuous decline in enrollment is projected for SLSD. A decline in enrollment, along with the increased square footage available with new construction and additions will lower the capacity rate from 92.4 percent for FY 1998-99 to 77.7 percent for FY 2001-02 which is below the 85 percent industry average.

A second component of sound capital planning is the existence of accurate enrollment projections. The District does not currently complete enrollment projections. Accurate enrollment projections need to be completed to allow the District to plan for the future and to determine the appropriate number and size of schools. The enrollment projection should cover a ten-year period and be updated annually. The method of projecting enrollment should be approved by the board of education.

SLSD's six (5.5 FTEs) custodians maintained the second lowest square footage per employee when compared to its peers. The average square footage per custodial employee is currently 19,056. In addition, the custodians salary and benefits were significantly higher per square foot than any of the peer districts. This is largely due to the District's higher salary structure and generous benefits package. The replacement of the three elementary schools and the middle school will increase the total square footage coverage of the custodians and will place the square footage closer to its peers. However, the District should consider, after the new construction is completed, reducing its custodial staff by one FTE.

SLSD's maintenance employee maintained the lowest square footage per employee when compared to the three peer districts. The replacement of the three elementary schools and the middle school will significantly increase the total square footage coverage of the maintenance employee and will

place the square footage per employee more in line with the peer average. The District's maintenance employee has the highest average base salary of the peer districts.

Despite taking some steps to reduce energy costs, SLSD has not developed an energy conservation program which details specific steps that all employees can follow on a day-to-day basis. Although SLSD's utility expenditures are the second lowest per square foot among its peers, the District should be cognizant of the fact that the new construction will dramatically increase the overall square footage. An increase in square footage will probably increase utility costs. Additionally, the new building will have additional electrical features that the current buildings do not have, which could also result in increased electrical consumption. The District should implement an energy management program to lower utility costs.

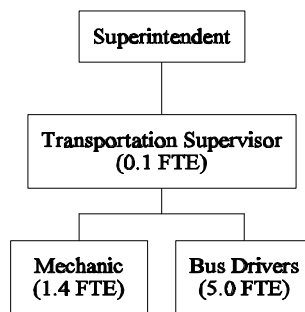
Transportation

Background

Organization Chart

The chart below provides an overview of the organizational structure and staffing levels in full-time equivalents (FTE) for the Southern Local School District (SLSD) transportation department.

Chart 5-1: Transportation Department



Organization Function

The transportation department’s primary responsibility is to provide a safe, efficient and economically effective method of transporting students to and from school. SLSD currently does not transport any non-public school students. The District’s transportation department operates its own fleet of school buses, providing transportation to all students in the District who reside one mile or more from the high school. SLSD uses this criteria because all students are transported to the high school where they then board the bus which is traveling to their school. In addition, the District will also transport students who live less than one mile away from their school if their residence is on an existing bus route.

Summary of Operations

In FY 1997-98, the average daily membership for SLSD, as reported by the Ohio Department of Education, was 792. District buses for the regular transportation program traveled approximately 148,140 miles, carrying 627 public students daily. During the morning bus routes, some students are picked up and dropped off at their school if the school is on the bus route. All students who are not dropped off at a school are transported to the high school. Once at the high school, the students board the bus which transports students to each of the different elementary and middle schools. During the afternoon routes, the same transportation routes are used except they are done in reverse.

In FY 1997-98, the special education program transported six students daily using various transportation means. District buses, traveling approximately 18,000 miles, carried four of the special education students. The District transported one special need student with a parent/guardian contract and transported another special needs student by a contracted other vehicle.

Overall, the SLSD's vehicles traveled approximately 166,140 miles, transporting 631 students. Combining all methods of transportation, the District provided transportation for 633 students at a cost of \$323,368. Approximately 40 percent, or \$127,770 of the transportation expenditures were funded by the state.

Staffing

The following table displays the staffing levels for the transportation department for FY 1998-99. This is also the same staffing level which is in effect for FY 1999-00. The District has one full-time employee who splits his time in three different positions: transportation supervisor, bus driver and mechanic. Accordingly, this employee is represented in the table below as 0.1 FTE, 0.5 FTE and 0.4 FTE, respectively.

Table 5-1: Staffing Level

Position	Number of Employees	Full-Time Equivalents
Transportation Supervisor	1.0	0.1
Bus Drivers	10.0	5.0
Mechanic/Mechanic Helper	2.0	1.4
Total	13.0	6.5

Source: SLSD transportation department

Financial Data

The following table shows the actual transportation expenditures for the past two fiscal years and the budgeted transportation expenditures for the current fiscal year. The transportation expenditures for FY 1998-99 shown below are the costs as reported on the 4502 Report. However, these expenditures do not reconcile to the T-2 and T-11 Forms which were filed with the Ohio Department of Education (**F5.8**). For operational analyses performed throughout this section, the expenditures as reported on the T-Forms will be used.

Table 5-2: Financial Table

Component	Actual FY 1997-98 Expenditures	Actual FY 1998-99 Expenditures	Budget FY 1999-00 Expenditures
Salaries	\$156,618	\$159,314	\$166,399
Benefits	\$74,739	\$95,999	\$104,393
Purchased Services	\$9,142	\$9,540	\$9,734
Materials & Supplies	\$59,917	\$42,190	\$54,000
Subtotal	\$300,416	\$307,043	\$334,526
Capital	\$53,010	\$54,157	\$56,000
Total	\$353,426	\$361,200	\$390,526

Source: FY 1997-98 and FY 1998-99 4502 Report; FY 1999-00 appropriation worksheets

The transportation expenditures in total have not fluctuated significantly from FY 1997-98 to FY 1998-99. However, there was a 28 percent increase in benefits and a 30 percent decrease in materials and supplies from FY 1997-98 to FY 1998-99. The treasurer of SLSD attributes the 28 percent increase in benefits to the District switching to a self-insurance plan during FY 1998-99; he also attributed the decrease in materials and supplies to less supplies being needed to repair buses. Based upon the actual expenditures from FY 1997-98 and FY 1998-99, the budgeted expenditures for FY 1999-00 appear to be reasonable.

Table 5-3 details some of the basic operating statistics for each of the peer districts.

Table 5-3: Operational Statistics and Ratios

FY 1998-99	Southern	Bridgeport	Eastern	Green
Operational Statistics:				
Eligible Students				
- Regular students	627	753	837	742
- Special needs	6	0	5	4
- Total	633	753	842	746
Expenditures				
- Regular students	\$289,025 ²	\$171,113	\$266,712	\$277,344 ¹
- Special needs	\$34,343 ²	\$0	\$6,524	\$21,692
- Total	\$323,368	\$171,113	\$273,236	\$299,036
State Reimbursements				
- Regular students	\$121,248	\$109,254	\$140,290	\$110,181
- Special needs	\$6,522	\$0	\$4,257	\$2,210
- Bus purchase allowance	\$21,254	\$15,283	\$33,528	\$21,419
- Other bus reimbursement	\$0	\$0	\$0	\$0
- Total	\$149,024	\$124,537	\$178,075	\$133,810
Miles Driven				
- Regular students	148,140	98,820	149,040	134,820
- Special needs	18,000	0	10,000	0
- Total	166,140	98,820	159,040	134,820
Operational Ratios:				
Regular Students: Yellow Bus				
- Cost per Mile	\$1.95	\$1.72	\$1.79	\$2.05
- Cost per Bus	\$32,114	\$21,389	\$24,247	\$30,740
- Cost per Student	\$461	\$226	\$319	\$375
- Students per Bus	70	94	76	82
- Cost per Student all methods	\$461	\$266	\$319	\$375
Special Needs Students:				
- Cost per Student all methods	\$5,724	\$0	\$1,305	\$5,423
School Sites				
- Public	5	4	2	3
- Non-public	0	4	0	0
Active Buses	10	8	11	9
Spare Buses	3	4	3	5
Square Miles in District	85.0	16.0	115.0	34.9

Source: FY 1998-99 T-1, T-2 and T-11 Forms; FY 1998-99 4502 report and foundation settlement sheets; interviews

¹ The amount which is included on the T-2 Form includes the amount expended for special needs transportation. Those expenditures have been deducted to show the actual transportation expenditures related to regular students.

² The actual expenditures for SLSD include the corrections which were required based upon **F5.8**.

The following table provides the number of staff and full-time equivalents (FTE) by position for each of the peer districts for FY 1999-00.

Table 5-4: Peer District Staffing Level Comparison

Staffing	Southern		Bridgeport		Eastern		Green	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor	1.0	0.1	1.0	0.3	1.0	0.0 ¹	0.0	0.0
Bus Driver	10.0	5.0	8.0	4.0	11.0	4.3	9.0	5.6
Mechanic/Helper	2.0	1.4	0.0	0.0	1.0	1.0 ²	1.0	1.0
Total	13.0	6.5	9.0	4.3	13.0	5.3	10.0	6.6

Source: Transportation departments of each school district

¹ The transportation supervisor at Eastern Local School District is a full-time teacher who receives a supplemental contract to fulfill the transportation supervisor position. He does not work a set number of hours per day as supervisor and does not fill out a time sheet.

² Eastern Local School District also has a part-time mechanic who is called on an as-needed basis. He is not guaranteed a set number of hours each day or each week.

Performance Measures

The following is a list of performance measures that were used to conduct the analysis of the transportation department:

- ! Assessment of District's transportation practices in relationship to state minimum standards
- ! Adequacy of reporting operational information to secure state transportation aid
- ! Cost effectiveness of pupil transportation services by type of transportation (regular and special needs transportation):
 - Cost per mile, cost per bus and cost per student
 - Bus capacity utilization
 - Comparative bus driver wage rates and benefits
 - Effectiveness of coordination between the special education department and the transportation department to assure efficient transportation of special needs students
- ! Effectiveness and efficiency of transportation routing
 - Manual or computerized routing
 - Assessment of District's bell schedules to support tiered routing
- ! Assessment of department staff and personnel matters
 - Review of the collective bargaining agreement
 - Analysis of bus driver salaries based upon actual hours worked for the District
 - Analysis of absenteeism and leave usage
- ! Assessment of bus fleet
 - Review of bus fleet and required capital investment
 - Review of District's practices regarding school bus replacement.

Findings / Commendations / Recommendations

Policy

F5.1 State law requires school districts to provide transportation for resident students, grades K - 8, who live more than 2.0 miles from their assigned school or who have physical or mental disabilities that make walking impractical or unsafe. The law also states that transportation of high school students or intra-district open enrollment is optional.

The Southern Local School District’s Board of Education has not formally adopted a transportation policy for the students of the District. However, it is the practice of the transportation department to provide transportation to all students in grades kindergarten through twelve who live more than one mile from the school in their designated area. This practice exceeds the state minimum standards of two miles for grades kindergarten through eight. In addition, the department provides transportation to those students who live less than one mile from the high school provided that their residence is on a regular bus route. However, due to the geographical layout of the District, locations of the schools and lack of sidewalks, it is not possible for the District to require students to walk to school. The District does not currently transport any non-public school students. As required by the Ohio Revised Code (ORC), the District also provides transportation to resident students with physical or mental disabilities that make walking impossible or unsafe.

F5.2 The following table shows how the transportation policy of SLSD compares to those of its peer districts.

Table 5-5: Transportation Policies

Transportation Policy	Ohio Revised Code	Southern ¹	Bridgeport	Eastern	Green
K	2 mile	1 mile	1 mile	0.5 mile	No mile limit
1-8	2 mile	1 mile	1 mile	0.5 mile	No mile limit
9-12	Not Required	1 mile	1 mile	0.5 mile	No mile limit
Intra-district open enrollment	Optional	Yes	No	0.5 mile	Yes

Source: District’s policies

¹ The District currently does not have a board adopted transportation policy; however, these are the current practices of the transportation department.

F5.3 The District currently has an intra-district open enrollment policy where elementary students can attend any elementary school regardless of the location of their residence. However, this does not pose significant operational issues for the transportation department because the District picks up all students in the morning and transports them to the high school where they then board the bus which is going to their school. The transportation department uses this method of transportation because of the size of the District, the use of a one-tiered bell system and the location of the schools.

R5.1 SLSD should adopt a transportation policy for the District. This policy should include why students are being transported, how students will be transported, what students will be transported, mile limitations for eligibility to receive transportation, hazard exceptions and transportation of non-public students. In addition, the transportation policy should include the responsibilities of the bus driver during the transportation of students.

F5.4 The District utilizes one starting and ending time for all of its schools. All students are transported to the high school where the students will then switch to the bus that is going to the school of their destination.

F5.5 Southern Local School District (SLSD) and Eastern Local School District (ELSD) utilize a one-tiered bell schedule while Green Local School District (GLSD) utilizes a two-tiered bell schedule. The one-tiered bell system limits the number of runs that a single bus can make in the morning and evening to one run per bus. The two-tiered bell system allows each bus to have two runs.

Bridgeport Exempted Village School District (BEVSD) operates under a one-tiered system in the morning and a two-tiered system in the afternoon. During the morning, a bus will pick up students as they are on their route and drop students off at their school; the bus will then continue on its route. Using this system, BEVSD has an average of 94 students per bus in the morning and an average of 47 students per bus in the afternoon. This system is very unique and would only apply to BEVSD because they transport students to four non-public schools who have the same starting time as BEVSD but different ending times.

F5.6 Because of the total number of square miles within SLSD, it is unrealistic for the District to operate any system other than a one-tier system. The result is that the District is limited to only one run per bus. **Table 5-6** compares the total number of square miles between the districts and the average number of square miles covered by each of the regular, active transportation buses.

Table 5-6: Square Mile Analysis

	Southern	Bridgeport	Eastern	Green
Number of Square Miles	85.0	16.0	115.0	34.9
Number of Active Regular Buses	9	8	11	9
Square Mile per Active Regular Bus	9.4	2.0	10.5	3.9

Source: Transportation departments

Because of the average number of square miles which each bus is responsible for within SLSD, the use of a one-tiered bell schedule and one run per bus route appears to be maximizing the operations of the transportation department. If the District switched to a multi-tiered bell schedule, the likely result would be higher operational costs due to the increased driving which would be required.

F5.7 Currently, the transportation department of SLSD uses a manual routing system which is designed from historically developed routes. Annually, the transportation supervisor adjusts the bus routes for the transportation of students who were not transported in the previous year. The use of a computerized routing system would provide no immediate benefit to the District as they are currently transporting approximately 70 regular students for every one bus in operation (see **F5.11** and **C5.1**).

During FY 2001-02, SLSD will open one new school which will house all kindergarten through eighth grade students. In addition, the four schools which are currently being used for these grade levels will be closed. It may be beneficial for the District to utilize a routing software package such as VersaTrans to accurately design bus routes for FY 2001-02. In recent performance audits, pricing for transportation routing software was acquired. It is estimated that transportation routing software will cost approximately \$15,000 and implementation costs are estimated at \$3,000.

State Funding

F5.8 School districts must file annual forms with the Ohio Department of Education (ODE) regarding their transportation services. These forms are used by ODE to determine the reimbursement amount districts will receive related to their regular and special needs transportation programs.

The state funding for regular transportation is passed through to the District in the state foundation payments twice a month. The state bases the amount of the current year funding on the prior year's information until the T-1 Form is completed in October. The amount of funding is then adjusted the following January. For FY 1998-99, the District's funding was generated by cost per mile for Type I transportation. The District received \$121,248 for the transportation of regular education students. This state funding represents approximately 42 percent of the District's transportation costs related to regular education students.

The T-Forms submitted by SLSD for FY 1998-99 contained inaccurate data. An interview with the transportation supervisor revealed the following errors in relation to the T-1 Forms:

- ! The total dollar amount of supplies was double counted which resulted in an overstatement of supply expenditures of \$20,166.
- ! The annual salary of the special need bus driver was incorrectly included on the T-1 Form; however, it was correctly included on the T-11 Form. His salary was approximately \$10,050.

The state reimburses districts for special need transportation at a rate of \$6 per day and fifty percent of the additional costs. The District reports their costs on the T-11 Form. SLSD did not include the benefit costs of approximately \$8,023 for the special needs bus driver. These benefit costs include insurance benefits and also estimated payments to the State Employees Retirement System (SERS). The District also understated the amount of expenditures associated with maintenance and repair by approximately \$1,100. Total understatement of expenditures is approximately \$9,123. If the District would have correctly reported the expenditures, the District could have received approximately \$4,562 in additional state reimbursements.

R5.2 The District should submit corrected FY 1998-99 T- Forms to the ODE. In addition, the District should develop procedures to ensure that accurate reports are prepared and that they reconcile to the 4502 Report which contains all detailed expenditures for the District. Included in the preparation of these reports should be representatives from the transportation department, treasurer's office and superintendent's office whose signatures on these forms certify the accuracy of the data reported. In addition there should be a review process by a person that is independent of the data gathering process to ensure the policy was followed and accurate amounts are reported to the Ohio Department of Education. SLSD should contact ODE to receive the necessary assistance and training in meeting these objectives.

The accuracy of these reports is necessary to ensure the District receives the maximum allotment of funding without overstating amounts and possibly incurring a liability for the funds they receive based on the overstatement of the numbers. In addition, the ability to

capture accurate District operational data is vital in developing comparative statistics used by ODE, the District and the community stakeholders.

Because the District receives their reimbursement based upon the per mile basis for regular transportation, the double counting of the expenditure would not result in a liability to ODE. However, even though it is not directly used for reimbursement purposes, the information is important for developing comparative statistics and trends on both a statewide and local level. In addition, ODE uses the information to ensure school districts have not been reimbursed more than their actual expenditures for regular needs transportation.

Financial Implication: The understatement of special needs transportation expenditures on the T-11 Form and not including the benefits associated with the special needs bus driver resulted in an under reimbursement of approximately \$4,562.

General Operations

F5.9 Approximately 630 regular education public students are eligible for transportation within the SLSD boundaries. Non-public students are students who live within SLSD boundaries but attend private or parochial schools. The District does not currently transport any non-public students. The overall cost to transport a SLSD regular education student, for all methods of transportation, is \$461 based on FY 1998-99 actual expenditures.

As with most school districts, the cost for SLSD to transport special needs students is dramatically higher than the cost to serve regular education students. An estimated six special needs students were eligible for transportation. The cost per special needs student for all types of special needs transportation during FY 1998-99 was \$5,724 or \$5,263 more than the cost to serve regular education students. The following factors contribute to the higher cost for special needs student transportation within SLSD:

- ! There were only four special need students which were transported on District buses and they were taken to Meigs Local School District. The reason the District transported these students to this school was because they required special education which SLSD was not able to provide them.
- ! One student was transported to Athens, Ohio every day due to his handicap. The District transported this student utilizing a contracted other vehicle at an approximate cost of \$14,000 per year.
- ! A parent/guardian contract was used to transport one student during FY 1998-99 for his physical therapy. This contract is no longer in existence for FY 1999-00.

The following table details the number of students and cost per student for regular and special needs students.

Table 5-7: Transportation Cost

	Eligible Students	FY 1998-99 Costs	Cost per Student
Regular Education	627	\$289,025	\$461
Special Needs	6	\$34,343	\$5,724
Total	633	\$323,368	\$511

Source: FY 1998-99 T-1, T-2, T-11 Forms and SLSD transportation department

F5.10 Performance of transportation services can be measured by various means. **Table 5-8** presents selected operating ratios for SLSD and other peer districts for regular education students.

Table 5-8: Regular Education Operational Ratio Peer Comparison

Regular Education FY 1998-99	Southern	Bridgeport	Eastern	Green	Peer Average
District Buses:					
Operational Data:					
Active Buses	9	8	11	9	9
Average Driver Wage	\$14.35	\$10.02	\$10.48	\$12.04	\$11.72
Operational Ratios:					
Cost per Mile	\$1.95	\$1.72	\$1.79	\$2.05	\$1.88
Cost per Bus	\$32,114	\$21,303	\$24,247	\$30,740	\$27,101
Cost per Student	\$461	\$226	\$319	\$375	\$345
Students per Bus	70	94 ¹	76	82	81
Number of Students	627	753	837	737	739
Payment In Lieu of Transportation:					
Cost per Student	N/A	\$172	N/A	\$138	\$155
Number of Students	N/A	4	N/A	5	5
All Modes of Transportation:					
Cost per student	\$461	\$226	\$319	\$375	\$345
Number of Students	627	757	837	742	741

Source: Transportation department's FY 1998-99 T-1 and T-2 Forms and interviews

¹ This is the students per bus ratio for the morning routes. Bridgeport operates a one-tier system in the morning and a two-tier system in the afternoon. Therefore, the students per bus average in the afternoon would be 47.

Regular needs operational ratios within the SLSD transportation department do not compare favorably with those of its peer districts. The District has the highest cost per student on District buses of \$461, as compared to Bridgeport Exempted Village, Eastern Local and Green Local School Districts at \$226, \$319 and \$375 respectively. The cost per bus of \$32,114 at SLSD was also the highest among the peer districts with the cost per bus at Bridgeport, Eastern and Green at \$21,303, \$24,247 and \$30,740 respectively (**Table 5-8**). The following are explanations to the contributing factors that explain SLSD's higher operating cost:

- ! SLSD contains 85 square miles which averages 9.4 square miles per active regular bus (**F5.6** and **Table 5-6**).
- ! SLSD pays their bus drivers at a higher average hourly rate and average yearly rate than the corresponding rates of the peer districts (**F5.14**).
- ! SLSD pays bus drivers for hours which they do not work (**F5.15**). However, as noted in **Table 5-10**, all the districts examined during this audit have guaranteed hours for their bus drivers.
- ! SLSD pays supplemental contracts to four drivers for routes driven in addition to their regular routes (**F5.16**). Overall, the District is paying salaries to drivers for time which they are not driving routes within the District (**R5.4** and **R5.5**).
- ! SLSD gives each employee a full benefits package regardless of the number of hours worked by the employee. The District pays 100 percent of the cost (**F5.22**).
- ! SLSD compensates their bus drivers for high number of holidays. See the **Human Resources** section for further analyses.

F5.11 The District does not use routing software to design bus routes. Instead, routes and stops are manually designed based upon historically established cluster, corner and door-to-door stops. SLSD is currently designing bus routes in order to obtain the optimal efficiency level. **Table 5-8** shows that the District operates one bus for every 70 students who receive regular transportation. It is industry standard that bus capacity utilization should be approximately 80 percent. The majority of the buses which the District operates are 71-passenger buses. Therefore, the District's estimated bus capacity utilization is 99 percent.

Based upon the one-tier system which the District utilizes, the 85 square miles within the District and the estimated 99 percent bus capacity utilization, it is believed that the transportation department is obtaining optimal efficiency levels in transporting regular transportation students.

C5.1 The SLSD transportation department is properly utilizing the capacity of their buses. During FY 1998-99, the District’s transportation department transported 627 regular transportation students on nine regular transportation buses which equals one bus for every 70 students.

F5.12 The following table illustrates the special needs transportation operational ratios of the peer districts. The emphasis of the comparison is on the cost of transportation per student by the various methods used to transport special needs students.

Table 5-9: Special Needs Operational Ratios Peer Comparison

Special Needs Education FY 1998-99	Southern	Bridgeport	Eastern ²	Green	Peer Average
District Buses:					
Operational Data:					
Average Driver Wage	\$13.22	N/A	\$10.48	N/A	\$11.85
Operational Ratios:					
Cost per Mile	\$1.11	N/A	\$0.65	N/A	\$0.88
Cost per Student	\$4,995	N/A	\$1,305	N/A	\$3,150
Number of Students	4	N/A	5	N/A	4
Contracted Other Vehicles:					
Cost per Student	\$14,000	N/A	N/A	\$5,423 ¹	\$9,712
Number of Students	1	N/A	N/A	2	2
Parent/Guardian Contract:					
Cost per Student	\$365	N/A	N/A	\$5,423 ¹	\$2,894
Number of Students	1	N/A	N/A	2	2
All Modes of Transportation:					
Cost per Student	\$5,724	N/A	\$1,305	\$5,423	\$4,151
Number of Students	6	N/A	5	4	5

Source: Transportation department’s T-11 Form and interviews

¹ This is the amount that was reported on by the district on their FY 1998-99 T-11 Form. There are four separate contracts (based upon mileage and days) to transport these four individuals. Average cost per student was determined by taking the total costs expended divided by the total number transported.

² The special needs students which Eastern Local School District transports do not require a special bus. Therefore, they are able to transport them on regular transportation buses. The costs associated with transporting these students are equal to the additional salaries paid above the four hours a day guaranteed to bus drivers.

The SLSD’s transportation department transports four special needs students on District operated buses to Meigs Local School District at a high cost of \$4,995 per student. In addition, the District transports one special needs student by contracted other vehicle to Athens, Ohio at a cost of \$14,000 per student and one special needs student by parent/guardian contract (for his physical therapy appointments) at a cost of \$365 per student. The students transported to Meigs Local School District and Athens, Ohio are students with special education needs which cannot be met at SLSD.

R5.3 The District should analyze the current method of transporting the one special needs student by contracted other vehicle to determine other more cost-efficient methods of transportation. The \$14,000 cost per student represents a significant cost to the district. A more cost-efficient method could generate cost savings to the district to assist with its financial condition. One option would be for the District to reduce the current reimbursement rate of \$.50 per mile to the federal rate of \$.325 per mile and negotiate an additional hourly reimbursement rate so that the total annual compensation paid is less than \$14,000. Another option would be for the District to negotiate a parent/guardian contract for the transportation of this one special needs student, which would generate significant cost savings.

Personnel

F5.13 **Table 5-10** presents an analysis of key contractual issues among the peer districts that have the potential to affect the cost effectiveness of providing transportation services.

Table 5-10: Comparisons of Transportation Staff Contractual Issues

	Southern	Bridgeport	Eastern	Green
Number of Guaranteed Hours:				
Bus Drivers	4 hours per day	4 hours per day	4 hours per day	3 hours per day
Monitors/Aides	N/A	N/A	N/A	N/A
Substitutes	None	None	None	None
In-service days	N/A ³	hourly rate	hourly rate	hourly rate
Pre-trip, fueling and cleaning⁴	35 minutes ¹ which is included in the 4 guaranteed hours per day	4 hours per month	Included in the 4 hours of guaranteed hours per day	Included in the 3 hours of guaranteed hours per day
Overtime	None	Hours worked in excess of 40 hours per week	Hours worked in excess of 40 hours per week	Hours worked in excess of 40 hours per week or all hours greater than normal work day
Route Bidding:				
Annual	By seniority	By seniority	By seniority	By seniority
Vacancy	By seniority, no limit	By seniority, no limit	By seniority, no limit	By seniority, no limit

	Southern	Bridgeport	Eastern	Green
Benefits:				
Sick Leave	15 days with maximum accumulation of 250 days	15 days with maximum accumulation of 250 days	15 days with maximum accumulation of 250 days	15 days maximum accumulation of 205 days
Sick Leave Attendance Incentive	None stated	0 days used: \$100; 1 day used: \$75	None stated	None stated
Number of Guaranteed Hours:				
Vacation	Vacation is only available to 12-month employees	Vacation is only available to 12-month employees	Vacation is only available to 12-month employees	Vacation is only available to 12-month employees
Personal Leave	3 days	3 days	3 days	3 days
Personal Leave Attendance Incentive	0 days used: \$150 1 day used: \$100 2 days used: \$50	0 days used: \$100; 1 day used: \$75	None stated	0 days used: \$105 1 day used: \$70 2 days used: \$35
Holidays	10 days	8 days	7 days	6 days
Probation Period	None stated	90 days	None stated	30 days
Evaluation Process and Frequency	Annually	Annually or Semi-annually depending upon seniority	Annually	None Stated
Ability to Sub-contract	Yes	Yes	Yes ²	Yes

Source: Union contracts

¹ According to an interview with the transportation supervisor, bus drivers are allowed approximately 15 minutes per day to get to their first bus stop and also about 2 hours per week for the cleaning of their bus. This equates to approximately 35 minutes per day. However, this is not part of the contract between the Southern Local School District Board of Education and Local 453.

² According to the contract, the board of education has the ability to sub-contract, but lay-offs can not occur because of subcontracting.

³ Bus drivers at SLSD are salaried personnel. Therefore, no compensation is given for in-service days.

⁴ These time frames are district policies and are not specified within the union contracts with the exception of Bridgeport Exempted Village School District.

F5.14 The SLSD transportation employees are represented by the Ohio Association of Public School Employees (OAPSE)/AFSCME Local 453 (Local 453). The contract between the board of education and Local 453 (in effect from July 1, 1997 through June 30, 2000) states that all bus drivers are salaried personnel. Bus drivers are guaranteed four hours of pay per day if they work both their morning and evening routes. However, because they are salaried personnel, they do not receive overtime. As noted on **Table 5-8**, the average hourly bus driver wage was \$14.35 and the peer average was \$11.72 per hour. All of the districts examined in this performance audit guarantee hours for their bus drivers (**Table 5-10**). The following table shows the average yearly salary in comparison with the peer districts and the peer averages based upon the bus driver's hourly wage for each of the districts.

Table 5-11: Comparison of Yearly Salaries

School District	Guaranteed Hours	Average Hourly Driver's Wage	Average Daily Rate ¹	Average Yearly Rate ²
Southern	4 hours	\$14.35	\$57.40	\$10,332
Bridgeport	4 hours	\$10.02	\$40.08	\$7,214
Eastern	4 hours	\$10.48	\$41.92	\$7,546
Green	3 hours	\$12.04	\$36.12	\$6,502
Peer Average	3.75 hours	\$11.72	\$43.95	\$7,911

Source: District treasurer's offices

¹ This amount is equal to the guaranteed hours times the average hourly bus driver's wage for FY 1999-00.

² This amount is equal to the average daily rate times the 180 school days for a year. All of these districts also pay their bus drivers for holidays, but each district compensates their employees for a different number of holidays. Therefore, for this comparison, only 180 days were used.

R5.4 SLSD should perform an analysis on the salaries paid to bus drivers to determine if they are being paid an appropriate amount based upon their job description and responsibilities. On average, the District is paying an average yearly salary of \$10,332 to each bus driver which is \$2,421 more than the peer average. See the **Human Resources** section for further analyses.

F5.15 Bus drivers are guaranteed four hours of pay per day if they work both their morning and evening routes. Because they are salaried personnel, they do not receive overtime. **Table 5-12** shows the effective hourly rates of bus drivers based upon the time it takes to drive the route, time to get to their first stop and time allowed to clean the bus each day.

Table 5-12: Estimated Hourly Rates (Normal Routes)

Route #	Daily Trip ¹	Estimated Daily Hours Worked ²	Estimated Yearly Hours Worked ³	Percentage of Guaranteed Hours Actually Worked ⁴	Yearly Salary ⁵	Actual Working Hourly Rate ⁶
1	1 hr 30 min	2 hrs 05 min	395 hrs 50 min	52.1%	\$10,850	\$27.41
2	2 hrs 10 min	2 hrs 45 min	522 hrs 30 min	68.8%	\$11,550	\$22.11
3	3 hrs 00 min	3 hrs 35 min	680 hrs 50 min	89.6%	\$10,050	\$14.76
4	2 hrs 10 min	2 hrs 45 min	522 hrs 30 min	68.8%	\$10,350	\$19.81
5	1 hr 22 min	1 hr 57 min	370 hrs 30 min	48.8%	\$11,550	\$31.17
8	2 hrs 10 min	2 hrs 45 min	522 hrs 30 min	68.8%	\$10,350	\$19.81
9	1 hr 30 min	2 hrs 05 min	395 hrs 50 min	52.1%	\$11,550	\$29.18
11	2 hrs 20 min	2 hrs 55 min	554 hrs 10 min	72.9%	\$10,150	\$18.32
14	2 hrs 20 min	2 hrs 55 min	554 hrs 10 min	72.9%	\$10,250	\$18.50
15	2 hrs 10 min	2 hrs 45 min	522 hrs 30 min	68.8%	\$11,550	\$22.11

Source: Transportation departments records and FY1999-00 salary schedules.

¹ This is the total estimated time spent driving for each route on a given day.

² Estimated daily hours worked includes not only the daily trip for each bus driver but also approximately 15 minutes a day to arrive at their first stop from their point of destination and approximately 20 minutes a day to clean their bus.

³ Estimated hours worked in a year is based upon a total of 190 days (180 working days and 10 paid holidays).

⁴ Percentage of guaranteed hours actually worked is equal to the estimated yearly hours worked divided by the total guaranteed hours per year (760 hours).

⁵ FY 1999-00 yearly salaries according to the treasurer’s office and contract between board of education and Local 453

⁶ Effective hourly rate based upon FY 1999-00 yearly salary and estimated yearly hours worked

The average bus driver works 2 hours and 39 minutes each day or only 73.7 percent of their guaranteed four hours per day. The result is that each bus driver is overpaid an average of 1 hour and 21 minutes each day or 256 hours and 30 minutes a year. Based upon this information and the average hourly wage for bus drivers of \$14.35 per hour, the District paid approximately \$36,800 in salaries for which no work was performed.

R5.5 During contract negotiations between the board of education and Local 453, the District should lower the number of guaranteed hours given to bus drivers from four hours per day to three hours per day. For any hours worked in addition to the guaranteed hours, the District should pay for actual hours worked. In review of the annual salaries of all the bus drivers and lengths of the regular routes, it was determined that the District is overpaying bus drivers for time not worked. By decreasing the number of guaranteed hours, the District will decrease the number of hours which they are paying for which there is no work being performed.

Financial Implication: The reduction of the guaranteed hours from four hours per day to three hours per day will realize an annual savings of \$27,265 (based upon the current average hourly bus drivers wage).

F5.16 In addition to providing transportation to the five main buildings within the District, the transportation department must also transport District students to various locations for special education or vocational education. The District pays the bus drivers a supplemental contract of \$3,150 for driving an additional route in addition to their normal route in the morning and the evening. **Table 5-13** shows the hourly rate based upon the time that it takes to drive this additional route each day. In addition, the table shows how many hours the bus driver drives in a day including the regular route and the additional route.

Table 5-13: Estimated Hourly Rates (Additional Routes)

Route #	Regular Route ¹	Estimated Additional Route ²	Estimated Daily Driving ³	Estimated Additional Hours ⁴	Supplemental Salary ⁵	Estimated Hourly Rate ⁶
2	2 hrs 45 min	1 hr 20 min	4 hrs 05 min	253 hrs 20 min	\$3,150	\$12.43
5	1 hr 57 min	1 hr 00 min	2 hrs 57 min	190 hrs 00 min	\$3,150	\$16.58
9	2 hrs 05 min	1 hr 00 min	3 hrs 05 min	190 hrs 00 min	\$3,150	\$16.58
15	2 hrs 10 min	1 hr 00 min	3 hrs 10 min	190 hrs 00 min	\$3,150	\$16.58

Source: Transportation departments records and FY1999-00 salary schedules

¹ Total daily hours working for the regular route as shown in **Table 5-11**

² Total estimated time to drive the additional route each day

³ Total estimated time the driver spends working each day based upon the regular route and the additional route

⁴ Total estimated additional hours worked in a year by driving the extra route

⁵ FY 1999-00 yearly supplemental salaries according to the treasurer’s office and contract between board of education and Local 453

⁶ Estimated hourly rate based upon FY 1999-00 supplemental salary and total estimated hours from the additional route

SLSD is responsible for taking students to other locations in addition to the five main buildings. This requires a couple of drivers to drive additional miles other than their regular routes. Under the contract, all bus drivers are guaranteed four hours of pay for days worked. However, the people who are driving both regular routes and additional routes do not drive more than the four hours which they are guaranteed. The District pays them a supplemental contract for driving the extra time.

The District believes that when the new building and four existing buildings are closed during FY 2001-02, three of these additional routes will no longer exist. One (route #15) will still be needed for the transportation of vocational education students to Meigs Local School District.

R5.6 SLSD should eliminate the three supplemental contracts for the additional routes during the next contract negotiations. The only route which will continue to be needed is the route to transport vocational education students to Meigs Local School District.

Financial Implication: The elimination of the three supplemental salaries will realize an annual savings of \$9,450.

F5.17 Throughout the school year, it is necessary for the District to use the services of the transportation department to provide transportation for various field trips, athletic events and other extracurricular activities. Seniority of the bus drivers determines who drives which activities. The Local 453 union contract requires that bus drivers be paid at a rate of \$8.68 per hour for driving a bus during such activities.

F5.18 All costs associated with driving District buses for field trips, athletic events and other extracurricular activities are charged back to the appropriate department. By charging the department, expenditures will be properly classified by department and/or building which better illustrates actual costs.

C5.2 By setting the hourly rate for extra trips lower than the hourly rate for their regular routes, the District is able to expend more money on education rather than on salaries and benefits. Because of the contract with Local 453, costs associated with transportation for extracurricular activities are kept at minimum.

F5.19 While the contract between the board of education and certified employees provides an attendance incentive program for both personal leave and sick leave, the contract between the board of education and classified employees contains only an attendance incentive program for personal leave. Under this attendance incentive program, the District will pay employees on the final payroll in June a bonus based upon the following scale:

- Employees who use zero personal days during the fiscal year receive a \$150 bonus.
- Employees who use one personal day during the fiscal year receive a \$100 bonus.
- Employees who use two personal days during the fiscal year receive a \$50 bonus.

F5.20 SLSD's transportation employees averaged 5.1 days of sick leave and 2.2 days of personal leave in FY 1998-99. The agreement with Local 453 does not require an employee to provide a physician's medical certificate and a return to duties release form if absent for an extended period of time. Further analysis on leave usage is covered in the **Human Resources** section of this report.

F5.21 Regularly scheduled bus routes to be bid for the upcoming school year are posted ten days prior to the scheduled bid date. Bid routes are awarded to the employee with the highest seniority of those who placed a bid. Bus drivers retain their bus route for the entire year unless they receive a new bus route after bidding on a vacant route. In the event a route becomes vacant or a new route is established after the school year has begun, the District posts the route for bid ten days prior to the scheduled bid date and awarded as mentioned above. As a result, his or her route becomes available for bid. Since 1991 when the current transportation supervisor assumed the position, only four bus routes have been bid.

R5.7 To prevent future problems from occurring, SLSD should limit the number of runs to be bid upon in an effort to restrict the domino effect and keep bus drivers on their assigned routes. This procedure also allows bus drivers to become familiar with the route, students and school personnel, while students and school personnel become familiar with the bus driver.

F5.22 All employees receive a full benefits package regardless of the number of hours worked per week. Based upon the contract, 100 percent of the benefit costs are paid by the District. In comparison, the boards of Bridgeport and Green require transportation employees to contribute towards the monthly premiums. See the **Human Resources** section of this report for more information and the corresponding recommendation(s).

Bus Fleet

F5.23 The transportation department operates 10 buses with 4 spares. Operating statistics that are commonly used to review the age and condition of the bus fleet are based on the average bus age and the average mileage by model year. The SLSD's bus fleet has an average age of 11 years.

There are no state guidelines for bus replacement. A general consensus among the Ohio Department of Education, private bus contractors and transportation departments is that buses should be replaced at 12 years of age or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, regardless of age or mileage, as long as a bus can pass inspection, the district may continue to use the bus for transportation. In FY 1998-99, SLSD's bus fleet of 14 passed inspection by the Ohio Highway Patrol. During FY 1999-00, 1 of the 14 buses was not placed through the inspection of the Ohio Highway Patrol because the District felt the bus was getting too old. They are currently in the process of replacing it. SLSD currently has nine buses in its fleet that exceed the parameter for replacement due to age. Of the nine buses, two exceed the replacement guidelines due to mileage.

F5.24 **Table 5-14** provides the number of buses by model year, seat capacity and an average mileage for the model year.

Table 5-14: Bus Fleet Analysis

Model Year	Number of Buses by Seat Capacity				Current Average Mileage as of FY 1998-99
	16	65	71	Total	
1982			1	1	129,170
1983	1	1 ¹		2	114,633
1984		1		1	153,179
1985			2	2	200,356
1986			2	2	174,887
1987			1	1	155,849
1991			1	1	109,431
1995			2	2	49,452
1998			2	2	18,822
Total	1	2	11	14	

Source: SLSD's transportation department

Note: All of the buses use diesel fuel with the exception of the 1983 handicap bus which uses gasoline fuel.

¹This bus is no longer being used by the District and has not gone through the Ohio Highway Patrol inspection for FY 1999-00 and the District is in the process of selling it. A replacement bus has been ordered and is expected to arrive during the FY 2000-01 school year.

In FY 1998-99, the District purchased one 71-passenger regular needs school bus at an approximate cost of \$53,000.

F5.25 **Table 5-15** illustrates that the District would need to spend approximately \$500,000 to upgrade the bus fleet in order to be consistent with general replacement guidelines.

Table 5-15: Bus Replacement Plan

Current Bus Condition	Regular Bus Estimated Replacement \$55,000	Lift/Handicapped Bus Estimated Replacement \$60,000	Total Estimated Replacement Cost
200,000+ miles	2	N/A	\$110,000
12+ years	6	1	\$390,000
Total	8	1	\$500,000

Source: Transportation department

F5.26 Bus replacement is funded in part by the state and the balance by the school district. Each school district is reviewed independently by ODE using a complex formula to determine the regular bus purchase allowance. SLSD does not have a bus replacement schedule. However, it is the District's practice to purchase a bus when enough money is accumulated in the transportation budget from the state's bus purchase allowance.

R5.8 The District should prepare a formal bus replacement plan. Included in this plan should be the number of buses to be replaced each fiscal year along with the average age at the time of replacement and the estimated cost of replacement. Further, the District should investigate and analyze the various potential funding methods for the bus purchases. The funding method(s) selected should be included in the bus replacement plan.

F5.27 The SLSD's transportation department employs one full-time mechanic and one part-time mechanic helper to service the District's 14 buses and 2 other board owned vehicles. The following table illustrates operational data including the number of mechanics and servicemen (in FTEs) employed to service District buses and other vehicles as compared with the peer districts.

Table 5-16: Mechanic Staffing Levels by Peer District

Operational Data	Southern	Bridgeport	Eastern	Green	Peer Average
Number of Mechanics/Service men (in FTEs)	1.4	N/A ¹	1.0 ²	1.0	1.1
Buses per Mechanics/Service men	10.0	N/A ¹	14.0	14.0	12.7
All Vehicles per Mechanic/Service men	11.4	N/A ¹	16.0	16.0	14.5
Avg. Mechanic’s Hourly Wage Rate	\$11.38	N/A ¹	\$10.55	\$13.33	\$11.75

Source: School districts’ transportation departments

¹Bridgeport Exempted Village School District does not have a mechanic on staff. They contract out all maintenance work on district vehicles.

² Eastern Local School District has one part-time mechanic that they call on an as-needed basis. However, he does not work a set number of hours each week or day.

F5.28 The SLSD employs one mechanic and one part-time mechanic helper to service the District’s 14 buses and two other vehicles in its transportation department. SLSD has the lowest all vehicles ratio of 11.4, as compared to the peer average of 14.5. However, this can be attributable to the part-time mechanic which was hired to help with a bus fleet with an average age 11 years (F5.24). In addition, the average mechanic’s hourly wage is in line with the peer average of \$11.75 per hour.

C5.3 Hiring a part-time mechanic to help with an older fleet helps keep down the costs associated with paying the full-time mechanic overtime. Even though this results in a lower ratio between mechanics and vehicles serviced, it helps the District realize a cost savings in not paying higher costs resulting from overtime hours worked.

F5.29 At the beginning of each school year, the District bids several items which the transportation department uses consistently. Some of these items include diesel fuel, gasoline, engine oil and grease. The District then awards a one year contract for each of these items to the best bidder. In addition, the vendor who has been awarded the bid over the past several years deducts the federal fuel tax from the retail price.

C5.4 The development of specifications and selection of vendors via contracts or competitive bidding helps ensure that the District is receiving the best possible rates for all services and assists the District in identifying available vendors.

F5.30 Bus drivers are responsible for fueling their bus every morning before their route. In order to fuel their bus, the breaker must be turned on inside the bus garage. The only individuals with keys to the bus garage are the transportation supervisor and the head mechanic. This control procedure prevents the use of fuel for activities which are not related to the District. The amount of fuel used is entered into the software package which the transportation department utilizes to track total costs associated with each vehicle.

C5.5 The control procedures that are in place to monitor fuel usage prevents the use of fuel for activities which are not related to the District.

Financial Implications Summary

The following table represents a summary of additional revenue and one time cost savings costs. This table represents the savings that Southern Local School District could potentially realize without utilizing a private contractor. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Transportation

Recommendations	Additional Revenue	Cost Savings (annual)
R5.2 Special needs transportation reporting errors	\$4,562	
R5.5 Reduction in guaranteed hours		\$27,265
R5.6 Reduction in supplemental contracts		\$9,450
Total	\$4,562	\$36,715

Actual versus estimated annual cost savings could vary greatly depending on the total number of buses reduced due to changes in transportation policies and efficiencies in routing. The estimated cost from the bus replacement addressed in **Table 5-15** is not included in the above table. The capital outlay required for the bus replacement plan is estimated at \$500,000.

Conclusion Statement

The Southern Local School District's (SLSD) transportation department is currently operating at a high cost with respect to the transportation of regular and special needs students. Significant factors that explain the District's high operating costs are the large land area which the District encompasses, paying higher average hourly and yearly bus driver salaries in comparison with the peer districts, paying bus drivers for hours which they do not work, paying supplemental contracts to bus drivers for additional time spent driving beyond the time of their normal routes, giving full benefit packages to employees regardless of the number of hours which they work and paying for a high number of holidays. Additionally, the filing of inaccurately prepared transportation reports with the Ohio Department of Education and the inability to secure supporting documentation for reported data has hindered the department's ability to ensure accountability and measure performance.

In order to realize significant reductions in operating costs, there are several options SLSD should consider such as the following: performing an analysis on bus driver's salaries to determine if they are being paid appropriately based upon job descriptions and responsibilities, renegotiating the way bus drivers are paid so they are only paid for hours worked, eliminating supplemental contracts for bus drivers and analyzing the current benefits that are given to the part-time employees.

The transportation department should develop procedures to ensure that accurate reports are prepared when determining the number of students transported on District buses. All actual expenditures should be reported to the Ohio Department of Education in order to ensure that the District receives the maximum allotment of funding and also accurate comparative statistics which will be beneficial to the District and the community. In addition, representatives from the transportation department, treasurer's office and superintendent's office who sign these forms should take responsibility for certifying the accuracy of the data reported.

While the District is currently optimizing the bus capacity utilization under the one-tier method, it may be beneficial for the District to purchase routing software to help aid the District in designing bus routes when one new building is opened in the FY 2001-02 school year and four other schools are closed. The software could help the District design bus routes so the District could continue operating the transportation department with high bus capacity utilization.

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